

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Arizona Department of Transportation

For the fiscal year ended June 30, 2015

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015

Prepared by Financial Management Services
State of Arizona Department of Transportation
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Arizona Department of Transportation
 Comprehensive Annual Financial Report
 for the fiscal year ended June 30, 2015

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INTRODUCTORY SECTION

April 18, 2016

The Honorable Douglas A. Ducey
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) of the Department for the fiscal year ended June 30, 2015. 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, requires 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, 2015 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, 2015, 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 (some of which are external to the Department) 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 creating a transportation system for Arizona that improves the quality of life. 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, 2015, the Department was organized into five major operating divisions supported by several groups, such as Human Resources, Information Technology and Financial Management Services. The five major 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.

Overall, the Department employs approximately 4,000 persons.

Budgetary Controls Upon the effective date of the operating budget 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 Arizona continued to experience measured economic growth in fiscal year 2015 with employment, personal income and population all posting modest growth over fiscal year 2014. On the bright side, gas and use fuel (diesel) prices decreased 20.9 and 14.1 percent, respectively, in fiscal year 2015, which led to stronger than expected growth in fuel tax revenues. The decrease in fuel prices was a result of increased domestic oil production and lower fuel demand outside the United States. The national economy also experienced slow but positive economic growth in FY 2015 with employment and personal income posting modest gains. According to the July 16, 2015 Arizona Department of Administration's employment report, the Arizona unemployment rate decreased from 6.8 percent in June 2014 to 5.9 percent in June 2015. During this period, the private sector created 58,200 jobs while the government sector lost 4,700 jobs for a net gain of 53,500. The number of jobs gained in FY 2015 was higher than the 42,800 jobs gained in FY 2014.

The Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax, posted positive results in fiscal year 2015. In fiscal year 2015, the HURF revenue collections were \$1,290.4 million, 4.0 percent above fiscal year 2014 and 1.6 percent above the forecast. The Regional Area Road Fund revenues equaled \$382.2 million, an increase of 4.5 percent over fiscal year 2014 and 1.0 percent above the estimate. Despite strong year-over-year growth, HURF revenues remain below fiscal year 2006 revenue levels and RARF revenues remain just slightly above fiscal year 2008 revenue levels.

Arizona's economy is expected to grow over the next two years but at a slower rate than the historical growth prior to 2007. On February 26, 2015, the Arizona Department of Administration estimated Arizona non-farm employment will grow by 2.2 and 2.4 percent in calendar years 2015 and 2016, respectively. According to the November 1, 2015 Western Blue Chip report, personal income in Arizona is expected to increase by 4.9 percent in calendar year 2015 and 5.3 percent in calendar year 2016. The population of Arizona is forecasted to grow by 1.4 percent in calendar year 2015 and 1.5 percent in calendar year 2016.

The Department's fiscal year 2016 HURF revenue estimate amounts to \$1,331.0 million, an increase of 3.1 percent over fiscal year 2015. The HURF average compound growth rate for fiscal years 2006 through 2015 was <0.3> percent. The distribution of HURF revenues in fiscal year 2016 is estimated to be as follows: State Highway Fund \$607.5 million; Arizona cities and towns \$382.9 million; Arizona counties \$242.6 million; Department of Public Safety \$96.4 million; Economic Strength Project Fund \$1.0 million; and the Motor Vehicle Division for the registration compliance/third party program \$0.7 million. An estimated \$8.3 million will be re-allocated from the State Highway Fund share of HURF vehicle license tax revenues with \$5.3 million going to the State General Fund and \$3.0 million going to the Department of Public Safety.

The Maricopa County Transportation Excise Tax revenue forecast for fiscal year 2016 totals \$401.0 million, an increase of 4.9 percent over fiscal year 2015. The Maricopa County Transportation Excise Tax ten year compound growth rate for fiscal years 2006 through 2015 was 0.4 percent. The distribution of the Maricopa County Transportation Excise Tax revenue in fiscal year 2016 is estimated to be as follows: Maricopa County Regional Area Road Fund \$225.4 million for highways, \$42.1 million for arterial streets, and \$133.5 million for the Public Transportation Fund.

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 other components being the Pima Association of Governments Highway Program and 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 2015, 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 2016 through 2020. 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 \$2.5 billion for expansion, \$1.3 billion for preservation, and \$0.7 billion for modernization.

The Five-Year Transportation Facilities Construction Program includes approximately \$2.1 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 \$4.8 billion. The Department currently has 7 major RTP Freeway Program projects under design and 12 major projects under construction. Included in these project listings is the new South Mountain Freeway. This project is listed in the current 5-Year Transportation Facilities Program for FY16-20 at a cost of \$1.496 billion. The Department acquired 4,224 acres of land for the RTP Freeway Program.

As part of the Five-Year Transportation Facilities Construction Program, the Transportation Board also adopted a \$162.3 million (state share) Five-Year Airport Development Program that includes 715 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, 2015.

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, 2014. This accomplishment was the twenty-fifth 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.

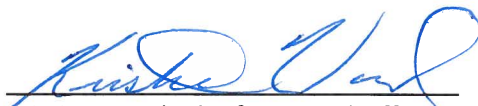
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Fiscal Operations whose commitment, professionalism, and dedicated efforts contributed to the preparation of the fiscal year 2015 Comprehensive Annual Financial Report.

Respectfully Submitted,



John S. Halikowski, Director
Arizona Department of Transportation



Kristine Ward, Chief Financial Officer
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, 2014

Executive Director/CEO

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

John S. Halikowski

Director

Scott Omer

Deputy Director
Business Operations

Kevin Biesty

Deputy Director for Policy

Dallas Hammit

Deputy Director
Transportation

Kristine Ward

Chief Financial Officer

Sonya E. Herrera

Assistant Director
Administrative Services Division

Terry W. Conner

Assistant Director
Enforcement and Compliance Division

Eric Jorgensen

Assistant Director
Motor Vehicle Division

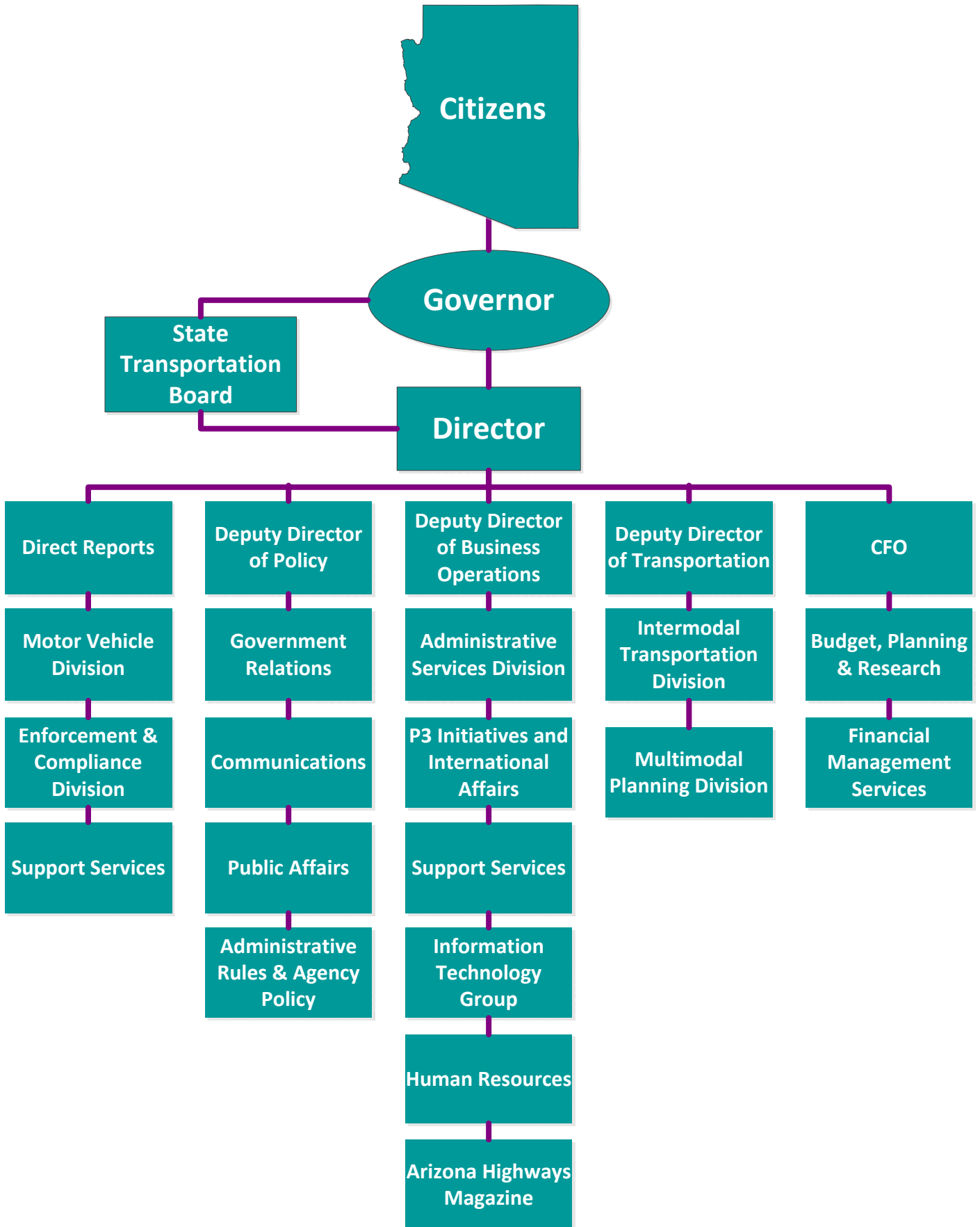
Michael Kies

Assistant Director
Multimodal Planning Division

Arizona State Transportation Board

Member	Counties	Term Expires
Kelly O. Anderson, Chairman	District 4 (Gila, Graham, and Pinal Counties)	2016
Vacant	District 5 (Apache, Coconino, and Navajo Counties)	2017
Joseph E. La Rue, Vice Chairman	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
Jack Sellers	District 1 (Maricopa County)	2020
Michael S. Hammond	District 2 (Pima County)	2021

State of Arizona Department of Transportation Organization Chart



FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Douglas A. Ducey
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, 2015, and the related notes to the financial statements, which collectively comprise the Department'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, 2015, 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.

Emphasis of a Matter

During the fiscal year ended June 30, 2015, the Department adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statements No. 68 and No. 71, the District reported a restatement for a change in accounting principle (see Note 6.B.).

Our auditor's opinions were not modified with respect to these restatements.

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 4 through 14, budgetary comparison information on pages 61 and 62, information about infrastructure assets reported using the modified approach on page 63 through 67, and the Department's proportionate share of the net pension liability and contributions on page 68 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, the Introductory Section 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 have issued our report dated April 18, 2016, 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. 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
April 18, 2016

Arizona Department of Transportation
Management's Discussion and Analysis (continued)
June 30, 2015

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, 2015. 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 15, 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 18.3 billion, compared to \$17.9 billion for fiscal year 2014, an increase of 2.7 percent. Of this amount, <\$57.5> million represents the *unrestricted* component as compared to \$160.9 million at the end of 2014. For fiscal year 2015 the Department implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. Refer to Note 4A for an explanation of the impact of GASB 68 on the 2015 unrestricted fund balance, however for purposes of this Management's Discussion and Analysis, the 2014 comparative balances have not been changed.
- The Department's capital assets are \$20.3 billion, compared to \$19.7 billion for fiscal year 2014, an increase of 2.9 percent. This increase is attributable to the results of highway construction activity. The Department's *net investment in capital assets* is \$17.5 billion, compared to \$16.8 billion for fiscal year 2014, an increase of 4.1 percent.
- The Department's non-current liabilities are \$3.1 billion, compared to \$3.3 billion in 2014. The Department had \$222.4 million less in bonds outstanding in 2015 than in 2014. During fiscal year 2015, there were no new money bonds issued and \$222.4 million in bonds repaid. The long term liability decrease in FY15 was offset in part by the inclusion of the net pension liability as required by GASB 68 (see note 6B).

Fund Level:

- As of the close of the fiscal year, the governmental funds of the Department reported combined ending fund balances of approximately \$1.2 billion, as compared to approximately \$1.3 billion in 2014.
- The total restricted fund balance is \$1.0 billion; the majority of this amount is restricted for capital projects. Inventories of \$6.3 million represent the non-spendable portion of fund balance while \$221.4 million represents the committed fund balance portion.
- The proprietary funds reported net position at year-end of \$79.2 million, as compared to \$80.0 million in 2014.

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.

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.

Arizona Department of Transportation
Management's Discussion and Analysis (continued)
June 30, 2015

Net position is the difference between the Department's assets and deferred outflows of resources less liabilities and deferred inflows of resources, and represents 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 15-16 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 expensed as governmental activities.
- 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.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.

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- 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 17 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 from 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 17-24 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 most 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. The proprietary funds financial statements can be found on pages 25-27 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

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resources of those funds are not available to support the Department's own programs. The fiduciary fund financial statement can be found on page 28.

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 30-60 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), the modified approach to reporting infrastructure assets, and the Pension Liability and Pension Contributions as per GASB statement 68, as amended. Required Supplementary Information can be found on pages 61-68 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 69-74 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, 2015 and 2014.

The Department's combined net position increased by \$479.3 million over the course of this fiscal year's operations, an increase of 2.7 percent. The net position of the governmental activities increased by \$480.2 million, or 2.7 percent; and business-type activities decreased by \$0.9 million, a decrease of 1.1 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, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 1,474,303,545	\$ 1,553,134,013	\$ 83,207,708	\$ 82,297,617	\$ 1,557,511,253	\$ 1,635,431,630
Capital assets	20,307,159,233	19,732,480,170	18,328	23,704	20,307,177,561	19,732,503,874
Total assets	<u>21,781,462,778</u>	<u>21,285,614,183</u>	<u>83,226,036</u>	<u>82,321,321</u>	<u>21,864,688,814</u>	<u>21,367,935,504</u>
Deferred Outflows of Resources						
Total Deferred Outflow	109,108,947	-	227,258	-	109,336,205	-
Liabilities						
Other liabilities	232,093,784	257,124,799	2,057,201	2,128,181	234,150,985	259,252,980
Non-current liabilities	3,346,919,370	3,250,661,052	1,916,635	153,055	3,348,836,005	3,250,814,107
Total liabilities	<u>3,579,013,154</u>	<u>3,507,785,851</u>	<u>3,973,836</u>	<u>2,281,236</u>	<u>3,582,986,990</u>	<u>3,510,067,087</u>
Deferred Inflows of Resources						
Total Deferred Inflow	53,525,346	-	307,767	-	53,833,113	-
Net position						
Net investment in capital assets	17,496,121,617	16,812,808,367	18,328	23,704	17,496,139,945	16,812,832,071
Restricted	819,445,518	805,892,958	78,770,273	78,226,426	898,215,791	884,119,384
Unrestricted	<57,533,910>	159,127,007	383,090	1,789,955	<57,150,820>	160,916,962
Total net position	<u>\$ 18,258,033,225</u>	<u>\$ 17,777,828,332</u>	<u>\$ 79,171,691</u>	<u>\$ 80,040,085</u>	<u>\$ 18,337,204,916</u>	<u>\$ 17,857,868,417</u>

The total assets of the Department (excluding deferred outflows of resources) were \$21.9 billion, while total liabilities (excluding deferred inflows of resources) were \$3.6 billion, resulting in a net position balance of \$18.3 billion. The majority of the Department's net position, \$17.5 billion (95.4 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

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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 infrastructure. The Department issued no new HURF bonds in Fiscal Year 2014 and one in Fiscal Year 2015.

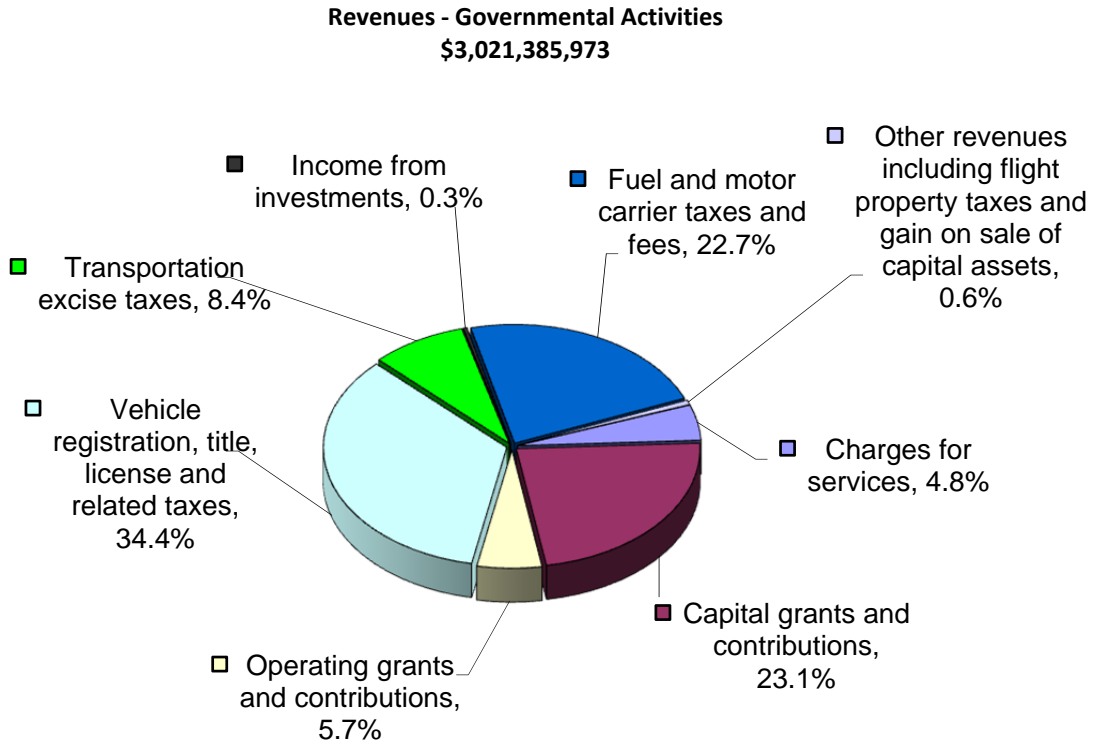
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Department's net position changed during the year, compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 145,815,312	\$ 137,724,749	\$ 5,073,108	\$ 5,164,129	\$ 150,888,420	\$ 142,888,878
Operating grants and contributions	172,279,124	157,704,815	-	-	172,279,124	157,704,815
Capital grants and contributions	696,876,955	546,680,156	-	-	696,876,955	546,680,156
General revenues:						
Transportation excise taxes	254,871,189	243,786,442	-	-	254,871,189	243,786,442
Motor vehicle registration, title, and related taxes	1,036,501,712	963,221,368	-	-	1,036,501,712	963,221,368
Fuel and motor carrier taxes and fees	686,041,839	714,852,146	-	-	686,041,839	714,852,146
Flight property taxes	8,595,398	12,974,652	-	-	8,595,398	12,974,652
Income from investments	9,989,166	11,633,977	612,623	735,149	10,601,789	12,369,126
Gain <loss> on sale of capital assets	151,096	26,213	-	-	151,096	26,213
Other	10,264,182	13,904,713	-	-	10,264,182	13,904,713
Total revenues	<u>3,021,385,973</u>	<u>2,802,509,231</u>	<u>5,685,731</u>	<u>5,899,278</u>	<u>3,027,071,704</u>	<u>2,808,408,509</u>
Expenses						
Administration	98,854,942	106,199,775	-	-	98,854,942	106,199,775
Highway	41,835,681	51,073,648	-	-	41,835,681	51,073,648
Highway maintenance	137,473,410	122,977,082	-	-	137,473,410	122,977,082
Motor vehicle	92,519,607	111,397,196	-	-	92,519,607	111,397,196
Non-capital, including asset preservation	315,348,743	312,518,589	-	-	315,348,743	312,518,589
Distributions to other state agencies	189,517,017	216,674,664	-	-	189,517,017	216,674,664
Distributions to Arizona counties and cities	1,155,651,075	1,065,798,330	-	-	1,155,651,075	1,065,798,330
Local governmental assistance	98,371,365	90,375,747	-	-	98,371,365	90,375,747
Issuance costs on long term debt	-	13,553,975	-	-	-	13,553,975
Interest on long-term debt	94,955,871	114,406,231	-	-	94,955,871	114,406,231
Arizona Highways Magazine	-	-	4,739,367	4,821,234	4,739,367	4,821,234
Highway Expansion and Extension Loan Program	-	-	43,169	45,836	43,169	45,836
Total expenses	<u>2,224,527,711</u>	<u>2,204,975,237</u>	<u>4,782,536</u>	<u>4,867,070</u>	<u>2,229,310,247</u>	<u>2,209,842,307</u>
Changes in net position	796,858,262	597,533,994	903,195	1,032,208	797,761,457	598,566,202
Net position - July 1, as restated	17,461,174,963	17,180,294,338	78,268,496	79,007,877	17,539,443,459	17,259,302,215
Net position - June 30	<u>\$ 18,258,033,225</u>	<u>\$ 17,777,828,332</u>	<u>\$ 79,171,691</u>	<u>\$ 80,040,085</u>	<u>\$ 18,337,204,916</u>	<u>\$ 17,857,868,417</u>

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Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2015:



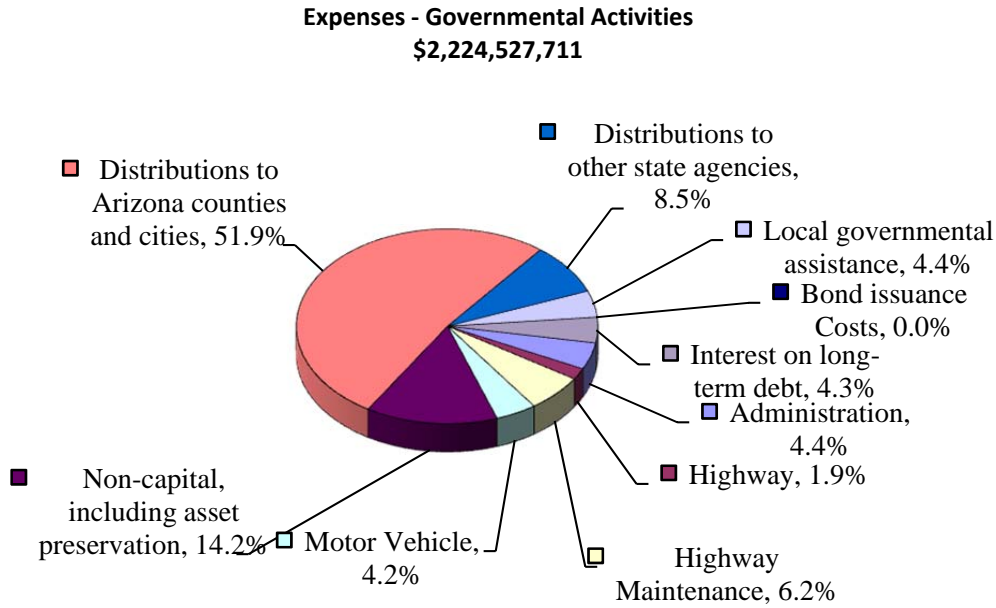
\$2.4 billion (or 80.1 percent) of the Department's revenues are from the following three revenue sources:

- Vehicle registration, title, license, and related taxes comprise the Department's largest revenue source of \$1,037 million (34.5 percent).
- Fuel and motor carrier taxes and fees represent the Department's second largest revenue source of \$686.0 million (22.7 percent).
- Capital grants and contributions represent the Department's third largest revenue source of \$696.9 million (23.0 percent).

The Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax, posted positive year-results in fiscal year 2015. HURF collections totaled approximately \$1,290.4 million, 4.0 percent above fiscal year 2014 and 1.6 percent above the forecast. Maricopa County Transportation Excise Tax collections totaled \$382.2 million, an increase of 4.5 percent over fiscal year 2014 and 1.0 percent above the Department's estimate. The Transportation Excise Tax distribution to the Department was \$254.9 million compared to \$243.8 million for fiscal year 2014.

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The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2015:



\$1.6 billion (or 74.4 percent) of the Department's expenses were for the following:

- Distributions to Arizona counties and cities comprise the Department's largest expense of \$1.2 billion (51.9 percent).
- Non-capital, including asset preservation, represents the Department's second largest expense of \$315.3 million (14.2 percent).
- Distributions to other state agencies represent the Department's third largest expense of \$189.5 million (8.5 percent).

Distributions to Arizona counties and cities decreased in fiscal year 2015 as compared to fiscal year 2014 due to a decrease in fuel tax and vehicle license tax collections. The distributions to other government entities equal \$1.4 billion (64.9 percent); making up more than half of the expenditures for fiscal year 2015.

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June 30, 2015

Business-type Activities

Net position for business-type activities increased by \$0.9 million in fiscal year 2015. Total revenues were \$5.7 million, with charges for services representing 89.2 percent and income from investments 10.8 percent. The total expenses for business-type activities were \$4.8 million.

The Highway Expansion and Extension Loan Program did not approve or disburse any loans in Fiscal Year 2015. Interest revenue decreased this fiscal year due to the lower interest rates during the year.

The *Arizona Highways Magazine* had a decrease in operating revenues of \$91 thousand primarily due to 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 17-24) 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 69-72.

As of the end of the fiscal year, the fund balances of the governmental funds totaled \$1.2 billion, a decrease of \$51.1 million over the previous fiscal year. The majority of this amount is restricted for capital projects.

The General Fund (State Highway Fund) is the primary operating fund of the Department. At the end of the current fiscal year, the non-spendable fund balance was \$6.3 million; the restricted fund balance was \$344.3 million; and the committed fund balance was \$177.4 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 2015 were \$480.0 million; Transportation Excise Tax revenue of \$254.9 million (or 53.1 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 \$137.3 million were transferred in from the General Fund (State Highway Fund), Maricopa Regional Area Road Construction Fund (\$103.3 million), and Grant Anticipation Notes Fund (\$64.9 million), and were used to pay the debt service.

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 Funds' expenditures were \$108.5 million. Capital outlay expenditures of \$79.9 million (73.7 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.

Arizona Department of Transportation
Management's Discussion and Analysis (continued)
June 30, 2015

Budget Variances

The Department's appropriated operating budget from the General Fund (State Highway Fund) increased by about \$3.5 million from fiscal year 2014 to fiscal year 2015. The increase was primarily due to the increased cost to maintain and operate new lane miles. In fiscal year 2014, the Department spent 99.0% of its budget and in fiscal year 2015 the Department spent 97.5% of its budget. Ultimately, the Department spent about \$1.5 million less in fiscal year 2015 than in fiscal year 2014 from its appropriated operating budget from the General Fund (State Highway Fund). Reference the budgetary comparison schedule on page 61.

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, 2015, amounts to \$20.3 billion (net of accumulated depreciation), a \$574.6 million increase over the previous fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,977,145,531	\$ 2,906,121,499	\$ 7,900	\$ 7,900	\$ 2,977,153,431	\$ 2,906,129,399
Infrastructure	15,732,568,650	13,778,329,207	-	-	\$ 15,732,568,650	\$ 13,778,329,207
Construction in progress	1,358,933,346	2,843,910,023	-	-	\$ 1,358,933,346	\$ 2,843,910,023
Buildings and improvements	104,164,773	103,775,596	4,471	8,838	\$ 104,169,244	\$ 103,784,434
Improvements other than buildings	46,770,729	22,306,468	-	-	\$ 46,770,729	\$ 22,306,468
Machinery and equipment	21,970,078	12,204,261	5,957	6,966	\$ 21,976,035	\$ 12,211,227
Mobile fleet and aircraft	65,606,126	65,833,116	-	-	65,606,126	65,833,116
Total	<u>\$ 20,307,159,233</u>	<u>\$ 19,732,480,170</u>	<u>\$ 18,328</u>	<u>\$ 23,704</u>	<u>\$ 20,307,177,561</u>	<u>\$ 19,732,503,874</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, as amended. Assets accounted for under the modified approach include 6,800 center line miles of roads (21,390 travel lane miles) and 4,798 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 3.68 was achieved for fiscal year 2015.

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 2015, a CRI of 93.5 percent was achieved.

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In addition to many smaller projects, the following major highway construction contracts in excess of \$10 million were started during fiscal year 2015:

Description	Contract Start Date	Contract Amount	Fiscal Year 2015
			Construction Expenditures
Capacity additions/reconstruction/emergency reconstruction on US 89	7/11/2014	\$ 22,252,237	\$ 24,979,441
Addition of general purpose lanes on SR 202, SR 101 to Broadway Road	9/12/2014	109,177,109	99,412,038
Traffic interchange at SR 303 and US 60	11/14/2014	46,061,726	20,048,994
Traffic interchange at SR 303 and El Mirage Road	11/14/2014	19,886,136	4,332,939
Capacity additions/major widening on US 93 from SR71 to SR 89	12/12/2014	12,481,908	4,165,189
Pavement rehabilitation/widening on SR 264 at Cross Canyon at SR 191	3/20/2015	12,308,985	1,026,526
Bridge replacement/widening on SR 89 Hell Canyon Bridge, structure #483	3/20/2015	14,357,137	2,039,720
Pavement Rehabilitation I-40 Willow Ranch Rd to MP 92	5/17/2015	11,798,007	446,465

Furthermore, the following major highway construction projects had expenditures in excess of \$15 million in fiscal year 2015. These project expenditures include payments made to construction contractors (as shown below) as well as utility, design, right-of-way, and landscaping costs:

Location Description	Contract Start Date	2015 Project
		Expenditures
Addition of general purpose lanes on SR 202, SR 101 to Broadway Road	9/12/2014	\$83,756,379
Capacity additions/reconstruction on SR 303 from US 60 to Happy Valley Road	6/13/2014	29,309,510
Capacity additions/major widening on SR 101 from Shea Boulevard to SR 202	6/13/2014	27,710,030
Capacity additions/reconstruction/emergency reconstruction on US 89	7/11/2014	21,100,232
Capacity additions/major widening on SR 77 from Tangerine Road to the Pinal County Line	4/11/2014	21,006,861
Traffic interchange at SR 303 and US 60	11/14/2014	18,089,477
System preservation/reconstruction US 89 from SR 64 to the Little Colorado River	10/11/2013	15,614,134

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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, 2015, amount to \$3.1 billion, a decrease of \$209.8 million from the previous fiscal year.

Governmental Activities	2015	2014
Highway revenue bonds	\$ 1,589,965,000	\$ 1,674,800,000
Transportation excise tax revenue bonds	782,810,000	867,375,000
Grant anticipation notes (GARVEE bonds)	194,670,000	247,710,000
Unamortized Premium on bonds	401,520,619	323,356,042
Capital leases	30,944,653	29,323,520
Compensated absences	18,742,433	18,231,307
Net pension liability (Note 6B) ¹	306,088,022	-
Advances and notes payable	22,178,643	89,865,183
Total governmental activities	3,346,919,370	3,250,661,052
Business-type Activities		
Compensated absences	156,652	153,055
Total business-type activities	156,652	153,055
Total non-current liabilities	\$ 3,347,076,022	\$ 3,250,814,107

¹2016 was the first year that Net pension liability information was captured.

The Department has issued revenue bonds in 35 separate issues since 2000. All bonds outstanding as of June 30, 2015 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.

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. 17th Avenue, Phoenix, Arizona, 85007, or by visiting our website at: <http://www.azdot.gov/about/FinancialManagementServices/transportation-funding/financial-reports>.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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.

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.

Arizona Department of Transportation
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Primary Government
Assets			
Unrestricted cash on deposit with State Treasurer	\$ 172,197,471	\$ 3,608,980	\$ 175,806,451
Receivables:			
Subscriptions, net of allowance for doubtful accounts	-	81,060	81,060
Taxes and fees	80,334,429	-	80,334,429
Notes and loans	3,904,207	-	3,904,207
Other, net of allowance for doubtful accounts	13,576,515	166,184	13,742,699
Due from U.S. Government	50,634,156	-	50,634,156
Due from other state agencies	22,111,972	23,232	22,135,204
Due from Arizona counties and cities	416,567	-	416,567
Internal balances	141,204	(141,204)	-
Inventories	9,020,703	301,188	9,321,891
Other assets/prepaid items	-	435,011	435,011
Restricted cash with State Treasurer	1,121,966,321	78,733,257	1,200,699,578
Capital assets not subject to depreciation (Note 5A)	20,068,647,527	7,900	20,068,655,427
Capital assets subject to depreciation, net of accumulated depreciation (Note 5A)	238,511,706	10,428	238,522,134
Total Assets	<u>21,781,462,778</u>	<u>83,226,036</u>	<u>21,864,688,814</u>
Deferred Outflows of Resources			
Relating to pensions (Note 6B)	41,295,969	227,258	41,523,227
Loss on debt refundings	67,812,978	-	67,812,978
Total Deferred outflows of resources	<u>109,108,947</u>	<u>227,258</u>	<u>109,336,205</u>
Liabilities			
Accounts payable and other current liabilities	98,291,979	47,109	98,339,088
Accrued payroll and other accrued expenses	8,512,202	46,266	8,558,468
Due to other state agencies	8,023,033	-	8,023,033
Due to Arizona counties and cities	117,234,110	-	117,234,110
Unearned revenue (Note 5C)	32,460	1,963,826	1,996,286
Long-term obligations (Note 5F)	3,040,831,348	156,652	3,040,988,000
Net pension liability (Note 6B)	306,088,022	1,759,983	307,848,005
Total Liabilities	<u>3,579,013,154</u>	<u>3,973,836</u>	<u>3,582,986,990</u>
Deferred Inflows of Resources			
Relating to pensions (Note 6B)	53,525,346	307,767	53,833,113
Total Deferred inflows of resources	<u>53,525,346</u>	<u>307,767</u>	<u>53,833,113</u>
Net Position			
Net investment in capital assets	17,496,121,617	18,328	17,496,139,945
Restricted:			
Loans and other financial assistance:			
Debt service	20,907,137	78,770,273	99,677,410
Capital projects	2	-	2
Unrestricted (deficit)	798,538,379	-	798,538,379
	(57,533,910)	383,090	(57,150,820)
Total Net Position	<u>\$ 18,258,033,225</u>	<u>\$ 79,171,691</u>	<u>\$ 18,337,204,916</u>

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

Arizona Department of Transportation
Statement of Activities
June 30, 2015

Functions/Programs	Program Revenues				Net <Expenses> Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Administration	\$ 98,854,942	\$ 8,144,635	\$ -	\$ 1,222,688	\$ (89,487,619)
Highway	41,835,681	2,157,355	72,166,581	695,654,267	728,142,522
Highway maintenance	137,473,410	2,676,461	-	-	(134,796,949)
Motor vehicle	92,519,607	132,836,861	-	-	40,317,254
Non-capital, including asset preservation	315,348,743	-	-	-	(315,348,743)
Distributions to other state agencies	189,517,017	-	-	-	(189,517,017)
Distributions to Arizona counties and cities	1,155,651,075	-	-	-	(1,155,651,075)
Local government assistance	98,371,365	-	100,112,543	-	1,741,178
Interest on long-term debt	94,955,871	-	-	-	(94,955,871)
Total Governmental Activities	2,224,527,711	145,815,312	172,279,124	696,876,955	(1,209,556,320)
Business-type Activities:					
Arizona Highways Magazine	4,739,367	5,073,108	-	-	333,741
Highway Expansion and Extension Loan Program	43,169	-	-	-	(43,169)
Total Business-type Activities	4,782,536	5,073,108	-	-	290,572
Total Primary Government	\$ 2,229,310,247	\$ 150,888,420	\$ 172,279,124	\$ 696,876,955	\$ (1,209,265,748)
			Governmental Activities	Business-type Activities	Total
Net <expenses> revenues			\$ (1,209,556,320)	\$ 290,572	\$ (1,209,265,748)
General revenues:					
Transportation excise taxes			254,871,189	-	254,871,189
Motor vehicle registration, title, and related taxes			1,036,501,712	-	1,036,501,712
Fuel and motor carrier taxes and fees			686,041,839	-	686,041,839
Flight property taxes			8,595,398	-	8,595,398
Income from investments			9,989,166	612,623	10,601,789
Gain on sale of capital assets			151,096	-	151,096
Other			10,264,182	-	10,264,182
Total General Revenues			2,006,414,582	612,623	2,007,027,205
Changes in Net Position			796,858,262	903,195	797,761,457
Net Position - July 1, as restated (Note 6B)			17,461,174,963	78,268,496	17,539,443,459
Net Position - June 30			\$ 18,258,033,225	\$ 79,171,691	\$ 18,337,204,916

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, 2015

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
Assets			
Unrestricted cash on deposit with the State Treasurer	\$ 130,980,157	\$ -	\$ -
Receivables:			
Interfund (Note 5D)	84,500,242	-	1,322,640
Taxes and fees	-	-	29,191,669
Notes and loans	819,164	-	-
Due from other State agencies	81,818	21,666,594	-
Due from Arizona counties and cities	126,968	-	-
Other (net)	6,997,659	1,261,094	-
Amounts due from U.S. Government	32,293,706	15,682,948	-
Inventories	6,340,586	-	-
Restricted cash on deposit with the State Treasurer	344,347,042	437,642,369	41,118,423
Total assets	<u>\$ 606,487,342</u>	<u>\$ 476,253,005</u>	<u>\$ 71,632,732</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 66,669,617	\$ 21,638,842	\$ 1,359,185
Accrued payroll and other accrued expenditures	7,760,829	258,840	-
Interfund payables (Note 5D)	1,739,030	-	46,505,135
Amounts due to:			
Other state agencies	183,335	163,986	4,603,687
Arizona counties and cities	923,980	-	27,097,148
Surety and rental deposits	319,501	-	196,000
Total liabilities	<u>77,596,292</u>	<u>22,061,668</u>	<u>79,761,155</u>
Deferred inflows of resources			
Unavailable revenue	819,164	-	-
Fund balances <deficits>: (Note 5G)			
Unassigned	-	-	<8,128,423>
Nonspendable	6,340,586	-	-
Restricted	344,347,042	447,491,337	-
Committed	177,384,259	6,700,000	-
Total fund balances <deficits>	<u>528,071,887</u>	<u>454,191,337</u>	<u><8,128,423></u>
Total liabilities, deferred inflows of resources and fund balances <deficits>	<u>\$ 606,487,343</u>	<u>\$ 476,253,005</u>	<u>\$ 71,632,732</u>

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

Arizona Department of Transportation
Balance Sheet
Governmental Funds
June 30, 2015

Special Revenue Funds					Total Non-Major Governmental Funds (See Exhibit 9)	Total Governmental Funds
Highway User Revenue Fund	Debt Service Funds	Capital Projects Funds				
\$ -	\$ -	\$ -	\$ -	\$ 39,751,823	\$ -	\$ 170,731,980
43,817,245	-	-	-	2,883,822	-	132,523,949
51,142,759	-	-	-	-	-	80,334,428
-	-	-	-	3,085,042	-	3,904,206
-	-	-	-	325,915	-	22,074,327
-	-	-	-	289,599	-	416,567
-	68,630	97,625	-	5,148,954	-	13,573,962
-	-	-	-	2,657,502	-	50,634,156
-	-	-	-	-	-	6,340,586
<u>72,310,317</u>	<u>88,009</u>	<u>210,963,354</u>		<u>15,496,807</u>		<u>1,121,966,321</u>
<u>\$ 167,270,321</u>	<u>\$ 156,639</u>	<u>\$ 211,060,979</u>		<u>\$ 69,639,464</u>		<u>\$ 1,602,500,482</u>
\$ -	\$ 20,192	\$ 5,149,804	\$ -	\$ 2,196,763	\$ -	\$ 97,034,403
-	-	54,537	-	63,316	-	8,137,522
84,138,580	-	-	-	-	-	132,382,745
-	-	-	-	3,072,025	-	8,023,033
83,131,741	-	550	-	6,080,691	-	117,234,110
-	-	-	-	-	-	515,501
<u>167,270,321</u>	<u>20,192</u>	<u>5,204,891</u>		<u>11,412,795</u>		<u>363,327,314</u>
-	-	-	-	-	-	819,164
-	-	-	-	-	-	<8,128,423>
-	-	-	-	-	-	6,340,586
-	136,447	205,856,088	-	20,907,139	-	1,018,738,053
-	-	-	-	37,319,530	-	221,403,789
-	<u>136,447</u>	<u>205,856,088</u>		<u>58,226,669</u>		<u>1,238,354,005</u>
<u>\$ 167,270,321</u>	<u>\$ 156,639</u>	<u>\$ 211,060,979</u>		<u>\$ 69,639,464</u>		<u>\$ 1,602,500,483</u>

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

Arizona Department of Transportation
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2015

Total fund balances - governmental funds (Exhibit 3)	\$	1,238,354,005
<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).		20,241,004,879
Certain receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds (Exhibit 3).		819,164
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).		53,843,498
Deferred outflows of resources are not reported in the funds (Note 4 B2)		107,243,568
Pension liabilities are not due and payable from current financial resources and, and, therefore, are not reported in the funds (Note 4 B3).		<292,071,337>
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 B4).		<3,040,086,292>
Deferred inflows of resources related to pensions are not reported in the funds (Note 4 B5).		<51,074,260>
Net position of governmental activities (Exhibit 1)	\$	<u>18,258,033,225</u>

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, 2015

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
Revenues			
Transportation excise taxes	\$ -	\$ 254,871,189	\$ -
Vehicle registration, title, license, and related taxes and fees	300,609,339	-	488,251,343
Fuel and motor carrier taxes and fees	312,543,301	-	16,788,869
Flight property taxes	-	-	-
Reimbursement of construction expenditures - federal aid	402,793,957	217,871,413	-
Other federal grants and reimbursements	72,166,581	-	-
Reimbursements from Arizona counties and cities	8,832,039	1,265,542	-
Distributions from other state agencies	1,338,191	-	-
Interest on loans receivable	68,766	-	-
Income from investments	3,027,711	3,982,164	-
Grand Canyon National Park Airport	-	-	-
Rental income	5,205,268	1,466,220	-
Other	2,853,457	564,569	-
Total revenues	<u>1,109,438,610</u>	<u>480,021,097</u>	<u>505,040,212</u>
Expenditures			
Current:			
Administration	84,522,009	4,092,121	-
Highway	33,740,381	4,415,012	-
Highway maintenance	130,598,543	-	-
Motor vehicle	76,021,637	-	2,025,243
Total current expenditures	<u>324,882,570</u>	<u>8,507,133</u>	<u>2,025,243</u>

(continued)

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, 2015

Special Revenue Funds					Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,871,189
370,184,359	-	-	-	10,293,532	-	1,169,338,573
321,466,003	-	-	-	35,243,666	-	686,041,839
-	-	-	-	8,595,398	-	8,595,398
-	-	-	-	65,157,603	-	685,822,973
-	-	-	-	90,534,284	-	162,700,865
-	-	-	-	10,534,660	-	20,632,241
-	-	-	-	-	-	1,338,191
-	-	-	-	109,840	-	178,606
131,933	685,929	1,747,987	-	413,442	-	9,989,166
-	-	-	-	1,294,541	-	1,294,541
-	-	-	-	-	-	6,671,488
3,737,664	-	-	-	3,108,492	-	10,264,182
<u>695,519,959</u>	<u>685,929</u>	<u>1,747,987</u>	-	<u>225,285,458</u>	-	<u>3,017,739,252</u>
-	53,512	556,456	-	4,084,571	-	93,308,669
-	-	-	-	98,371,365	-	136,526,758
-	-	-	-	-	-	130,598,543
4,815,007	-	-	-	4,433,719	-	87,295,606
<u>4,815,007</u>	<u>53,512</u>	<u>556,456</u>	-	<u>106,889,655</u>	-	<u>447,729,576</u>

(continued)

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, 2015

	General Fund (State Highway Fund)	Special Revenue Funds	
		Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
Expenditures (continued)			
Intergovernmental:			
Distributions to other state agencies	\$ 7,056,628	\$ -	\$ 50,906,282
Distributions to Arizona counties and cities	31,001,110	55,977,663	452,108,687
Debt service:			
Principal	8,578,243	77,835,000	-
Interest	960,036	-	-
Bond issuance costs	-	-	-
Non-capital, including asset preservation	195,624,900	28,280,890	-
Capital outlay	310,241,082	244,124,543	-
Total expenditures	<u>878,344,569</u>	<u>414,725,229</u>	<u>505,040,212</u>
Excess <deficiency> of revenues over <under> expenditures	<u>231,094,041</u>	<u>65,295,868</u>	<u>-</u>
Other financing sources <uses>			
Transfers in	-	-	-
Transfers out for debt service	<137,265,202>	<103,250,301>	-
Sale of capital assets	258,519	-	-
Insurance recovery	2,676,461	-	-
Debt and capital lease issuances	-	783,241	-
Refunding debt issuance	-	-	-
Premium from debt issuance	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources <uses>	<u><134,330,222></u>	<u><102,467,060></u>	<u>-</u>
Net changes in fund balances <deficits>	96,763,819	<37,171,192>	-
Fund balances <deficits> - July 1	<u>431,308,068</u>	<u>491,362,529</u>	<u><8,128,423></u>
Fund balances <deficits> - June 30	<u>\$ 528,071,887</u>	<u>\$ 454,191,337</u>	<u>\$ <8,128,423></u>

(continued)

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, 2015

Special Revenue Funds		Total Non-Major Governmental Funds (See Exhibit 10)			Total Governmental Funds
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds	
\$ 99,516,760	\$ -	\$ -	\$ 32,037,347	\$ 189,517,017	
591,188,192	-	-	25,375,423	1,155,651,075	
-	185,640,000	-	-	272,053,243	
-	120,444,290	-	-	121,404,326	
-	3,025,719	-	-	3,025,719	
-	-	27,978,646	68,873	251,953,309	
-	-	79,936,723	1,023	634,303,371	
<u>695,519,959</u>	<u>309,163,521</u>	<u>108,471,825</u>	<u>164,372,321</u>	<u>3,075,637,636</u>	
-	<308,477,592>	<106,723,838>	60,913,137	<57,898,384>	
-	305,409,546	-	-	305,409,546	
-	-	-	<64,894,043>	<305,409,546>	
-	-	-	-	258,519	
-	-	-	-	2,676,461	
-	-	-	-	783,241	
-	754,285,001	-	-	754,285,001	
-	149,553,515	-	-	149,553,515	
-	<900,812,743>	-	-	<900,812,743>	
-	<u>308,435,319</u>	-	<u><64,894,043></u>	<u>6,743,994</u>	
-	<42,273>	<106,723,838>	<3,980,906>	<51,154,390>	
-	<u>178,720</u>	<u>312,579,926</u>	<u>62,207,575</u>	<u>1,289,508,395</u>	
<u>\$ -</u>	<u>\$ 136,447</u>	<u>\$ 205,856,088</u>	<u>\$ 58,226,669</u>	<u>\$ 1,238,354,005</u>	

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

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, 2015

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ <51,154,390>
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).	574,971,379
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 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).	<904,621,756>
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).	1,192,974,940
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).	<4,318,712>
Pension contributions are reported as expenditures in the governmental funds (Note 4 C4)	<1,048,000>
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (Note 4 C5).	<u><9,945,199></u>
Changes in net position of governmental activities (Exhibit 2)	<u>\$ 796,858,262</u>

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

PROPRIETARY FUNDS

FINANCIAL STATEMENTS

MAJOR FUNDS

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.

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.

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund	Arizona Highways Magazine Fund	Total	
Assets				
Current assets:				
Unrestricted cash on deposit with the State Treasurer	\$ -	\$ 3,608,980	\$ 3,608,980	\$ 1,465,491
Receivables:				
Interfund (Note 5D)	-	39,474	39,474	-
Subscriptions, net of allowance for doubtful accounts	-	81,060	81,060	-
Due from other State agencies	-	23,232	23,232	37,645
Other, net allowance for doubtful accounts	37,016	122,830	159,846	2,554
Inventories	-	307,526	307,526	2,680,117
Prepaid items	-	435,011	435,011	-
Restricted cash on deposit with the State Treasurer	78,733,257	-	78,733,257	-
Total current assets	<u>78,770,273</u>	<u>4,618,113</u>	<u>83,388,386</u>	<u>4,185,807</u>
Non-current assets:				
Capital assets not subject to depreciation	-	7,900	7,900	-
Capital assets subject to depreciation, net of accumulated depreciation	-	10,428	10,428	66,154,354
Total non-current assets	<u>-</u>	<u>18,328</u>	<u>18,328</u>	<u>66,154,354</u>
Total assets	<u>78,770,273</u>	<u>4,636,441</u>	<u>83,406,714</u>	<u>70,340,161</u>
Deferred outflows of resources	<u>-</u>	<u>227,258</u>	<u>227,258</u>	<u>1,865,379</u>
Liabilities				
Current liabilities:				
Accounts payable	-	47,109	47,109	742,075
Accrued payroll and other accrued expenses	-	46,266	46,266	374,680
Interfund payables (Note 5D)	-	180,678	180,678	-
Unearned revenues (Note 5C)	-	1,963,826	1,963,826	32,460
Compensated absences	-	156,652	156,652	745,056
Total current liabilities	<u>-</u>	<u>2,394,531</u>	<u>2,394,531</u>	<u>1,894,271</u>
Non-current liabilities:				
Net pension liability	<u>-</u>	<u>1,759,983</u>	<u>1,759,983</u>	<u>14,016,685</u>
Total non-current liabilities	<u>-</u>	<u>1,759,983</u>	<u>1,759,983</u>	<u>14,016,685</u>
Total liabilities	<u>-</u>	<u>4,154,514</u>	<u>4,154,514</u>	<u>15,910,956</u>
Deferred inflows of resources	<u>-</u>	<u>307,767</u>	<u>307,767</u>	<u>2,451,086</u>
Net position				
Net investment in capital assets	-	18,328	18,328	66,154,354
Restricted for loans and other financial assistance	78,770,273	-	78,770,273	-
Unrestricted	<u>-</u>	<u>383,090</u>	<u>383,090</u>	<u><12,310,856></u>
Total net position	<u>\$ 78,770,273</u>	<u>\$ 401,418</u>	<u>\$ 79,171,691</u>	<u>\$ 53,843,498</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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund	Arizona Highways Magazine Fund	Total	
Operating revenues				
Sales and charges for services (net of write off \$ 4,082)	\$ -	\$ 4,427,817	\$ 4,427,817	\$ 24,341,417
Other	-	645,291	645,291	37,151
Total operating revenues	-	5,073,108	5,073,108	24,378,568
Operating expenses				
Publication and promotional cost	-	1,770,119	1,770,119	-
Repair and maintenance	-	817	817	-
Fuel and lubricants	-	-	-	9,419,667
Salaries and related benefits	-	1,699,398	1,699,398	13,567,150
Shipping and postage	-	671,660	671,660	-
Supplies	-	9,876	9,876	-
Equipment purchase and rental	-	9,174	9,174	381,445
Professional and outside services	-	480,394	480,394	234,169
Travel	-	12,457	12,457	63,565
Depreciation	-	5,376	5,376	10,488,644
Other	-	77,884	77,884	4,375,147
Total operating expenses	-	4,737,155	4,737,155	38,529,787
Operating income <loss>	-	335,953	335,953	<14,151,219>
Non-operating revenues <expenses>				
Income from investments	587,016	25,607	612,623	4,074
Investment expense	<43,169>	-	<43,169>	-
Gain <loss> on sale/disposal of capital assets	-	-	-	1,222,956
Insurance recoveries	-	-	-	385,889
Distributions to other state agencies	-	-	-	-
Total non-operating revenues <expenses>	543,847	25,607	569,454	1,612,919
Capital contributions	-	-	-	10,926,942
Changes in net position	543,847	361,560	905,407	<1,611,358>
Total net position - July 1, as restated (Note 6B)	78,226,426	39,858	78,266,284	55,454,856
Total net position - June 30	<u>\$ 78,770,273</u>	<u>\$ 401,418</u>	<u>\$ 79,171,691</u>	<u>\$ 53,843,498</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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund	Arizona Highways Magazine Fund	Total	
Cash flows from operating activities				
Receipts from customers	\$ -	\$ 4,274,887	\$ 4,274,887	\$ 24,333,678
Payments to suppliers	-	<3,013,104>	<3,013,104>	<13,280,806>
Payments to employees	-	<1,616,192>	<1,616,192>	<12,943,144>
Other receipts <payments>	-	645,291	645,291	37,151
Net cash provided <used> by operating activities	<u>-</u>	<u>290,882</u>	<u>290,882</u>	<u><1,853,121></u>
Cash flows from non-capital financing activities:				
Transfer from other funds	-	-	-	-
Distribution to other state agencies	-	-	-	-
Net cash provided <used> by capital and related financing activities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	2,009,702
Acquisition of capital assets	-	-	-	<56,132>
Insurance recoveries	-	-	-	385,889
Net cash provided <used> by capital and related financing activities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,339,459</u>
Cash flows from investing activities				
Income from investments	550,000	25,607	575,607	4,074
Investment expense	<43,169>	-	<43,169>	-
Net cash provided <used> by investing activities	<u>506,831</u>	<u>25,607</u>	<u>532,438</u>	<u>4,074</u>
Net increase <decrease> in cash	506,831	316,489	823,320	490,412
Cash - July 1	78,226,426	3,292,491	81,518,917	975,079
Cash - June 30	<u>\$ 78,733,257</u>	<u>\$ 3,608,980</u>	<u>\$ 82,342,237</u>	<u>\$ 1,465,491</u>
Reconciliation of operating <loss> income to net cash provided <used> by operating activities				
Operating <loss> income	\$ -	\$ 335,953	\$ 335,953	\$ <14,151,219>
Adjustment to reconcile operating <loss> income to net cash provided by operating activities:				
Depreciation	-	5,376	5,376	10,488,644
Net changes in assets and liabilities:				
Receivables	-	<47,532>	<47,532>	<2,554>
Interfund receivables	-	<6,069>	<6,069>	-
Due from other State agencies	-	<23,232>	<23,232>	<37,645>
Inventories	-	<21,711>	<21,711>	441,933
Prepaid items	-	<134,101>	<134,101>	-
Deferred outflows of resources	-	<112,532>	<112,532>	<951,689>
Accounts payable	-	<5,589>	<5,589>	751,254
Accrued payroll and other accrued expenses	-	10,706	10,706	61,837
Unearned revenues	-	<76,097>	<76,097>	32,460
Compensated absences	-	3,597	3,597	<53,861>
Interfund payables	-	180,678	180,678	-
Net pension liability	-	<126,332>	<126,332>	<883,367>
Deferred inflows of resources	-	307,767	307,767	2,451,086
Net cash provided <used> by operating activities	<u>\$ -</u>	<u>\$ 290,882</u>	<u>\$ 290,882</u>	<u>\$ <1,853,121></u>
Non-cash capital and financing activities				
Certain vehicles were contributed to the Equipment Revolving Fund by the General Fund totaling:				<u>\$ 10,926,942</u>

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.

Special Plates Fund

This group of funds collects revenues for the various special plates approved by the legislature. The Department retains an administrative fee and remits the balance of the special plate fee to the designated entity.

Arizona Department of Transportation
Statement of Net Position
Agency Funds
June 30, 2015

Assets

Restricted cash on deposit with the State Treasurer	\$ 1,357,704
Due from Other Agencies	<u>1,449</u>
Total assets	<u>\$ 1,359,153</u>

Liabilities

Due to Department of Revenue	\$ 394
Due to Arizona counties	<u>1,358,759</u>
Total liabilities	<u>\$ 1,359,153</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Arizona Department of Transportation
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June 30, 2015

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Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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.

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.

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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 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, 2015, the Department implemented the provisions through GASB Statement No. 68, updating the June 30, 2014, *Codification of Governmental Accounting and Financial Reporting Standards*. See note 4A.

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.

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

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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 three agency funds: the Highway Properties – Privilege Tax Fund; the Highway Properties – 24 Percent Fund and the Special Plates Funds – multiple funds treated as one for reporting purposes. None of these 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.

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

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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.

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, 2015, 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 5.73 years while for investment pool 3 it was 2.91 years, and for investment pool 4 it was 4.54 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.

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.

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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. Other receivable amounts include funds held by third parties on behalf of the agency. For other receivables comprising recoverable insurance claims, the amount reserved for doubtful accounts is comprised of 100% of balances sent to the Attorney General's Office for collection. The subscriptions receivable allowance for doubtful accounts is the portion of any receivable greater than 90 days that has been recognized as revenue. The remainder of the subscriptions receivable that has not been recognized is still unearned.

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.

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.

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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.

Unearned Revenues

In the government-wide statements and proprietary fund financial statements, 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 unearned revenues until they are available to liquidate liabilities of the current period. 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 unearned 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 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

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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. Compensatory time accrual is capped at 240 hours at any time, however the agency policy has been to evaluate and pay quarterly to keep this accrual low. 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. Gains and losses related to refunding of debt are reported as deferred inflows of resources and deferred outflows of resources, respectively. Debt issuance costs are expensed in the current period. 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 reported in classifications that comprise a hierarchy based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts in those fund can be spent. Five classifications are available:

Nonspendable fund balance - describes that portion that cannot be spent because of its form (inventories, prepaid amounts, etc.) and are not expected to be converted to cash.

Restricted fund balance - describes that portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions (voter initiatives, court orders, etc.)

Committed fund balance - describes that portion which can be used only for specific purposes pursuant to constraints imposed by a formal action of the Department's highest level of decision-making authority. This formal action is the passage of law by the Legislature creating, modifying or rescinding fund balance commitments.

Assigned fund balance - describes that portion of that reflects the Department's intended use of resources for a specific purpose, but are neither restricted nor committed.

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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 Arizona 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.

When an expenditure is incurred for purposes for which restricted, committed and unassigned fund balance is available, the Department considers restricted, committed and unassigned amounts to have been spent in that order.

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).

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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

- 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

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

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such as personal services and other operating expenditures within a particular program may be made by the program manager. Expenditures may not exceed appropriations in total. 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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68* and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The Department implemented the above Government Accounting Standards Board (GASB) statements relating to Pension disclosures. As a result, the Department recognized a prior period adjustment of \$ 318,424,958. Additional significant effects in the implementation of these statements can be seen under note 6B.

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

The governmental funds Balance Sheet includes 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	\$ 20,068,647,527
Capital assets subject to depreciation	<u>238,511,706</u>
	20,307,159,233
Less Internal Service Fund (Equipment Revolving Fund) assets	<u><66,154,354></u>
	<u>\$ 20,241,004,879</u>

Arizona Department of Transportation
Notes to the Financial Statements (continued)
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2. Deferred outflows of resources are not reported in the governmental funds, but are reported in the government-wide Statement of Net Position. The detail for the difference is as follows:

Deferred outflows of resources related to pensions	\$ 41,295,969
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to pensions	<u><1,865,379></u>
	39,430,590
Deferred outflows of resources-loss on debt refunding	<u>67,812,978</u>
	<u>\$ 107,243,568</u>

3. Pension liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. The detail for the difference is as follows:

Net pension liability	\$ <306,088,022>
Less: Internal Service Fund (Equipment Revolving Fund) net pension liability	<u>14,016,685</u>
	<u>\$ <292,071,337></u>

4. 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 (including unamortized premium)	\$ <2,968,965,619>
Capital leases	<30,944,653>
Compensated absences	<17,997,377>
Intergovernmental advances	<u><22,178,643></u>
	<u>\$ <3,040,086,292></u>

5. Deferred inflows of resources are not reported in the governmental funds. The detail for the difference is as follows:

Deferred inflows of resources related to pensions	\$ <53,525,346>
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to pensions	<u>2,451,086</u>
	<u>\$ <51,074,260></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:

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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	\$ 634,303,371
Reduction in construction in progress resulting from certain infrastructure projects being reclassified from capital to non-capital	<452,745>
Reduction in construction in progress resulting from certain infrastructure projects, previously identified as infrastructure, reclassified as non-infrastructure	<89,711>
Assets removed from service, net of accumulated depreciation	<50,981,188>
Other	93,360
Less: depreciation expense – governmental funds	<u><7,901,708></u>
	<u>\$ 574,971,379</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 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:	
Highway Revenue Refunding Bonds	\$ <377,500,000>
Transportation Excise Tax Revenue Refunding Bonds	<376,785,000>
Premium on debt issued	<149,553,515>
Advances and notes payable	<u><783,241></u>
	<u>\$ <904,621,756></u>
Principal repayments:	
Highway Revenue Bonds	\$ 61,660,000
Transportation Excise Tax Revenue Bonds	70,940,000
Grant Anticipation Notes (GARVEE bonds)	53,040,000
Payment to refunded bond escrow agent	900,812,743
Amortization of premium and discount	35,243,542
Amortization of deferred loss on refunding	<5,769,369>
Repayment of advances and notes payable	68,469,781
Repayment of capital leases	<u>8,578,243</u>
	<u>\$ 1,192,974,940</u>

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 governmental activities.

Internal Service Fund (Equipment Revolving Fund):	
Changes in net position	\$ <1,611,358>
Elimination of Business-type activity share of Equipment Fund accumulated gain/loss	<u><2,707,354></u>
	<u>\$ <4,318,712></u>

4. Pension contributions are reported as expenditures in the governmental funds in the fiscal year contributed. However, current year contributions are reported as deferred outflows of resources in the government-wide Statement of Net Position because the reported net pension liability is measured a year before the Department's current fiscal year-end financial statements. Pension expense, which is the change in net pension liability adjusted

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities:

Pension contributions	\$ 19,724,881
Pension expense	<u><20,772,881></u>
	<u>\$ <1,048,000></u>

5. 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:

Unavailable revenue recognized for government-wide reporting	\$ 819,164
Compensated Absences	<564,987>
Assumption of Lease from Equipment Services fund by Highway fund	<u><10,199,376></u>
	<u>\$ <9,945,199></u>

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

5. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Governmental Activities	July 1, 2014 Beginning Balance	Increases	Decreases Including Transfers	June 30, 2015 Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,906,121,499	\$ 74,039,479	\$ <3,015,447>	\$ 2,977,145,531
Infrastructure	13,778,329,207	2,014,581,215	<60,341,772>	15,732,568,650
Construction in progress	<u>2,843,910,023</u>	<u>492,764,487</u>	<u><1,977,741,164></u>	<u>1,358,933,346</u>
Total capital assets, not being depreciated	<u>19,528,360,729</u>	<u>2,581,385,181</u>	<u><2,041,098,383></u>	<u>20,068,647,527</u>
Capital assets, being depreciated:				
Buildings and improvements	195,762,933	4,526,464	-	200,289,397
Improvements other than buildings	33,909,001	12,791,132	12,789,265	59,489,398
Machinery and equipment	49,914,230	12,855,403	<3,050,838>	59,718,795
Mobile fleet and aircraft	<u>170,074,795</u>	<u>10,840,439</u>	<u><8,186,971></u>	<u>172,728,263</u>
Total capital assets, being depreciated	<u>449,660,959</u>	<u>41,013,438</u>	<u>1,551,456</u>	<u>492,225,853</u>
Less accumulated depreciation for:				
Buildings and improvements	<91,987,337>	<4,137,287>	-	<96,124,624>
Improvements other than buildings	<11,602,533>	<1,116,136>	-	<12,718,669>
Machinery and equipment	<37,709,969>	<2,860,970>	2,822,222	<37,748,717>
Mobile fleet and aircraft	<u><104,241,679></u>	<u><10,275,960></u>	<u>7,395,502</u>	<u><107,122,137></u>
Total accumulated depreciation	<u><245,541,518></u>	<u><18,390,353></u>	<u>10,217,724</u>	<u><253,714,147></u>
Total capital assets, being depreciated, net	<u>204,119,441</u>	<u>22,623,085</u>	<u>11,769,180</u>	<u>238,511,706</u>
Governmental activities capital assets, net	<u>\$ 19,732,480,170</u>	<u>\$ 2,604,008,266</u>	<u>\$ <2,029,329,203></u>	<u>\$ 20,307,159,233</u>
	July 1, 2014 Beginning Balance	Increases	Decreases	June 30, 2015 Ending Balance
Business-type Activities				
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>43,663</u>	<u>-</u>	<u>-</u>	<u>43,663</u>
Total capital assets, being depreciated	<u>1,024,820</u>	<u>-</u>	<u>-</u>	<u>1,024,820</u>
Less accumulated depreciation for:				
Buildings and improvements	<972,319>	<4,367>	-	<976,686>
Machinery and equipment	<u><36,697></u>	<u><1,009></u>	<u>-</u>	<u><37,706></u>
Total accumulated depreciation	<u><1,009,016></u>	<u><5,376></u>	<u>-</u>	<u><1,014,392></u>
Total capital assets, being depreciated, net	<u>15,804</u>	<u><5,376></u>	<u>-</u>	<u>10,428</u>
Business-type activities capital assets, net	<u>\$ 23,704</u>	<u>\$ <5,376></u>	<u>\$ -</u>	<u>\$ 18,328</u>

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Administration	\$ 2,574,261
Highway	2,018,432
Highway maintenance	1,861,106
Motor vehicle	<u>1,447,909</u>
	7,901,708
Capital assets held by the Department's internal service fund are charged to the various functions based on their usage of the assets	
	<u>10,488,645</u>
Total depreciation expense - governmental activities	<u>\$ 18,390,353</u>
Business-type Activities	
Arizona Highways Magazine Fund	<u>\$ 5,376</u>

B. Construction Commitments

The Department's outstanding commitments for contracts at June 30, 2015, were \$593,565,675.

	Expenditures To Date	Remaining Commitment
Construction Contracts:		
Rural Roadways	\$ 1,135,911,318	\$ 177,763,658
Small Urban Roadways	99,617,812	18,653,232
Urban Roadways	473,597,573	65,617,026
Large Urban Roadways	844,084,150	149,424,507
General Roadways	<u>78,797,761</u>	<u>9,413,090</u>
	2,632,008,614	420,871,513
Design Contracts	348,657,418	46,119,667
Other Commitments	<u>484,597,224</u>	<u>126,574,495</u>
	<u>\$ 3,465,263,256</u>	<u>\$ 593,565,675</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, 2015

C. Unearned Revenues

The proprietary fund includes the amount for unearned subscriptions. The following schedule is a summary of the amounts outstanding as of June 30, 2015.

Proprietary funds:	
Arizona Highways Magazine Fund	<u>\$ 1,963,826</u>

D. Interfund Receivables, Payables, Advances, and Transfers

The balances of current interfund receivables and payables as of June 30, 2015, were:

Receivables	Payables	Amount
Governmental activities:		
General Fund (State Highway Fund)	Highway User Revenue Fund	\$ 84,138,580
	Motor Vehicle Division Clearing Fund	180,984
Highway User Revenue Fund	Motor Vehicle Division Clearing Fund	43,400,855
	General Fund (State Highway Fund)	416,390
Motor Vehicle Division Clearing Fund	General Fund (State Highway Fund)	1,322,640
Non-Major Governmental Funds	Motor Vehicle Division Clearing Fund	<u>2,883,822</u>
		132,343,271
Business-type activities:		
Arizona Highways Magazine	Motor Vehicle Division Clearing Fund	(39,474)
General Fund (State Highway Fund)	Arizona Highways Magazine	<u>180,678</u>
	Net Business-type activities	<u>141,204</u>
		<u>\$ 132,484,475</u>

The General Fund (State Highway Fund) receivable of \$84,500,243 is an accrual for fuel taxes imposed in fiscal year 2015 from the Highway User Revenue Fund that will be collected in fiscal year 2016.

The Highway User Revenue Fund receivable of \$43,817,244 is an accrual for vehicle license taxes due in fiscal year 2015 from the Motor Vehicle Division Clearing Fund that will be collected in fiscal year 2016.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Interfund Transfers Out:	Interfund Transfers In:
General Fund (State Highway Fund)	\$ 137,265,202
Maricopa Regional Area Road Construction Fund	103,250,301
Non-Major Governmental Funds	<u>64,894,043</u>
Total Debt Service Fund	<u>\$ 305,409,546</u>

The General Fund (State Highway Fund) (\$137,265,202), the Maricopa Regional Area Road Construction Fund (\$103,250,301), and Non-Major Governmental Funds - Grant Anticipation Notes Fund (\$64,894,043) made transfers to the Debt Service Fund to pay bond debt service.

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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, 2015, approximated \$5.0 million.

During fiscal year 2015, the Department entered into rental agreements for four facilities, on which Motor Vehicle Division offices are housed, as well as one for the Executive Hearing Office. Additionally, agreements initiated in prior years, for office space in East Phoenix and a lab in Gilbert, remain in force.

Future commitments on operating leases are as follows:

Description	2016	2017	2018	2019	2020
Payson MVD	\$ 28,056	\$ 28,056	\$ 9,352	\$ -	\$ -
North Tucson MVD	34,472	34,472	34,472	-	-
Show Low MVD	63,888	63,888	63,888	42,592	-
South Mesa MVD	17,616	17,616	17,616	15,532	-
Phoenix EHO	867,077	892,510	917,942	943,384	351,456
E Washington St Phoenix	535,510	-	-	-	-
Gilbert Lab	126,000	126,000	94,500	-	-
Total Commitments	\$ 1,672,619	\$ 1,162,542	\$ 1,137,770	\$ 1,001,508	\$ 351,456

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:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 50,748,114
Less accumulated depreciator	<u><11,787,890></u>
Total	<u>\$ 38,960,224</u>

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30	Governmental Activities
2016	\$ 10,639,186
2017	8,834,539
2018	6,980,712
2019	4,013,276
2020	1,547,275
2021	26,822
Total minimum lease payments	32,041,810
Less amount representing interest	<1,097,157>
Present value of minimum lease payments	\$ 30,944,653

Capital outlay on Exhibit 4 includes \$10.2 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 \$1,674,800,000. During the year, Highway Revenue Refunding Bonds were issued to (i) pay interest on any bonds issued for highway purposes, (ii) pay costs of issuing the bonds, and (iii) refund portions of the Board's outstanding Senior Series 2005B Bonds (\$7,325,000), Senior Series 2006 Bonds (\$18,350,000), Senior Series 2008A Bonds (\$193,950,000), and Senior Series 2008B Bonds (\$181,050,000).

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 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:

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OUTSTANDING HIGHWAY REVENUE BONDS

As of June 30, 2015

Maturity (7/1)	Series 2005A		Series 2005B		Series 2006		Series 2011A	
	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2016	\$ 11,490,000	5.000%	\$ -	-	\$ 940,000	4.250%	\$ 145,000	3.000%
2016					16,550,000	5.000%	10,740,000	5.000%
2017							36,390,000	5.000%
2018							270,000	3.000%
2018							10,475,000	4.000%
2018							27,480,000	5.000%
2019							600,000	4.000%
2019							39,390,000	5.000%
2020							200,000	4.000%
2020							33,315,000	5.000%
2021							200,000	4.000%
2021							48,465,000	5.000%
2022							53,210,000	5.000%
2023							13,475,000	5.000%
2024							30,170,000	5.000%
2025							30,885,000	5.000%
2026							7,000,000	5.250%
2027							7,370,000	5.000%
2028							7,740,000	5.000%
2028								
2029							8,125,000	5.250%
2029								
2030							8,550,000	5.250%
2030								
2031							9,000,000	5.250%
2032							4,220,000	4.000%
2032							5,250,000	5.250%
2033							9,915,000	5.000%
2033								
2034							10,415,000	5.000%
2035							10,935,000	5.000%
2036							11,480,000	5.000%
2037								
2038								
Totals	<u>\$ 11,490,000</u>		<u>\$ -</u>		<u>\$ 17,490,000</u>		<u>\$ 435,410,000</u>	

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

OUTSTANDING HIGHWAY REVENUE BONDS
As of June 30, 2015 (continued)

Maturity (7/1)	Series 2011B		Series 2013A		Series 2013B		Series 2015	
	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2016	\$ 9,700,000	1.997%	\$ -	-	\$ 13,480,000	0.944%	\$ 7,150,000	4.000%
2016								
2017	9,895,000	2.492%			8,405,000	1.194%	18,095,000	4.000%
2018	10,140,000	2.842%			27,760,000	1.631%		
2018								
2018								
2019	10,435,000	3.024%			28,245,000	1.831%		
2019								
2020			7,000,000	3.500%	27,940,000	2.179%		
2020			13,050,000	5.000%				
2021			36,020,000	5.000%				
2021								
2022			35,710,000	5.000%				
2023			53,430,000	5.000%			24,745,000	5.000%
2024			40,080,000	5.000%			25,985,000	5.000%
2025			32,880,000	5.000%			27,280,000	5.000%
2026			49,950,000	5.000%			28,650,000	5.000%
2027			44,840,000	5.000%			30,085,000	5.000%
2028			14,500,000	4.000%			31,585,000	5.000%
2028			32,580,000	5.000%				
2029			2,100,000	4.000%			33,160,000	5.000%
2029			47,200,000	5.000%				
2030			20,000,000	4.000%			34,820,000	5.000%
2030			31,740,000	5.000%				
2031			14,835,000	5.000%			36,565,000	5.000%
2032			15,580,000	5.000%			38,385,000	5.000%
2032								
2033			16,360,000	5.000%			40,305,000	5.000%
2033								
2034			17,175,000	5.000%				
2035			18,035,000	5.000%				
2036			18,935,000	5.000%				
2037			19,885,000	5.000%				
2038			20,880,000	5.000%				
Totals	<u>\$ 40,170,000</u>		<u>\$ 602,765,000</u>		<u>\$ 105,830,000</u>		<u>\$ 376,810,000</u>	

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

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

Fiscal year ending June 30	Highway Revenue Bonds		
	Principal	Interest	Total
2016	\$ 70,195,000	\$ 74,247,689	\$ 144,442,689
2017	72,785,000	71,657,429	144,442,429
2018	76,125,000	68,767,190	144,892,190
2019	78,670,000	66,225,145	144,895,145
2020	81,505,000	63,398,925	144,903,925
2021-2025	452,535,000	256,850,565	709,385,565
2026-2030	439,995,000	145,557,252	585,552,252
2031-2035	246,975,000	49,870,350	296,845,350
2036-2038	71,180,000	6,641,250	77,821,250
	<u>\$ 1,589,965,000</u>	<u>\$ 803,215,795</u>	<u>\$ 2,393,180,795</u>

The Department has pledged future motor vehicle and related fuel fees and taxes to repay \$1,589,965,000 in outstanding Highway Revenue Bonds issued since 2005. 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 \$2,393.2 million. Principal and interest paid for the current year and total pledged revenues were \$137.6 million and \$566.4 million, respectively. The annual principal and interest payments on the bonds required 24.3 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 \$867,375,000. During the year, Transportation Excise Tax Revenue Refunding Bonds were issued to (i) refund portions of the Board's outstanding Senior Series 2007 Bonds (\$200,475,000), Senior Series 2009 Bonds (\$174,565,000), and Senior Series 2010 Bonds (\$15,370,000), (ii) pay costs of issuing the bonds.

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

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

OUTSTANDING TRANSPORTATION EXCISE TAX REVENUE BONDS
As of June 30, 2015

Maturity (7/1)	2007 Series		2009 Series		2010 Series		2011 Series		2014 Series	
	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2016	\$ 17,060,000	5.000%	\$ 5,625,000	4.000%	\$ 450,000	4.000%	\$ 9,830,000	5.000%	\$ 1,230,000	5.000%
2016	2,025,000	4.000%	19,245,000	5.000%	10,120,000	5.000%				
2017	17,770,000	5.000%	325,000	3.000%	1,685,000	2.000%	10,330,000	5.000%		
2017	2,250,000	4.000%	25,730,000	5.000%	9,405,000	5.000%				
2018			27,355,000	5.000%	1,505,000	3.000%	10,840,000	5.000%	18,480,000	5.000%
2018					10,090,000	5.000%				
2019			6,700,000	4.250%	2,370,000	2.500%	11,385,000	5.000%	19,400,000	5.000%
2019			22,020,000	5.000%	9,775,000	5.000%				
2020			340,000	3.500%	5,250,000	4.000%	11,955,000	5.000%	20,365,000	5.000%
2020			29,765,000	5.250%	7,445,000	5.000%				
2021					13,275,000	5.000%	12,555,000	5.000%	53,065,000	5.000%
2022					13,940,000	5.000%	13,180,000	3.000%	55,720,000	5.000%
2023					14,635,000	5.000%	13,575,000	4.000%	58,505,000	5.000%
2024							14,115,000	4.000%	76,800,000	5.000%
2025			830,000	4.000%	735,000	3.125%	14,685,000	3.000%	63,675,000	5.000%
2025					15,400,000	5.000%				
Totals	\$ 39,105,000		\$ 137,935,000		\$ 116,080,000		\$ 122,450,000		\$ 367,240,000	

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
2016	\$ 65,585,000	\$ 38,000,881	\$ 103,585,881
2017	67,495,000	34,802,631	102,297,631
2018	68,270,000	31,507,431	99,777,431
2019	71,650,000	28,124,031	99,774,031
2020	75,120,000	24,651,031	99,771,031
2021-2025	434,690,000	64,172,295	498,862,295
	\$ 782,810,000	\$ 221,258,300	\$ 1,004,068,300

The Department has pledged future transportation excise taxes to repay \$782,810,000 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 \$1,004.1 million. Principal and interest paid for the current year and total pledged revenues were \$103.6 million and \$254.9 million, respectively. The annual principal and interest payments on the bonds required 40.6 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 \$247,710,000.

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

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

OUTSTANDING GRANT ANTICIPATION NOTES
As of June 30, 2015

Maturity (7/1)	Series 2009A		Series 2011A		Series 2012	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
2016	\$ 310,000	3.000%	\$ 5,855,000	4.000%	\$ 12,085,000	4.00%
2016	2,215,000	4.000%	5,410,000	5.000%		
2016	21,475,000	5.000%				
2017			3,365,000	4.000%		
2017			8,405,000	5.000%		
2018			1,830,000	4.000%		
2018			10,495,000	5.000%		
2019			2,800,000	4.000%		
2019			10,125,000	5.000%		
2020			260,000	4.000%		
2020			13,285,000	5.000%		
2021			270,000	4.000%		
2021			13,945,000	5.000%		
2022			1,085,000	4.000%		
2022			13,840,000	5.000%		
2023			275,000	4.125%		
2023			15,385,000	5.000%		
2024			16,440,000	5.250%		
2025			600,000	4.500%		
2025			16,705,000	5.250%		
2026			18,210,000	5.250%		
Total	<u>\$ 24,000,000</u>		<u>\$ 158,585,000</u>		<u>\$ 12,085,000</u>	

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

Fiscal year ending June 30	Grant Anticipation Notes		
	Principal	(GARVEE) Interest	Total
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	12,925,000	6,240,081	19,165,081
2020	13,545,000	5,621,831	19,166,831
2021-2025	78,545,000	17,273,219	95,818,219
2026	18,210,000	956,025	19,166,025
	<u>\$ 194,670,000</u>	<u>\$ 53,874,699</u>	<u>\$ 248,544,699</u>

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

The Department has pledged federal revenues to repay \$194,670,000 in outstanding Grant Anticipation Notes ("GARVEE bonds). 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 \$248.5 million. Principal and interest paid for the current year and total pledged revenues were \$64.9 million and \$795.9 million, respectively. The annual principal and interest payments on the bonds required 8.2 percent of the pledged revenues.

Refunded Bonds Deposited with Escrow Agents

In current and prior fiscal years, the Transportation Board 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 these legally defeased bonds are not reflected in the financial statements of the Department.

On December 18, 2014, the Transportation Board issued \$376.8 million of Transportation Excise Tax Revenue Refunding Bonds Series 2014 (2014 Bonds). The 2014 Bonds were issued at a premium of \$74.0 million. The net proceeds were used to (i) advance refund \$390.4 million of the Senior Series 2007, Senior Series 2009, and Senior Series 2010 Transportation Excise Tax Revenue Bonds with a combined outstanding principal balance of \$735.6 million, and (ii) pay costs of issuance. The advance refunding resulted in a combined total debt service savings of \$31.8 million, and a combined net present value economic gain of \$27.6 million (difference between the present values of the old debt and new debt service payments). The advance refunding also resulted in difference between the reacquisition price and the net carrying amount of the refunded debt of \$35.0 million. This difference, reported as a deferred outflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2025.

On January 28, 2015, the Transportation Board issued \$377.5 million of Highway Revenue Refunding Bonds, Series 2015 (2015 Bonds). The 2015 Bonds were issued at a premium of \$75.5 million. The net proceeds were used to (i) advance refund \$400.7 million of the Senior Series 2005B, Senior Series 2006, Senior Series 2008A, and Senior Series 2008B Highway Revenue Bonds with a combined outstanding principal balance of \$441.8 million, and (ii) pay costs of issuance. The advance refunding resulted in a combined total debt service savings of \$40.8 million, and a combined net present value economic gain of \$31.5 million (difference between the present values of the old debt and new debt service payments). The advance refunding also resulted in difference between the reacquisition price and the net carrying amount of the refunded debt of \$38.6 million. This difference, reported as a deferred outflow of resources, is being amortized to interest expense on a straight-line basis through fiscal year 2033.

Advances and Notes Payable

The Department's outstanding advances and notes payable as of June 30, 2015, were \$22,178,643 in governmental activities. The advances and notes payable represent amounts for other intergovernmental advances.

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

<u>Fiscal year</u> <u>ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 151,430	\$ -
2021	<u>\$ 22,027,213</u>	<u>\$ -</u>
	<u>\$ 22,178,643</u>	<u>\$ -</u>

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

Changes in non-current liabilities

The activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
Governmental Activities					
Bonds and notes:					
Highway Revenue Bonds	\$1,674,800,000	\$ 377,500,000	\$ <462,335,000>	\$ 1,589,965,000	\$ 70,195,000
Transportation Excise Tax Revenue Bonds	867,375,000	376,785,000	<461,350,000>	782,810,000	65,585,000
Grant Anticipation Notes	247,710,000	-	<53,040,000>	194,670,000	47,350,000
Unamortized Premium on bonds	323,356,042	149,553,515	<71,388,938>	401,520,619	34,377,794
Total bonds and notes	<u>3,113,241,042</u>	<u>903,838,515</u>	<u><1,048,113,938></u>	<u>2,968,965,619</u>	<u>217,507,794</u>
Capital leases	29,323,520	10,199,376	<8,578,243>	30,944,653	10,116,529
Compensated absences	18,231,307	17,475,731	<16,964,605>	18,742,433	16,819,498
Advances and notes payable	89,865,183	783,241	<68,469,781>	22,178,643	-
Total governmental activities	<u>3,250,661,052</u>	<u>932,296,863</u>	<u><1,142,126,567></u>	<u>3,040,831,348</u>	<u>244,443,821</u>
Business-type Activities					
Compensated absences	153,055	103,018	<99,421>	156,652	156,652
Total business-type activities	<u>153,055</u>	<u>103,018</u>	<u><99,421></u>	<u>156,652</u>	<u>156,652</u>
Total non-current liabilities	<u>\$3,250,814,107</u>	<u>\$ 932,399,881</u>	<u>\$ <1,142,225,988></u>	<u>\$ 3,040,988,000</u>	<u>\$ 244,600,473</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, \$745,056 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, 2015

G. Fund Balances

The Department's fund balance, as of June 30, 2015, is composed of the following:

	Unassigned	Nonspendable	Restricted	Committed	Total
Administration	\$ -	\$ -	\$ 167,269	\$ 205,034,859	\$ 205,202,128
Highway Operations	-	-	1,018,570,784	-	1,018,570,784
Highway Maintenance	-	-	-	9,830,183	9,830,183
Motor Vehicle	<8,128,423>	-	-	6,538,747	<1,589,676>
Inventories	-	6,340,586	-	-	6,340,586
	<u>\$ <8,128,423></u>	<u>\$ 6,340,586</u>	<u>\$ 1,018,738,053</u>	<u>\$ 221,403,789</u>	<u>\$ 1,238,354,005</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

Arizona State Retirement System

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

Plan Descriptions – Employees of the Department participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB). The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 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 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the Department was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, .20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Department in positions that would typically be filled by an employee who contributes to the ASRS. The Department's contributions to the pension plan for the year ended June 30, 2015, were \$20,753,085. The Department's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	\$1,123,313	\$224,308
2014	1,123,160	440,942
2013	1,175,752	424,121

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

During the fiscal year ended June 30, 2015, the Department paid for ASRS pension and OPEB contributions as follows: 97% from the General Fund, 1 percent from major funds, and 2 percent from other funds.

The Department's total payroll for fiscal year 2015 was \$205.16 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 2015 was \$22.12 million each by both the employees and the Department.

Presentation of Deferred Outflows and Deferred Inflows of Resources

Deferred outflows and inflows of resources are reported in the basic statements of net position in a separate section following assets and liabilities, respectively. The Department elected the optional statement of net position presentation.

The Department recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. The deferred outflows of resources are related to the Department's pension plan.

The Department recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. The deferred inflows of resources relate to the Department's pension plan.

Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows:

FUND FINANCIAL STATEMENTS

	Proprietary Funds	
	Arizona Highways Magazine Fund	Internal Service Fund
Net Position, as previously reported	\$ 1,811,447	\$ 69,441,218
Prior period adjustment - Implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(1,886,315)	(14,900,052)
Deferred outflows – contributions made during fiscal year 2014	114,726	913,690
Net Position, as restated	\$ 39,858	\$ 55,454,856

GOVERNMENT-WIDE STATEMENTS

	Governmental Activities	Business-type Activities
Net Position, as previously reported	\$ 17,777,828,332	\$ 80,040,085
Prior period adjustment - Implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(336,605,995)	(1,886,315)
Deferred outflows – contributions made during fiscal year 2014	19,952,626	114,726
Net Position, as restated	\$ 17,461,174,963	\$ 78,268,496

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

Retirement Plans

The Department contributes to the Arizona State Retirement System plan described below. The plan is a component unit of the State of Arizona. At June 30, 2015, the Department reported the following amounts related to the pension plan to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ (306,088,022)	\$ (1,759,983)	\$ (307,848,005)
Deferred outflows of resources	41,295,969	227,258	41,523,227
Deferred inflows of resources	(53,525,345)	(307,767)	(53,833,112)
Pension expense	22,308,601	177,417	22,486,018

Also, the Department reported \$19,724,881 of pension contributions as expenditures in the governmental funds related to the pension plan to which it contributes.

Changes in the Department's net pension liability during the fiscal year ended June 30, 2015, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Beginning balance</u>	<u>\$ 336,605,995</u>	<u>\$ 1,886,315</u>
Increases	42,959,998	296,161
Decreases	(73,477,971)	(422,493)
<u>Ending balance</u>	<u>\$ 306,088,022</u>	<u>\$ 1,759,983</u>

Pension Liability – At June 30, 2015, the Department reported a liability of \$307,848,006 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The Department's reported liability at June 30, 2015, decreased by \$30,644,304 from the prior year liability of \$338,492,310 because of changes in the ASRS' net pension liability and the Department's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The Department's proportion of the net pension liability was based on the Department's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Department's proportion measured as of June 30, 2014, was 2.080532 percent, which was an increase of 0.044407 percent from its proportion measured as of June 30, 2013.

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Department recognized pension expense for ASRS of \$22,486,018. At June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$15,645,737	\$ -
Net difference between projected and actual earnings on pension plan investments	-	53,833,112
Changes in proportion and differences between State contributions and proportionate share of contributions	5,124,405	-
DOT contributions subsequent to the measurement date	20,753,085	-
Total	\$41,523,227	\$53,833,112

The \$20,753,085 reported as deferred outflows of resources related to ASRS pensions resulting from the Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	\$(4,427,782)
2017	(4,427,782)
2018	(10,749,129)
2019	(13,458,277)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return

Arizona Department of Transportation
Notes to the Financial Statements (continued)
June 30, 2015

by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Department’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Department’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Department’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
DOT’s proportionate share of the net pension liability	\$389,104,092	\$307,848,006	\$263,762,500

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. 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, by calling (602) 240-2000 or (800) 621-3778 or visiting the website at www.azasrs.gov/content/annual-reports.

C. Subsequent Events

South Mountain Freeway Contract Award

Included in the current 5-Year Transportation Facilities Program for FY16-20 is the South Mountain Freeway Project (State Route 202L) which is the largest project ever undertaken by the agency. In March 2016, the Department entered into a Design-Build contract for the construction of the South Mountain Freeway Project (State Route 202L). The fixed contract award was \$916 million dollars, and includes both design and construction. The right of way portion of the contract is anticipated to cost approximately \$550M. The project funding includes federal aid highway funds, bonds and Regional Area Road Funds. The 22-mile freeway, expected to open by late 2019, will provide a long-planned direct link between the East Valley and West Valley and a much-needed alternative to Interstate 10 through downtown Phoenix. The South Mountain Freeway will complete the Loop 202 and Loop 101 freeway system. This project is a public-private partnership. Connect 202 Partners, a private development group, will not only design and build this new freeway, but will also be responsible for maintenance for 30 years.

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

Pension Liability and Pension Contributions

Arizona Department of Transportation
 Required Supplementary Information
 June 30, 2015

Budgetary Comparison Schedule
 General Fund (State Highway Fund) - Budgetary Basis
 for the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive <Negative>
	Original	Final	Amounts	
Expenditures appropriated by State legislature in 2015 budget				
Department of Transportation	\$ 340,869,900	\$ 340,869,900	\$ 329,941,794	\$10,928,106
Timing differences:				
Prior year appropriation expenditures expended in current budgetar			8,194,089	
Basis differences:				
Net increase <decrease> from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			<20,832,862>	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			7,579,549	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			505,865,982	
Distributions to Arizona counties and cities			31,001,110	
Distributions to other state agencies			7,056,628	
Interest expense			960,036	
Principal repayment of debt			8,578,243	
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (General Fund) - Exhibit 4			<u>\$ 878,344,569</u>	

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

Arizona Department of Transportation
Required Supplementary Information (continued)
June 30, 2015

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, 2015

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 6,800 center line miles (21,390 travel lane miles) of roads and 4,798 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 2015 and beyond was adopted by the Transportation Board on June 13, 2014.

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

Arizona Department of Transportation
 Required Supplementary Information (continued)
 June 30, 2015

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

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 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 2015, an overall rating of 3.68 was achieved, as shown in the following graph:

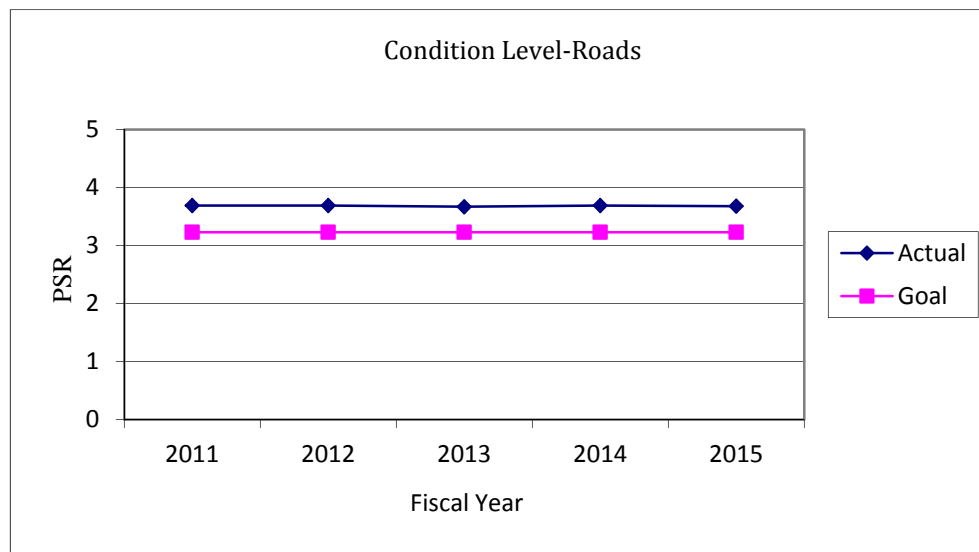


Figure 1

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 2011 through 2015 were as follows:

Arizona Department of Transportation
 Required Supplementary Information (continued)
 June 30, 2015

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

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2011	\$265.7	\$373.4
2012	261.9	373.6
2013	276.3	291.3
2014	271.2	287.2
2015	249.5	300.6

Bridges

The Department’s bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2015, the Department owned and maintained 4,798 bridges with an approximate total deck area of 49,753,220 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

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 2015, the CRI was computed at 93.5%.

Arizona Department of Transportation
 Required Supplementary Information (continued)
 June 30, 2015

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

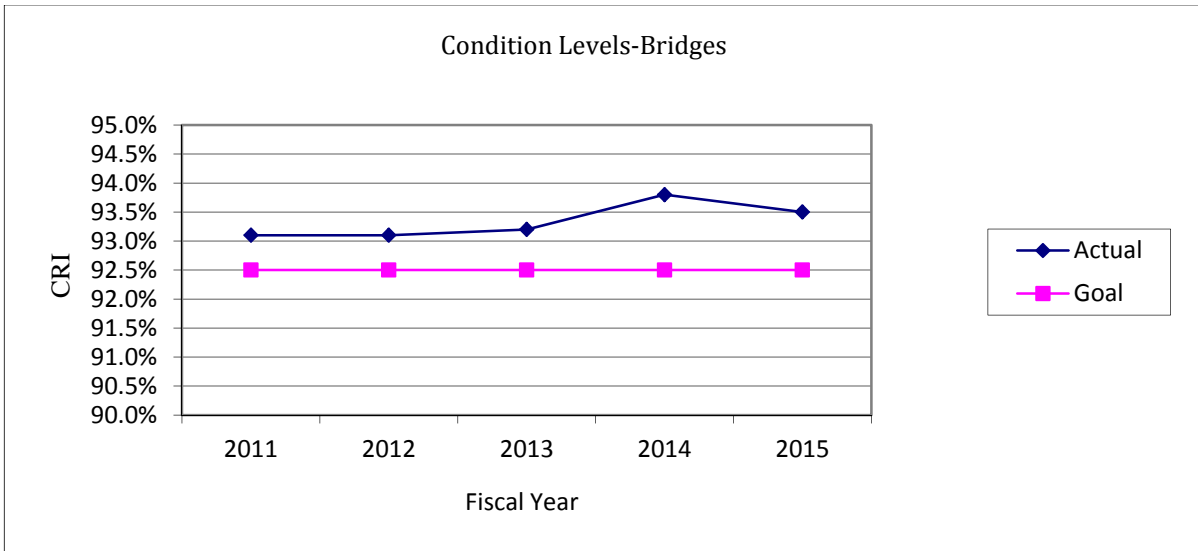


Figure 2

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 56% of the bridges in the state were constructed prior to the 1970s while only 15% have been constructed since 2000.

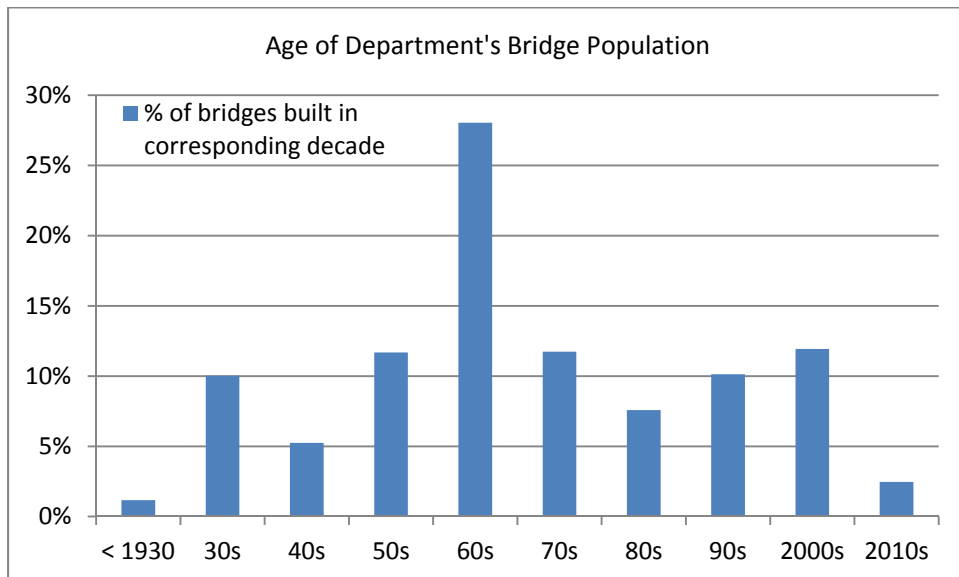


Figure 3

Arizona Department of Transportation
Required Supplementary Information (continued)
June 30, 2015

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 2011 through 2015 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2011	\$11.8	\$26.0
2012	12.5	20.6
2013	14.7	10.7
2014	21.2	20.5
2015	13.7	21.9

Arizona Department of Transportation
 Required Supplementary Information (continued)
 June 30, 2015

Pension Liability and Pension Contributions

The Department implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. New required supplementary information as a result of this implementation are:

Schedule of the Proportionate Share of the Net Pension Liability

For the last fiscal year June 30, 2015 (1)

	Fiscal Year 2015
Proportion of the net pension liability	2.08%
Proportionate share of the net pension liability	\$ 307,848,006
Covered-employee payroll	\$ 187,545,346
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.15%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

Schedule of Pension Contributions

For the last two fiscal years ended (1)

	Fiscal Year	
	2015	2014
Statutorily required contribution	\$ 20,753,085	\$ 20,067,352
Contributions in relation to the statutorily required contribution	20,753,085	20,067,352
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 190,570,110	\$ 187,545,346
Contributions as a percentage of covered-employee payroll	10.89%	10.70%

(1) The Department implemented GASB 68 in fiscal year 2015. Therefore, ten years of data is not available, but will be accumulated over time. See note 6B for further details.

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 Motor 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, 2015

Exhibit 9
Page 1 of 2

	State Aviation Fund	Safety Enforcement and Transportation Infrastructure Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
Assets				
Unrestricted cash on deposit with the State Treasurer	\$ 28,801,059	\$ 456,948	\$ 4,982,296	\$ 907,072
Receivables:				
Interfund	15,110	4,016	13,164	22,140
Notes and loans	3,085,042	-	-	-
Due from other State agencies	-	-	-	-
Due from Arizona counties and cities	286,349	-	-	-
Other (net)	1,494,142	-	-	-
Amounts due from U.S. Government	74,514	-	-	-
Restricted cash on deposit with the State Treasurer	-	-	-	-
Total assets	<u>\$ 33,756,216</u>	<u>\$ 460,964</u>	<u>\$ 4,995,460</u>	<u>\$ 929,212</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 1,310,972	\$ 2,810	\$ 1,524	\$ 252
Accrued payroll and other accrued expenditures	31,169	-	-	-
Interfund payables	-	-	-	-
Amounts due to:				
Other state agencies	-	-	-	-
Arizona counties and cities	1,521,280	-	-	-
Total liabilities	<u>2,863,421</u>	<u>2,810</u>	<u>1,524</u>	<u>252</u>
Deferred inflows of resources				
Unavailable revenue	-	-	-	-
Fund balances:				
Restricted	-	-	-	-
Committed	30,892,795	458,154	4,993,936	928,960
Total fund balances	<u>30,892,795</u>	<u>458,154</u>	<u>4,993,936</u>	<u>928,960</u>
Total liabilities, deferred inflows of resources and fund balances <deficits>	<u>\$ 33,756,216</u>	<u>\$ 460,964</u>	<u>\$ 4,995,460</u>	<u>\$ 929,212</u>

Arizona Department of Transportation
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2015

Exhibit 9
 Page 2 of 2

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
\$ 45,685	\$ -	\$ 4,558,763	\$ -	\$ -	\$ 39,751,823
-	2,829,392	-	-	-	2,883,822
-	-	-	-	-	3,085,042
-	-	-	-	325,915	325,915
-	-	-	-	3,250	289,599
-	393	-	-	3,654,419	5,148,954
-	-	-	-	2,582,988	2,657,502
-	242,240	-	2	15,254,565	15,496,807
<u>\$ 45,685</u>	<u>\$ 3,072,025</u>	<u>\$ 4,558,763</u>	<u>\$ 2</u>	<u>\$ 21,821,137</u>	<u>\$ 69,639,464</u>
\$ -	\$ -	\$ -	\$ -	\$ 881,205	\$ 2,196,763
-	-	-	-	32,147	63,316
-	-	-	-	-	-
-	3,072,025	-	-	-	3,072,025
-	-	4,558,763	-	648	6,080,691
-	<u>3,072,025</u>	<u>4,558,763</u>	-	<u>914,000</u>	<u>11,412,795</u>
-	-	-	-	-	-
-	-	-	2	20,907,137	20,907,139
<u>45,685</u>	-	-	-	-	<u>37,319,530</u>
<u>45,685</u>	-	-	<u>2</u>	<u>20,907,137</u>	<u>58,226,669</u>
<u>\$ 45,685</u>	<u>\$ 3,072,025</u>	<u>\$ 4,558,763</u>	<u>\$ 2</u>	<u>\$ 21,821,137</u>	<u>\$ 69,639,464</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, 2015

	State Aviation Fund	Safety Enforcement and Transportation Infrastructure Fund	Motor Vehicle Liability Insurance Enforcement Fund
Revenues			
Vehicle registration, title, license, and related taxes and fees	\$ 6,226,476	\$ 2,510,567	\$ -
Fuel and motor carrier taxes and fees	284,004	-	3,055,545
Flight property taxes	8,595,398	-	-
Reimbursement of construction expenditures - federal aid	266,287	-	-
Other federal grants and reimbursements	56,597	-	-
Reimbursements from Arizona counties and cities	899,804	-	-
Interest on loans receivable	109,840	-	-
Income from investments	374,331	20	-
Grand Canyon National Park Airport	1,294,541	-	-
Other	<u>3,072,218</u>	<u>1,300</u>	<u>-</u>
Total revenues	<u>21,179,496</u>	<u>2,511,887</u>	<u>3,055,545</u>
Expenditures			
Current:			
Administration	4,084,570	-	-
Highway	-	-	-
Highway maintenance	-	-	-
Motor vehicle	-	<u>1,855,612</u>	<u>950,374</u>
Total current expenditures	<u>4,084,570</u>	<u>1,855,612</u>	<u>950,374</u>
Intergovernmental:			
Distributions to other state agencies	-	343,540	1,040,000
Distributions to Arizona counties and cities	24,347,877	-	-
Non-capital, including asset preservation	-	-	6,224
Capital outlay	-	-	-
Total expenditures	<u>28,432,447</u>	<u>2,199,152</u>	<u>1,996,598</u>
Excess <deficiency> of revenues over <under> expenditures	<u><7,252,951></u>	<u>312,735</u>	<u>1,058,947</u>
Other financing sources <uses>			
Transfers in	-	-	-
Transfers out for debt service	-	-	-
Total other financing sources <uses>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u><7,252,951></u>	<u>312,735</u>	<u>1,058,947</u>
Fund balances - July 1	<u>38,145,746</u>	<u>145,419</u>	<u>3,934,989</u>
Fund balances - June 30	<u>\$ 30,892,795</u>	<u>\$ 458,154</u>	<u>\$ 4,993,936</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, 2015

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	Total Non-Major Governmental Funds
\$ 1,556,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,293,532
-	-	30,904,117	1,000,000	-	-	35,243,666
-	-	-	-	-	-	8,595,398
-	-	-	-	64,891,316	-	65,157,603
-	-	-	-	-	90,477,687	90,534,284
-	-	-	-	-	9,634,856	10,534,660
-	-	-	-	-	-	109,840
-	-	9,348	29,727	16	-	413,442
-	-	-	-	-	-	1,294,541
<u>31,641</u>	<u>3,333</u>	-	-	-	-	<u>3,108,492</u>
<u>1,588,130</u>	<u>3,333</u>	<u>30,913,465</u>	<u>1,029,727</u>	<u>64,891,332</u>	<u>100,112,543</u>	<u>225,285,458</u>
-	-	-	-	1	-	4,084,571
-	-	-	-	-	98,371,365	98,371,365
-	-	-	-	-	-	-
<u>1,365,894</u>	-	<u>259,658</u>	<u>2,181</u>	-	-	<u>4,433,719</u>
<u>1,365,894</u>	-	<u>259,658</u>	<u>2,181</u>	<u>1</u>	<u>98,371,365</u>	<u>106,889,655</u>
-	-	30,653,807	-	-	-	32,037,347
-	-	-	1,027,546	-	-	25,375,423
62,649	-	-	-	-	-	68,873
-	-	-	-	-	1,023	1,023
<u>1,428,543</u>	-	<u>30,913,465</u>	<u>1,029,727</u>	<u>1</u>	<u>98,372,388</u>	<u>164,372,321</u>
159,587	3,333	-	-	64,891,331	1,740,155	60,913,137
-	-	-	-	-	-	-
-	-	-	-	<64,894,043>	-	<64,894,043>
-	-	-	-	<64,894,043>	-	<64,894,043>
159,587	3,333	-	-	<2,712>	1,740,155	<3,980,906>
769,373	42,352	-	-	2,714	19,166,982	62,207,575
<u>\$ 928,960</u>	<u>\$ 45,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 20,907,137</u>	<u>\$ 58,226,669</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.

Special Plates Fund

This group of funds collects revenues for the various special plates approved by the legislature. The Department retains an administrative fee and remits the balance of the special plate fee to the designated entity.

Arizona Department of Transportation
Combining Statement of Net Position
Agency Funds
June 30, 2015

	Highway Properties - Privilege Tax Fund	Highway Properties - 24 % Lieu Tax Fund	Special Plates Fund	Total
ASSETS				
Restricted cash on deposit with the State Treasurer	\$ 394	\$ 451,521	\$ 905,789	\$ 1,357,704
Due from other agencies	-	1,077	372	1,449
Total assets	<u>\$ 394</u>	<u>\$ 452,598</u>	<u>\$ 906,161</u>	<u>\$ 1,359,153</u>
LIABILITIES				
Due to Department of Revenue	\$ 394	-	-	\$ 394
Due to Arizona counties	-	452,598	906,161	1,358,759
Total liabilities	<u>\$ 394</u>	<u>\$ 452,598</u>	<u>\$ 906,161</u>	<u>\$ 1,359,153</u>

Arizona Department of Transportation
Statement of Changes in Assets and Liabilities
Agency Funds
for the fiscal year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Highway Properties - Privilege Tax Fund				
Assets				
Restricted cash on deposit with the State Treasurer	\$ 555	\$ 8,047	\$ <8,208>	\$ 394
Due from Department of Revenue	12	-	<12>	-
Total assets	<u>\$ 567</u>	<u>\$ 8,047</u>	<u>\$ <8,220></u>	<u>\$ 394</u>
Liabilities				
Due to Department of Revenue	\$ 567	\$ 8,047	\$ <8,220>	\$ 394
Total liabilities	<u>\$ 567</u>	<u>\$ 8,047</u>	<u>\$ <8,220></u>	<u>\$ 394</u>
Highway Properties - 24 Percent Fund				
Assets				
Restricted cash on deposit with the State Treasurer	\$ 463,751	\$ 455,076	\$ <467,306>	\$ 451,521
Due from other agencies	-	1,077	-	1,077
Total assets	<u>\$ 463,751</u>	<u>\$ 456,153</u>	<u>\$ <467,306></u>	<u>\$ 452,598</u>
Liabilities				
Due to Arizona counties	\$ 463,751	\$ 456,153	\$ <467,306>	\$ 452,598
Total liabilities	<u>\$ 463,751</u>	<u>\$ 456,153</u>	<u>\$ <467,306></u>	<u>\$ 452,598</u>
Special Plates Fund				
Assets				
Restricted cash on deposit with the State Treasurer	\$ -	\$ 2,694,852	\$ <1,789,063>	\$ 905,789
Interest Receivable	-	372	-	372
Total assets	<u>\$ -</u>	<u>\$ 2,695,224</u>	<u>\$ <1,789,063></u>	<u>\$ 906,161</u>
Liabilities				
Due to Others	\$ -	\$ 2,695,224	\$ <1,789,063>	\$ 906,161
Total liabilities	<u>\$ -</u>	<u>\$ 2,695,224</u>	<u>\$ <1,789,063></u>	<u>\$ 906,161</u>
Total Agency Funds				
Assets				
Restricted cash on deposit with the State Treasurer	\$ 464,306	\$ 1,417,319	\$ <523,921>	\$ 1,357,704
Due from other agencies	12	1,449	<12>	1,449
Total assets	<u>\$ 464,318</u>	<u>\$ 1,418,768</u>	<u>\$ <523,933></u>	<u>\$ 1,359,153</u>
Liabilities				
Due to Department of Revenue	\$ 567	\$ 8,047	\$ <8,220>	\$ 394
Due to Arizona counties	463,751	1,410,349	<515,341>	1,358,759
Total liabilities	<u>\$ 464,318</u>	<u>\$ 1,418,396</u>	<u>\$ <523,561></u>	<u>\$ 1,359,153</u>

STATISTICAL SECTION

Arizona Department of Transportation
Overview – Statistical Section
for the fiscal year ended June 30, 2015

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
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for the fiscal year ended June 30, 2015

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FINANCIAL TRENDS

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

Expenses	2006	2007	2008
Governmental Activities:			
Administration	\$ 45,002	\$ 51,667	\$ 54,918
Aeronautics	10,705	5,418	4,373
Highway ¹	118,147	138,788	132,874
Highway maintenance	114,119	120,163	137,100
Motor vehicle	96,937	105,961	112,880
Other	9,394	-	-
Non-capital, including asset preservation ¹	<53,981>	113,569	187,004
Distributions to other state agencies	206,903	114,795	176,692
Distributions to Arizona counties and cities	1,095,671	1,219,208	1,238,383
Local governmental assistance	36,771	48,760	37,285
Issuance cost on long-term debt ²	-	-	-
Interest on long-term debt	88,279	82,450	92,295
Total governmental activities expenses	<u>1,767,947</u>	<u>2,000,779</u>	<u>2,173,804</u>
Business-type Activities:			
Arizona Highways Magazine	8,175	8,072	7,712
Highway Expansion and Extension Loan Program	4,273	4,355	4,053
Total business-type activities expenses	<u>12,448</u>	<u>12,427</u>	<u>11,765</u>
Total primary government expenses	<u>\$ 1,780,395</u>	<u>\$ 2,013,206</u>	<u>\$ 2,185,569</u>
Program Revenues			
Governmental Activities:			
Charges for services:			
Administration	\$ -	\$ 8,843	\$ 9,706
Aeronautics	1,214	1,133	940
Highway	-	2,953	1,451
Highway maintenance	537	577	1,765
Motor vehicle	121,179	132,274	127,900
Other	7,099	-	-
Local governmental assistance	4,040	12,239	8,263
Operating grants and contributions	67,241	72,679	79,747
Capital grants and contributions	387,614	354,024	523,728
Total governmental activities program revenues	<u>588,924</u>	<u>584,722</u>	<u>753,500</u>
Business-type Activities:			
Charges for services:			
Arizona Highways Magazine	8,012	8,060	7,624
Highway Expansion and Extension Loan Program	3,281	2,909	1,755
Total business-type activities program revenues	<u>11,293</u>	<u>10,969</u>	<u>9,379</u>
Total primary governmental program revenues	<u>\$ 600,217</u>	<u>\$ 595,691</u>	<u>\$ 762,879</u>
Net <expenses>/revenues:			
Governmental Activities	\$ <1,179,023>	\$ <1,416,057>	\$ <1,420,304>
Business-type Activities	<1,155>	<1,458>	<2,386>
Total primary government net expense	<u>\$ <1,180,178></u>	<u>\$ <1,417,515></u>	<u>\$ <1,422,690></u>

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

²Notes to Financial Statement (A), New Accounting Pronouncements, Statement Number 65.

(continued)

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

2009	2010	2011	2012	2013	2014	2015
\$ 56,066	\$ 65,781	\$ 93,040	\$ 94,075	\$ 101,370	\$ 106,200	\$ 98,855
10,993	-	-	-	-	-	-
116,742	34,721	37,070	39,632	46,076	51,074	41,836
110,963	102,932	129,700	125,331	139,762	122,977	137,473
133,415	102,926	99,949	116,095	107,655	111,397	92,520
-	-	-	-	-	-	-
216,198	122,747	345,590	351,116	257,126	312,519	315,349
413,940	251,392	254,702	307,885	213,394	216,675	189,517
1,091,893	1,057,720	1,024,756	1,005,114	1,074,086	1,065,798	1,155,651
48,571	83,230	163,035	93,557	102,332	90,376	98,371
-	-	-	-	-	13,554	-
<u>114,683</u>	<u>129,626</u>	<u>128,768</u>	<u>164,081</u>	<u>187,315</u>	<u>114,406</u>	<u>94,956</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>	<u>2,204,976</u>	<u>2,224,528</u>
7,410	6,288	5,664	4,979	4,637	4,821	4,739
2,112	147	126	75	46	46	43
<u>9,522</u>	<u>6,435</u>	<u>5,790</u>	<u>5,054</u>	<u>4,683</u>	<u>4,867</u>	<u>4,782</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>	<u>\$ 2,209,843</u>	<u>\$ 2,229,310</u>
\$ 8,752	\$ 9,766	\$ 10,770	\$ 11,947	\$ 12,254	\$ 12,400	\$ 8,145
936	-	-	-	-	-	-
1,765	1,266	2,798	1,681	842	864	2,157
887	1,858	2,667	2,290	1,887	2,418	2,676
117,267	111,412	117,427	111,429	119,733	122,042	132,837
-	-	-	-	-	-	-
9,789	5	-	-	-	-	-
90,619	146,936	220,759	161,992	168,436	157,705	172,279
552,488	575,448	743,718	775,976	651,798	546,680	696,877
<u>782,503</u>	<u>846,691</u>	<u>1,098,139</u>	<u>1,065,315</u>	<u>954,950</u>	<u>842,109</u>	<u>1,014,971</u>
6,291	5,975	5,619	5,581	5,188	5,164	5,073
1,128	556	154	2	6	-	-
<u>7,419</u>	<u>6,531</u>	<u>5,773</u>	<u>5,583</u>	<u>5,194</u>	<u>5,164</u>	<u>5,073</u>
<u>\$ 789,922</u>	<u>\$ 853,222</u>	<u>\$ 1,103,912</u>	<u>\$ 1,070,898</u>	<u>\$ 960,144</u>	<u>\$ 847,273</u>	<u>\$ 1,020,044</u>
\$ <1,530,961>	\$ <1,104,384>	\$ <1,178,471>	\$ <1,231,571>	\$ <1,274,166>	\$ <1,362,867>	\$ <1,209,557>
<2,103>	106	<17>	529	511	297	291
<u>\$ <1,533,064></u>	<u>\$ <1,104,278></u>	<u>\$ <1,178,488></u>	<u>\$ <1,231,042></u>	<u>\$ <1,273,655></u>	<u>\$ <1,362,570></u>	<u>\$ <1,209,266></u>

(continued)

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

General Revenues and Other Changes in Net Position	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities:			
Transportation excise taxes	\$ 316,491	\$ 262,264	\$ 253,742
Motor vehicle registration, title, and related taxes	994,052	1,029,001	1,033,505
Fuel and motor carrier taxes and fees	770,596	790,909	766,394
Flight property taxes	13,686	15,303	13,822
Income from investments	28,538	55,760	59,528
Other	11,026	9,998	38,772
Transfers	-	-	-
Governmental activities before accounting change	<u>2,134,389</u>	<u>2,163,235</u>	<u>2,165,763</u>
Special Item - State appropriation for Statewide Transportation Acceleration Needs (STAN)	-	245,000	-
Total governmental activities	<u>2,134,389</u>	<u>2,408,235</u>	<u>2,165,763</u>
Business-type Activities:			
Income from investments	3,518	5,563	4,788
Other	-	<3>	<17>
Transfers	-	-	-
Total business-type activities	<u>3,518</u>	<u>5,560</u>	<u>4,771</u>
Total primary government	<u>\$ 2,137,907</u>	<u>\$ 2,413,795</u>	<u>\$ 2,170,534</u>
Changes in Net Position			
Governmental Activities	\$ 955,366	\$ 992,178	\$ 745,459
Business-type Activities	2,363	4,102	2,385
Total primary government	<u>\$ 957,729</u>	<u>\$ 996,280</u>	<u>\$ 747,844</u>

(continued)

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

2009	2010	2011	2012	2013	2014	2015
\$ 219,165	\$ 199,672	\$ 206,545	\$ 216,281	\$ 227,800	\$ 243,786	\$ 254,871
976,075	893,287	874,191	899,345	913,326	963,221	1,036,502
667,200	690,503	704,727	700,620	708,062	714,852	686,042
11,975	9,527	9,798	10,735	8,084	12,975	8,595
33,588	16,347	9,415	11,388	11,781	11,634	9,989
22,831	8,966	16,095	10,442	13,411	13,931	10,415
<500>	-	<851>	-	-	-	-
<u>1,930,334</u>	<u>1,818,302</u>	<u>1,819,920</u>	<u>1,848,811</u>	<u>1,882,464</u>	<u>1,960,399</u>	<u>2,006,414</u>
-	-	-	-	-	-	-
<u>1,930,334</u>	<u>1,818,302</u>	<u>1,819,920</u>	<u>1,848,811</u>	<u>1,882,464</u>	<u>1,960,399</u>	<u>2,006,414</u>
1,612	514	554	783	747	735	613
<1>	-	-	-	-	-	-
500	-	851	-	-	-	-
<u>2,111</u>	<u>514</u>	<u>1,405</u>	<u>783</u>	<u>747</u>	<u>735</u>	<u>613</u>
<u>\$ 1,932,445</u>	<u>\$ 1,818,816</u>	<u>\$ 1,821,325</u>	<u>\$ 1,849,594</u>	<u>\$ 1,883,211</u>	<u>\$ 1,961,134</u>	<u>\$ 2,007,027</u>
\$ 399,373	\$ 713,918	\$ 641,449	\$ 617,239	\$ 608,298	\$ 597,532	\$ 796,858
8	620	1,388	1,313	1,257	1,032	903
<u>\$ 399,381</u>	<u>\$ 714,538</u>	<u>\$ 642,837</u>	<u>\$ 618,552</u>	<u>\$ 609,555</u>	<u>\$ 598,564</u>	<u>\$ 797,761</u>

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

	2006	2007	2008
Revenues			
Transportation excise taxes	\$ 316,491	\$ 262,264	\$ 253,742
Vehicle registration, title, license, and related taxes and fees	1,207,265	1,159,379	1,159,474
Fuel and motor carrier taxes and fees	770,596	792,717	768,046
Flight property taxes	13,686	15,303	13,822
Reimbursement of construction expenditures - federal aid	407,891	334,376	494,584
Other federal grants and reimbursements	32,044	72,548	79,747
Reimbursements from Arizona counties and cities	13,566	34,971	38,609
Distributions from other state agencies	1,490	1,799	463
Interest on loans receivable	739	928	697
Income from investments	28,351	55,393	59,197
Grand Canyon National Park Airport	1,214	1,133	940
Rental income	1,702	1,434	1,367
Other	6,490	7,088	6,206
Total revenues	<u>2,801,525</u>	<u>2,739,333</u>	<u>2,876,894</u>
Expenditures			
Current:			
Transportation:			
Administration	43,372	44,875	44,322
Aeronautics	10,470	3,876	4,089
Highway	161,496	184,240	171,134
Highway maintenance	111,378	118,940	135,629
Motor vehicle	95,198	103,801	110,982
Other	2,309	-	-
Total Transportation	<u>424,223</u>	<u>455,732</u>	<u>466,156</u>
Transportation not appropriated by State legislature:	-	-	-
Intergovernmental:			
Distributions to other state agencies	206,903	114,795	173,405
Distributions to Arizona counties and cities	1,190,962	1,217,883	1,241,110
Debt service:			
Principal	173,745	100,395	192,663
Interest	83,017	90,836	102,583
Bond issuance costs	1,252	1,592	3,447
Non-capital, including asset preservation	250,736	63,273	158,991
Capital outlay	<u>663,316</u>	<u>741,506</u>	<u>989,882</u>
Total expenditures	<u>2,994,154</u>	<u>2,786,012</u>	<u>3,328,237</u>
Excess <deficiency> of revenues over <under> expenditures	\$ <192,629>	\$ <46,679>	\$ <451,343>

(continued)

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

	2009	2010	2011	2012	2013	2014	2015
\$	219,165	\$ 199,672	\$ 206,545	\$ 216,281	\$ 227,800	\$ 243,786	\$ 254,871
	1,064,147	1,002,312	991,335	1,010,548	1,021,441	1,085,166	1,169,339
	696,075	692,632	704,727	700,620	613,607	714,852	686,042
	11,975	9,527	9,799	10,735	-	12,975	8,595
	531,981	544,498	736,803	770,900	597,762	536,192	685,823
	94,521	146,936	219,743	157,437	66,217	148,902	162,701
	27,498	31,503	10,078	9,645	<2,380>	19,314	20,632
	876	936	845	1,842	989	915	1,338
	427	596	436	351	93	228	179
	33,221	15,853	9,083	11,130	11,282	11,500	9,989
	936	866	798	821	-	1,170	1,295
	1,788	1,800	2,554	3,096	5,244	6,025	6,671
	21,579	6,370	9,913	8,177	7,779	11,959	10,264
	<u>2,704,189</u>	<u>2,653,501</u>	<u>2,902,659</u>	<u>2,901,583</u>	<u>2,549,834</u>	<u>2,792,984</u>	<u>3,017,739</u>
	46,056	52,971	81,477	80,627	80,612	92,966	93,309
	10,471	-	-	-	-	-	-
	163,570	115,061	200,216	135,908	42,996	128,196	136,527
	111,346	94,014	120,716	118,230	125,199	133,572	130,599
	131,665	101,142	98,115	114,327	100,993	109,553	87,296
	-	-	-	-	-	-	-
	<u>463,108</u>	<u>363,188</u>	<u>500,524</u>	<u>449,092</u>	<u>349,800</u>	<u>464,287</u>	<u>447,731</u>
	-	-	-	-	-	-	-
	404,569	244,836	254,210	305,218	132,685	216,482	189,517
	1,100,959	1,046,576	1,022,512	1,004,768	1,053,543	1,065,798	1,155,651
	199,687	144,232	201,219	196,338	160,415	216,879	272,053
	126,932	143,133	144,748	137,213	142,524	140,259	121,404
	3,967	121	2,099	3,043	2,455	-	3,026
	142,604	217,338	313,179	286,217	242,039	223,572	251,953
	<u>1,077,835</u>	<u>998,502</u>	<u>709,250</u>	<u>701,657</u>	<u>677,236</u>	<u>563,428</u>	<u>634,303</u>
	<u>3,519,661</u>	<u>3,157,926</u>	<u>3,147,741</u>	<u>3,083,546</u>	<u>2,760,697</u>	<u>2,890,705</u>	<u>3,075,638</u>
\$	<815,472>	\$ <504,425>	\$ <245,082>	\$ <181,963>	\$ <210,863>	\$ <97,721>	\$ <57,899>

(continued)

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

	2006	2007	2008
Other financing sources <uses>			
Transfers in	\$ 262,216	\$ 225,499	\$ 303,513
Transfers out for debt service	<251,891>	<186,856>	<231,563>
Transfers out other	<10,325>	<38,643>	<71,950>
Capital leases	-	2,129	-
Sale of capital assets	11,118	10,162	28,233
Insurance recovery	537	577	1,765
Debt issuance	118,250	325,000	711,479
Debt issuance - refunding bond	147,400	-	-
Amortized premium from debt issuance	22,407	26,201	31,862
Payment to refunded bond escrow agent	<161,726>	-	-
Total other financing sources<uses>	<u>137,986</u>	<u>364,069</u>	<u>773,339</u>
Net change in fund balances before accounting change	<54,643>	317,390	321,996
Special item - State appropriation for Statewide Transportation Acceleration Needs (STAN)	-	245,000	-
Net change in fund balances	<54,643>	562,390	321,996
Fund balances - July 1	<u>537,062</u>	<u>482,419</u>	<u>1,044,809</u>
Fund balances - June 30	<u>\$ 482,419</u>	<u>\$ 1,044,809</u>	<u>\$ 1,366,805</u>
Debt service as a percentage of non-capital expenditures	16.9%	11.1%	9.4%
Debt service as a percentage of total revenues	14.5%	9.2%	7.0%

(continued)

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

2009	2010	2011	2012	2013	2014	2015
\$ 239,447	\$ 271,408	\$ 331,547	\$ 330,856	\$ 283,066	\$ 303,030	\$ 305,410
<221,232>	<266,934>	<331,547>	<330,856>	<227,996>	<303,030>	<305,410>
<17,252>	<9,013>	<2,400>	-	-	-	-
-	-	-	-	-	-	-
2,127	3,088	3,712	1,815	1,636	900	259
887	1,765	2,529	1,818	1,679	2,328	2,676
796,819	32,628	349,698	269,001	767,020	42,366	783
-	-	-	499,725	92,477	-	754,285
58,123	-	38,876	90,753	36,385	-	149,554
-	-	-	<560,228>	<611,874>	-	<900,813>
<u>858,919</u>	<u>32,942</u>	<u>392,415</u>	<u>302,884</u>	<u>342,393</u>	<u>45,594</u>	<u>6,744</u>
43,447	<471,483>	147,333	120,921	131,530	<52,127>	<51,155>
-	-	-	-	-	-	-
<u>43,447</u>	<u><471,483></u>	<u>147,333</u>	<u>120,921</u>	<u>131,530</u>	<u><52,127></u>	<u><51,155></u>
<u>1,366,805</u>	<u>1,410,252</u>	<u>938,769</u>	<u>1,086,102</u>	<u>1,169,853</u>	<u>1,341,636</u>	<u>1,289,508</u>
\$ 1,410,252	\$ 938,769	\$ 1,086,102	\$ 1,207,023	\$ 1,301,383	\$ 1,289,509	\$ 1,238,353
12.8%	13.5%	13.3%	14.1%	14.5%	15.3%	16.1%
10.4%	12.2%	10.8%	12.1%	10.4%	12.8%	13.0%

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

	2006	2007	2008	2009
General Fund (State Highway Fund):				
Reserved	\$ 172,784	\$ 507,723	\$ 505,691	\$ 230,885
Unreserved	9,342	(10,032)	57,899	94,686
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Total General Fund	<u>\$ 182,126</u>	<u>\$ 497,691</u>	<u>\$ 563,590</u>	<u>\$ 325,571</u>
All other governmental funds				
Reserved:				
Debt service	\$ 2,159	\$ 2,688	\$ 3,212	\$ 2,692
Capital projects	258,236	495,428	774,644	1,078,478
Unreserved, reported in:				
Non-major special revenue funds	39,898	49,002	25,359	3,574
Unassigned	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 300,293</u>	<u>\$ 547,118</u>	<u>\$ 803,215</u>	<u>\$ 1,084,744</u>
Total general and other governmental funds	<u>\$ 482,419</u>	<u>\$ 1,044,809</u>	<u>\$ 1,366,805</u>	<u>\$ 1,410,315</u>

NOTE:

¹ GASB 54 rules state that Fund Balances should be reported with the categories listed in the above table for years beginning in 2011. Years 2006 - 2010 will continue to be reported in the old format until 10 years of information is available.

² 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)**

2010	2011 ¹	2012 ²	2013	2014	2015
\$ 270,550	\$ -	\$ -	\$ -	\$ -	\$ -
80,251	-	-	-	-	-
-	9,765	8,235	7,207	6,833	6,341
-	229,559	240,444	267,414	295,361	344,347
-	102,350	25,229	123,662	129,115	177,384
<u>\$ 350,801</u>	<u>\$ 341,674</u>	<u>\$ 273,908</u>	<u>\$ 398,283</u>	<u>\$ 431,309</u>	<u>\$ 528,072</u>
\$ 1,894	\$ -	\$ -	\$ -	\$ -	\$ -
576,331	-	-	-	-	-
9,743	-	-	-	-	-
-	-	(8,128)	<8,128>	<8,128>	<8,128>
-	-	-	-	-	6,341
-	719,966	789,547	910,931	816,591	1,018,738
-	24,462	37,352	40,550	49,738	221,404
<u>\$ 587,968</u>	<u>\$ 744,428</u>	<u>\$ 818,771</u>	<u>\$ 943,353</u>	<u>\$ 858,201</u>	<u>\$ 1,238,355</u>
<u>\$ 938,769</u>	<u>\$ 1,086,102</u>	<u>\$ 1,092,679</u>	<u>\$ 1,341,636</u>	<u>\$ 1,289,510</u>	<u>\$ 1,766,427</u>

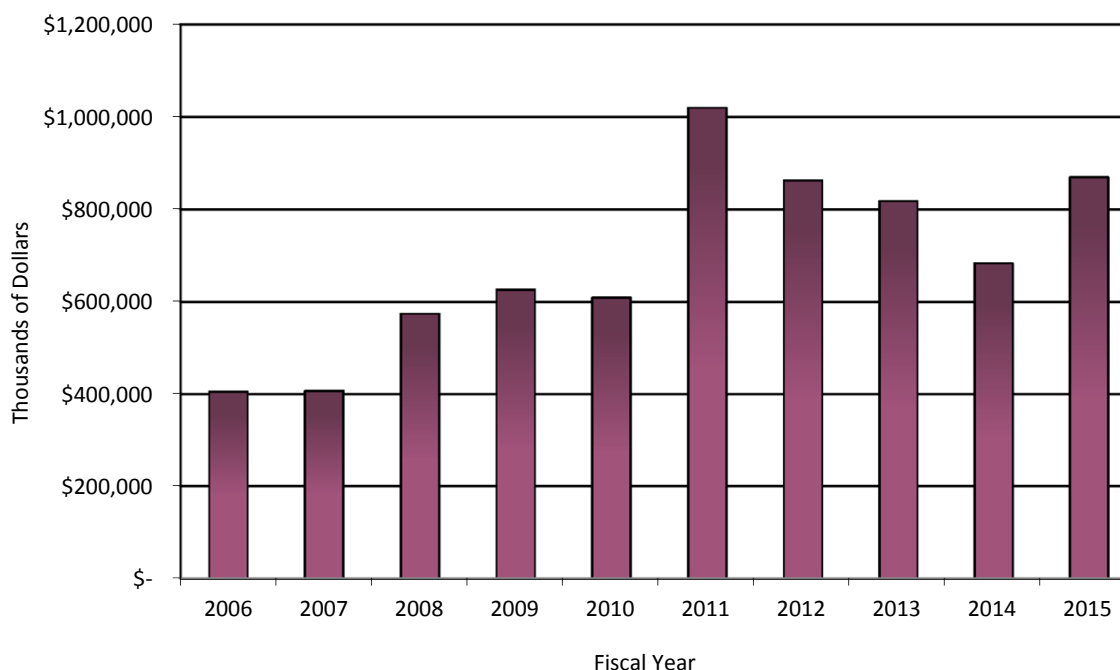
Arizona Department of Transportation
Expenditures of Federal Awards¹
for the fiscal year ended June 30
(Thousands of Dollars)

Fiscal Year	Federal Agencies ¹											Total Federal Expenditures	
	BIA	BJA	BLM	FAA	FHWA	FMCSA	FRA	FTA	GSA	NHTSA	OST		USDA
2015	\$ -	\$ -	\$ -	\$ 428	\$ 837,698	\$ 2,122	\$ 48	\$ 18,644	\$ -	\$ 103	\$ 10,417	\$ -	869,460
2014	-	-	-	454	660,644	2,204	65	18,107	234	112	1,512	-	683,332
2013	-	13	-	198	794,912	2,747	611	19,056	-	123	344	-	818,004
2012	-	-	-	488	840,649	1,518	-	19,261	541	-	-	80	862,537
2011	-	-	1,004	3,844	988,403	3,891	-	21,451	-	1,143	-	-	1,019,736
2010	-	-	124	7,938	574,068	4,148	-	22,769	-	120	-	-	609,167
2009	-	-	268	3,902	603,643	4,734	-	13,853	-	101	-	-	626,501
2008	-	-	57	715	555,282	2,642	-	15,530	-	106	-	-	574,332
2007	<21>	-	544	610	393,751	1,769	-	10,169	-	101	-	-	406,923
2006	-	-	162	4,338	389,575	2,231	-	8,837	-	69	-	-	405,212

SOURCE: Single Audit Reports - fiscal years 2006 through 2015

NOTE: ¹ Bureau of Indian Affairs (BIA); Bureau of Justice Assistance (BJA); Bureau of Land Management (BLM); Federal Aviation Administration (FAA); Federal Highway Administration (FHWA); Federal Motor Carrier Safety Administration (FMCSA); Federal Railroad Administration (FRA); Federal Transit Administration (FTA); General Services Administration (GSA); National Highway Transportation Safety Administration (NHTSA); Office of the Secretary Administration Secretariate (OST); United States Department of Agriculture (USDA).

Total Expenditures of Federal Awards



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

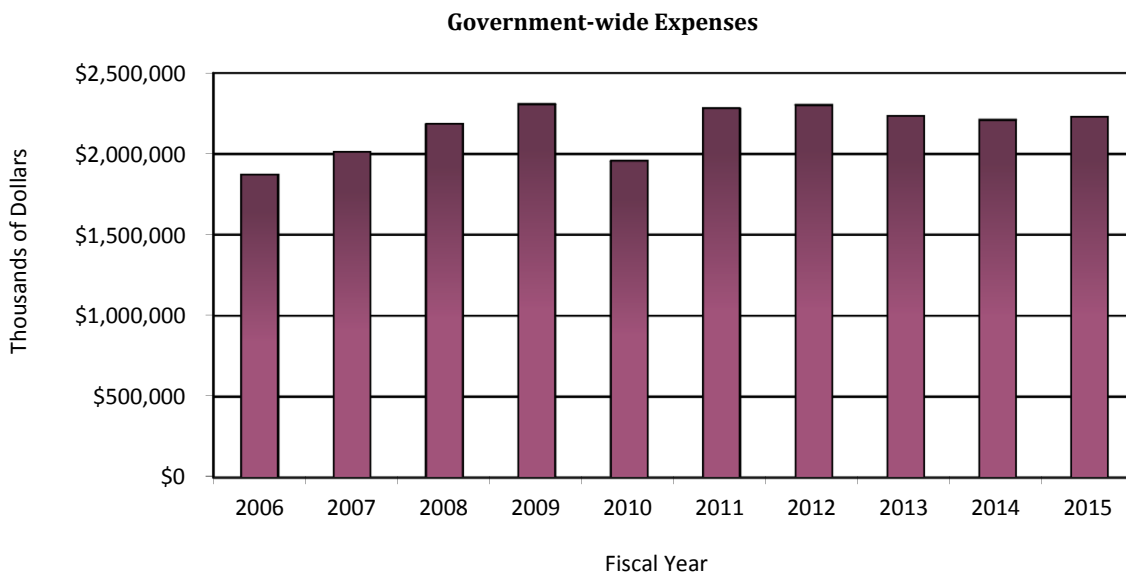
Fiscal Year	Admin.	Aeronautics	Highway	Highway Maintenance ¹	Motor Vehicle	Distributions to Arizona Counties, Cities and Other State Agencies
2015	\$ 98,855	\$ -	\$ 41,836	\$ 137,473	\$ 92,520	\$ 1,345,168
2014	106,200	-	51,074	122,977	111,397	1,282,473
2013	101,370	-	46,076	139,762	107,655	1,287,481
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

NOTE: ¹ 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 Governmental Assistance	Premium on Long-Term Debt	Interest on Long-Term Debt	Other	Arizona Highways Magazine	Highway Expansion and Extension Loan Program	Total
\$ 98,371	\$ -	\$ 94,956	\$ 315,349	\$ 4,739	\$ 43	\$ 2,229,310
90,376	-	114,406	326,073	4,821	46	2,209,843
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



**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
2015	\$ 145,815	\$ 172,279	\$ 696,877	\$ 5,073
2014	137,725	157,705	546,680	5,164
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

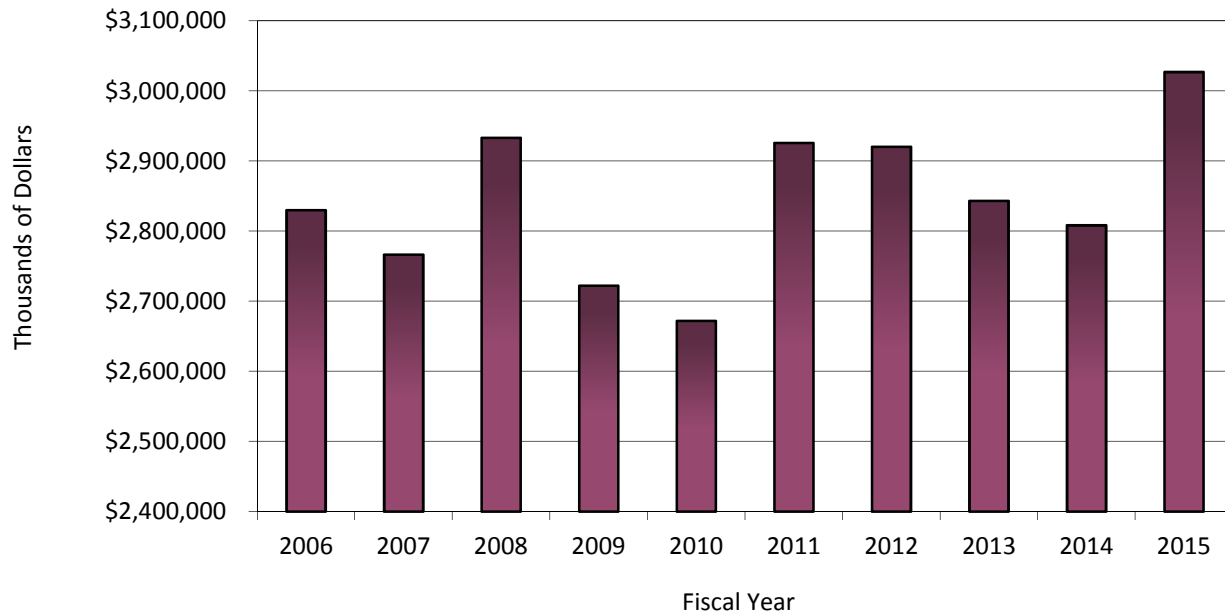
NOTE: ¹ Includes transfers for multiple years.

(Continued)

**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 ¹	Income from Investments	Other Revenues ¹	Income from Investments		
\$ 1,986,010	\$ 10,264	\$ 9,989	\$ 151	\$ 613	\$ 3,027,071	
1,934,835	13,905	11,634	26	735	2,808,409	
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	

Government-wide Revenues



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

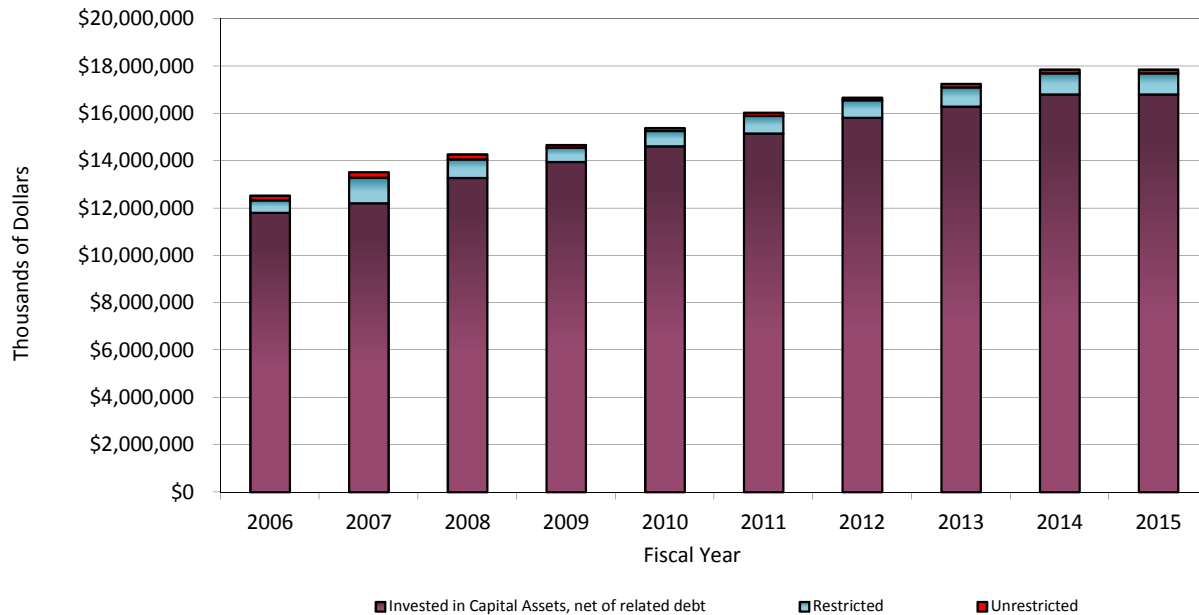
Fiscal Year	Governmental Activities				Business-type
	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Activities Net Investment in Capital Assets
2015	\$ 17,496,122	\$ 819,446	\$ (57,534)	\$ 18,258,034	\$ 18
2014	16,812,808	805,893	159,127	17,777,828	24
2013	16,290,605	738,969	150,721	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

(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
\$ 78,770	\$ 383	\$ 79,171	\$ 17,496,140	\$ 898,216	\$ (57,151)	\$ 18,337,205
78,226	1,790	80,040	16,812,832	884,119	160,917	17,857,868
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	15,159,140	746,003	126,052	16,031,195
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

Primary Government Net Assets By Component

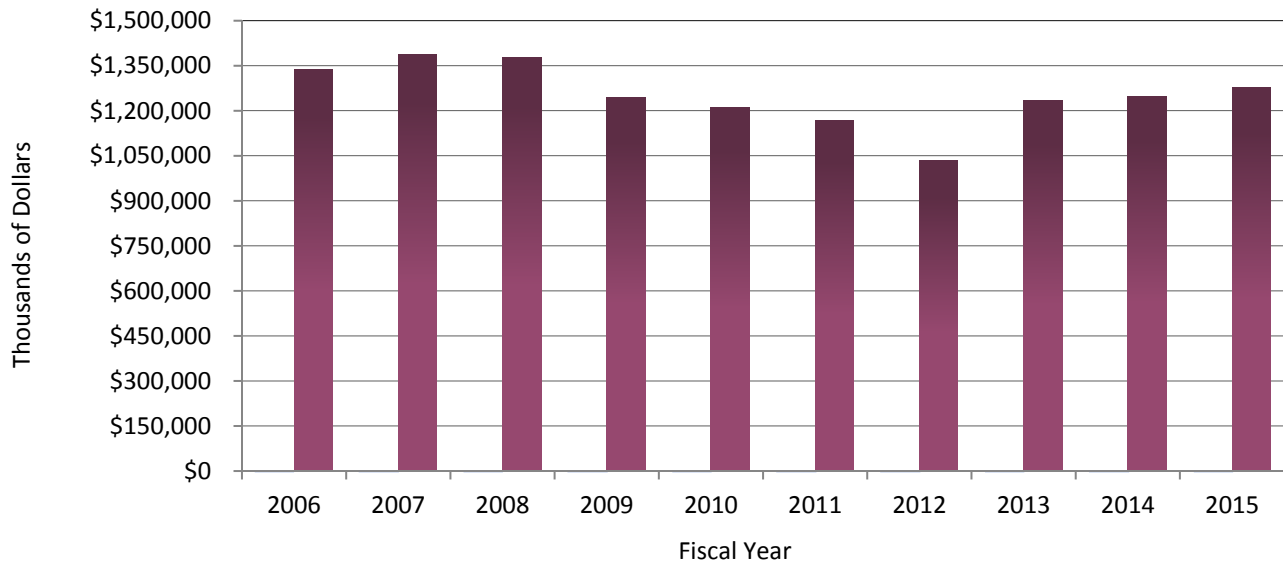


REVENUE CAPACITY

**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
2015	\$ 634,245	\$ 188,793	\$ 18,623	\$ 69,245	\$ 366,607	\$ 1,277,513
2014	632,544	182,492	17,953	68,452	345,603	1,247,044
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

Highway User Revenue Fund Collections



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

Fiscal Year	State Highway Fund	Cities and Towns	Counties	Department of Public Safety	Economic Strength Project Fund	Other ¹	Total
2015	\$ 580,993	\$ 364,260	\$ 226,928	\$ 89,255	\$ 1,000	\$ 15,077	\$ 1,277,513
2014	559,765	340,718	212,251	119,247	1,000	14,063	1,247,044
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

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 2006 through 2015

NOTE: ¹An 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)

Fiscal Year	Gasoline Tax	Use Fuel Tax ¹
2015	\$ 0.18	\$ 0.26
2014	0.18	0.26
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

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.

¹ Light class motor vehicles with a declared vehicle weight < 26,001 pounds and have less than three axles pay \$.18 per gallon.

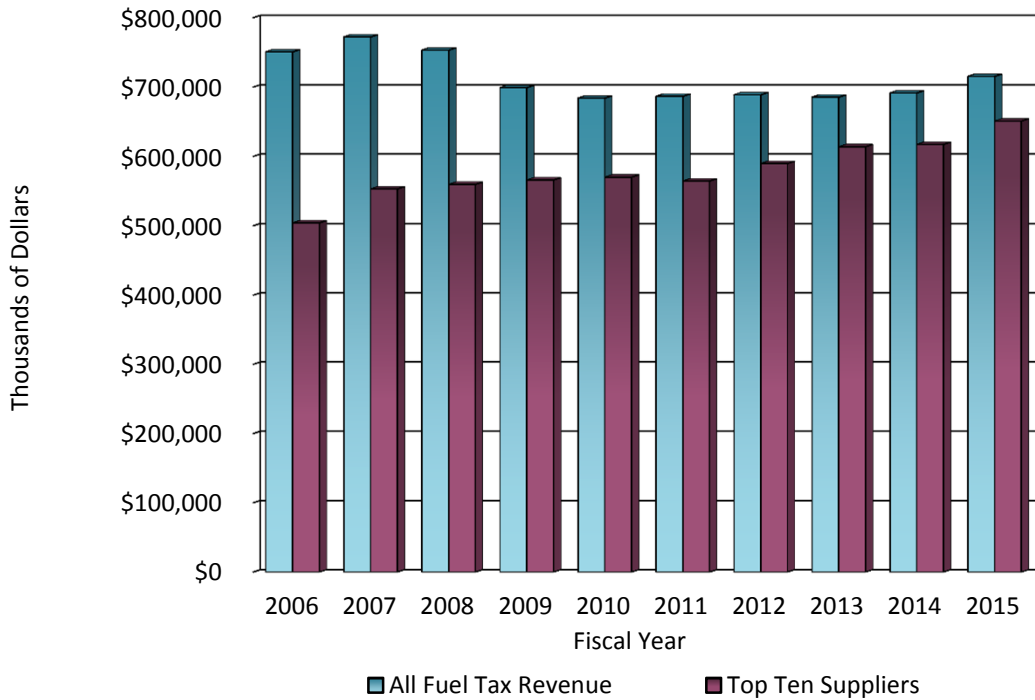
**Arizona Department of Transportation
Motor Vehicle Fuel Tax - Top Ten Suppliers
for fiscal year ended June 30
(Thousands)**

Fiscal Year	Gallons from Top Ten Suppliers	Revenue from Top Ten Suppliers	All Motor Vehicle Fuel Tax Revenue	Revenue Percentage
				from Top Ten Suppliers
2015	3,298,612	\$ 650,714	\$ 715,248	91.0%
2014	3,138,450	617,134	691,250	89.3%
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%

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 2006 - 2015.

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	2006		2007		2008		2009		2010	
	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	5	2.4%	6	2.0%	8	1.5%	7	3.3%	7	2.7%
26 - 50	2	2.4%	1	1.0%	6	4.2%	5	5.2%	8	9.2%
51 - 100	5	12.0%	5	11.1%	3	12.1%	2	3.2%	1	1.5%
101 - 200	6	21.8%	6	24.5%	5	11.1%	3	11.4%	2	9.8%
201 - 300	3	17.6%	3	18.2%	3	34.8%	3	17.9%	3	21.7%
> 300	4	38.5%	4	40.4%	-	32.7%	5	55.8%	4	51.6%
	25	94.7%	25	97.2%	25	96.4%	25	96.8%	25	96.5%

Total Gallons of Gasoline (Thousands)	2,781,197	2,871,528	2,797,714	2,634,840	2,607,660
Gasoline % of Total	74.3%	74.5%	74.5%	75.3%	76.0%
Total Gallons of Use Fuel (Diesel) (Thousands)	963,551	981,647	959,406	864,455	824,996
Diesel % of Total	25.7%	25.5%	25.5%	24.7%	24.0%

Note: Above data reflects a change in gasoline and use fuel gallon reported by the Revenue & Fuel Tax Administration for 2006 - 2015.

(continued)

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

Range - in Millions of Gallons	2011		2012		2013		2014		2015	
	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	3.2%	15	5.9%	14	5.9%	13	4.8%	13	3.9%
26 - 50	5	4.9%	1	1.3%	2	2.4%	2	2.0%	3	3.4%
51 - 100	3	4.6%	1	1.8%	1	2.0%	2	4.2%	1	1.6%
101 - 200	3	15.3%	3	16.1%	2	10.2%	3	15.0%	2	9.1%
201 - 300	3	19.0%	1	7.7%	2	12.7%	1	6.2%	2	13.7%
> 300	4	49.8%	4	65.3%	4	64.2%	4	65.0%	4	66.1%
	25	96.8%	25	98.1%	25	97.4%	25	97.2%	25	97.8%

Total Gallons of Gasoline (Thousands)	2,616,186	2,616,570	2,612,577	2,644,667	2,745,426
Gasoline % of Total	75.9%	75.8%	76.0%	76.0%	76.0%
Total Gallons of Use Fuel (Diesel) (Thousands)	829,530	837,151	827,138	827,731	850,274
Diesel % of Total	24.1%	24.2%	24.0%	24.0%	24.0%

Note: Above data reflects a change in gasoline and use fuel gallon reported by the Revenue & Fuel Tax Administration for 2006 - 2015.

DEBT CAPACITY

**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 ^{1,2}	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit
2015	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A
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%

NOTES: ¹ 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.

² 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)**

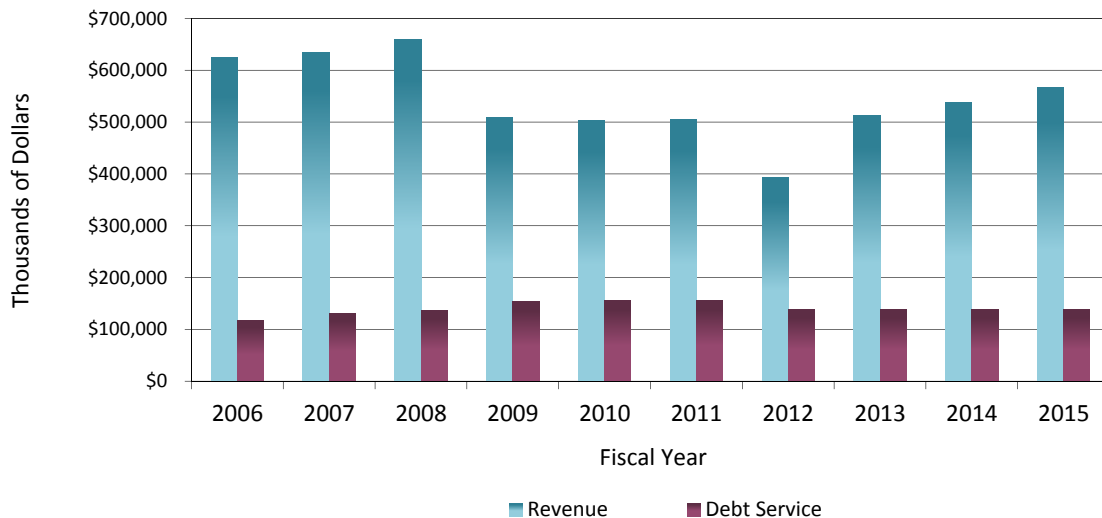
Fiscal Year	Principal	Interest	Total	Pledged Revenues ^{1,2}	Coverage
2015	\$ 61,660	\$ 75,937	\$ 137,597	\$566,352	4.1
2014	58,485	80,495	138,980	537,768	3.9
2013	60,540	78,198	138,738	512,971	3.7
2012	67,885	71,113	138,998	392,648	2.8
2011	71,770	83,960	155,730	504,175	3.2
2010	68,140	87,661	155,801	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

SOURCES: Highway User Revenue Fund Schedule fiscal years 2006 through 2015; Debt Service Funds fiscal years 2006 through 2015.

NOTES: ¹ Includes vehicle license tax revenues distributed directly to the State Highway 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.

² 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)**

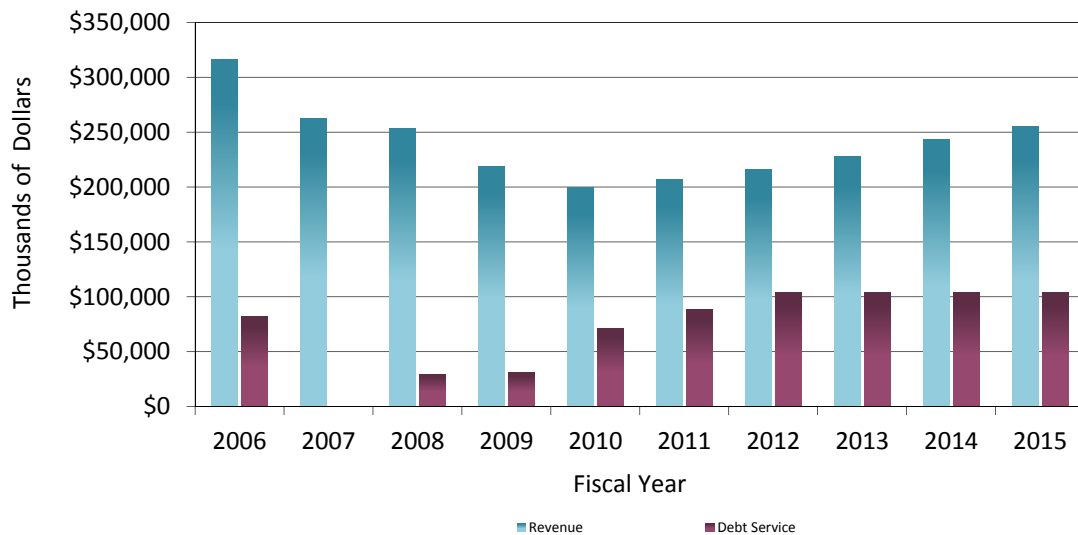
Fiscal Year	Principal	Interest	Total	Pledged Revenues ¹	Coverage
2015	\$ 70,940	\$ 32,652	103,592	\$ 254,871	2.5
2014	58,600	44,988	103,588	243,786	2.4
2013	55,870	47,721	103,591	227,800	2.2
2012	55,460	48,129	103,589	216,281	2.1
2011	45,970	42,496	88,466	206,545	2.3
2010	33,315	38,225	71,540	199,672	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

SOURCE: Maricopa County Regional Area Road Fund Report

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

¹ 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

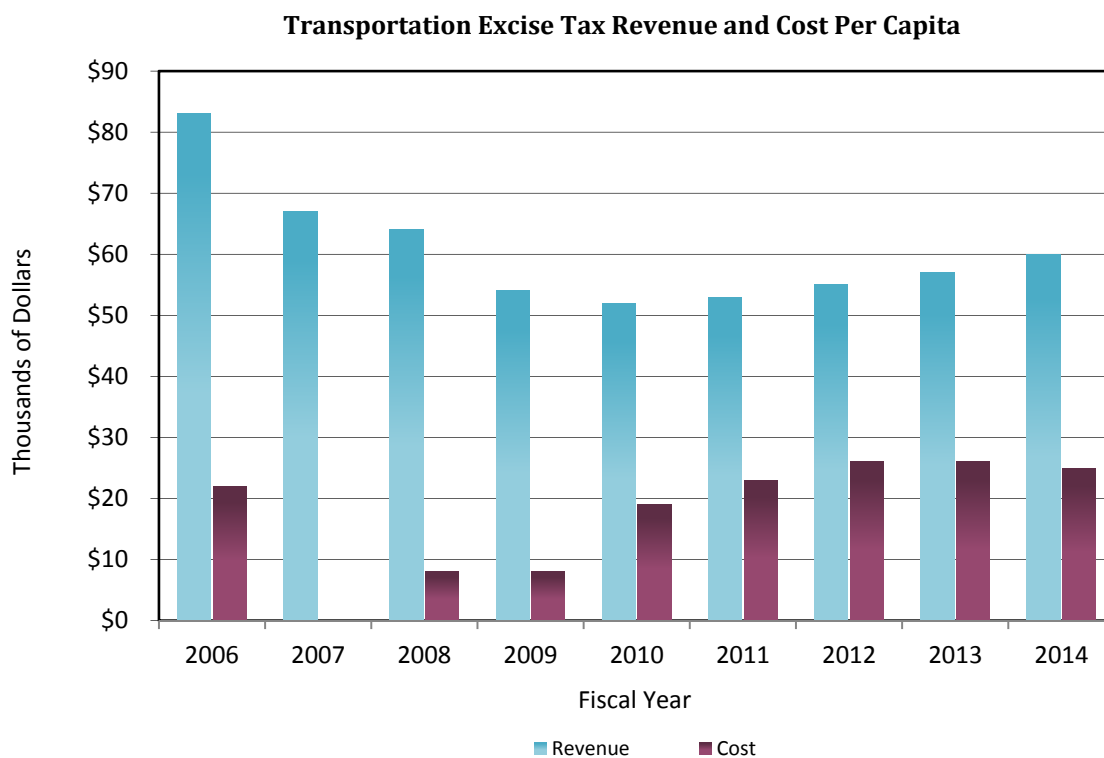


**Arizona Department of Transportation
Transportation Excise Tax Revenue Bonds
Debt Service Revenue and Cost Per Capita
for the fiscal year ended June 30
(Thousands)**

Fiscal Year	Total		Maricopa County Population	Cost per capita	Revenue per capita		
	Principal	Interest					
2014	\$ 58,600	\$ 44,988	\$ 103,588	\$ 243,786	4,087	25	60
2013	55,870	47,721	103,591	227,800	4,009	26	57
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

SOURCES: Maricopa County Regional Area Road Fund Report; population data from the U.S. Census Bureau available only through 2014.

NOTE: ¹ 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities				
Highway Revenue Bonds	\$ 1,161,355	\$ 1,223,425	\$ 1,490,600	\$ 1,623,905
Transportation Excise Tax Revenue Bonds	80,375	-	-	350,955
Grant Anticipation Notes (GARVEE)	363,970	325,430	282,860	298,280
Premium on bonds	76,721	90,852	108,034	128,586
Capital leases	5,910	11,130	10,601	7,535
Advances and notes payable	<u>169,473</u>	<u>195,018</u>	<u>168,287</u>	<u>56,739</u>
Total Governmental activities	<u>1,857,804</u>	<u>1,845,855</u>	<u>2,060,382</u>	<u>2,466,000</u>
Business-Type Activities				
Notes payable	<u>146,454</u>	<u>150,494</u>	<u>154,534</u>	<u>2,170</u>
Total Business-type Activities	<u>146,454</u>	<u>150,494</u>	<u>154,534</u>	<u>2,170</u>
Total Primary Government	<u>\$ 2,004,258</u>	<u>\$ 1,996,349</u>	<u>\$ 2,214,916</u>	<u>\$ 2,468,170</u>
Debt as a Percentage of Personal Income	1.07%	0.96%	1.01%	1.10%
Amount of Debt per Capita ¹	\$ 335	\$ 322	\$ 348	\$ 380

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 2014

NOTE:

¹The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Year 2005 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	1,740,765	\$ 1,672,625	\$ 1,600,855	\$ 1,619,965	\$ 1,733,285	\$ 1,674,800
	777,130	743,815	877,845	981,845	925,975	867,375
	329,650	304,480	392,495	335,230	296,240	247,710
	173,313	158,601	180,225	248,892	350,739	323,356
	4,326	1,304	4,910	10,729	22,271	29,324
	<u>42,668</u>	<u>60,711</u>	<u>59,892</u>	<u>55,666</u>	<u>105,816</u>	<u>108,096</u>
	<u>3,067,852</u>	<u>2,941,536</u>	<u>3,116,222</u>	<u>3,252,327</u>	<u>3,434,326</u>	<u>3,250,661</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u><u>3,067,852</u></u>	<u><u>2,941,536</u></u>	<u><u>3,116,222</u></u>	<u><u>3,252,327</u></u>	<u><u>3,434,326</u></u>	<u><u>3,250,661</u></u>
	1.40%	1.31%	1.37%	1.38%	1.40%	1.27%
\$	465	\$ 441	\$ 481	\$ 496	\$ 518	\$ 483

DEMOGRAPHIC AND ECONOMIC INFORMATION

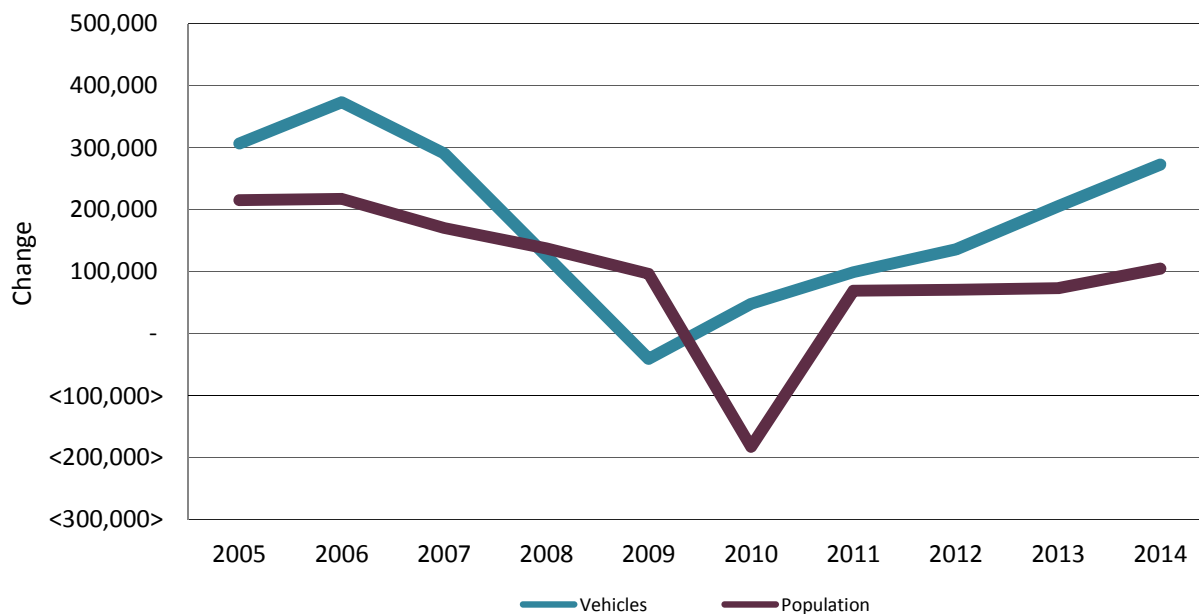
**Arizona Department of Transportation
Number of Vehicle Registrations Per Year
for fiscal year ended June 30
(Thousands)**

Fiscal Year	Total Vehicles	Change in Number of Registered Vehicles	Arizona Population ¹	Change in Population	Vehicles Per Person
2014	7,453	272	6,731	105	1.107
2013	7,181	205	6,627	73	1.084
2012	6,975	136	6,553	71	1.064
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

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

NOTES: ¹ 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. Year 2012 Vehicles has been revised to reflect revisions made by MVD. Population data available only through fiscal year 2014.

Change in Vehicles Registered Compared to Population Change



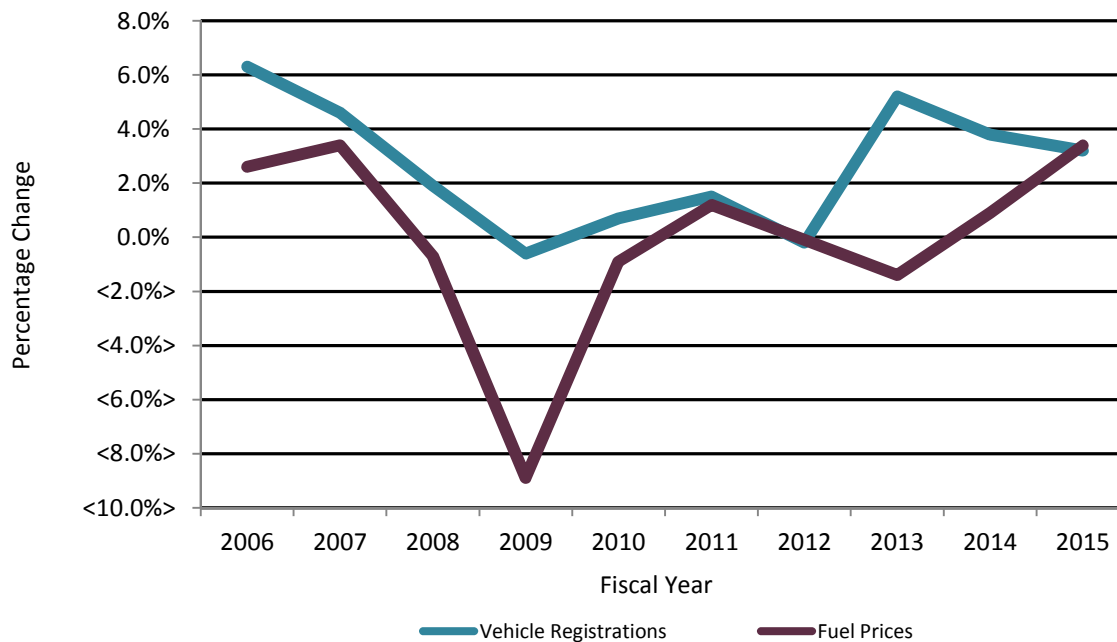
**Arizona Department of Transportation
Vehicle Registrations Per Year Compared to Fuel Sales
for fiscal year ended June 30
(Thousands)**

Fiscal Year	Vehicle Registrations	Percentage Change	Fuel Sales ¹	Percentage Change
2015	7,694	3.2%	3,506,176	3.4%
2014	7,453	3.8%	3,389,934	0.9%
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%

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

NOTES: ¹Fuel 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	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ³	Unemployment Rate ⁴
December 31				
2014	6,731,484	\$ 255,092,928	\$ 37,895	6.9%
2013	6,626,624	245,070,457	36,983	7.8%
2012	6,553,255	235,780,739	35,979	8.4%
2011	6,482,505	227,286,519	35,062	9.5%
2010	6,676,627	223,716,314	33,507	10.4%
2009	6,587,653	219,026,704	33,248	9.9%
2008	6,499,207	223,961,131	34,460	6.1%
2007	6,360,238	218,587,551	34,368	3.9%
2006	6,190,987	206,958,398	33,429	4.2%
2005	5,973,970	188,152,439	31,495	4.7%

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 (for unemployment rates)

NOTES: ¹The 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.

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

³Per 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.

⁴The unemployment rates were revised to reflect a revision made by the Arizona Department of Commerce website, www.workforce.az.gov.

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

Employer	Calendar Year Ended December 31, 2014			Calendar Year Ended December 31, 2004		
	Full-Time Equivalent	Rank	Percentage of Total State Employment	Full-Time Equivalent	Rank	Percentage of Total State Employment
	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
State of Arizona	48,910	1	1.58%	49,147	1	1.76%
Wal-Mart Stores Inc.	32,438	2	1.05%	19,510	2	0.70%
Banner Health	30,266	3	0.98%	14,447	4	0.52%
City of Phoenix	14,875	4	0.48%	13,617	5	0.49%
Wells Fargo	14,126	5	0.46%	11,000	8	0.39%
Maricopa County	13,341	6	0.43%	15,218	3	0.54%
Arizona State University	12,229	7	0.40%	10,530	9	0.38%
Intel Corp.	11,700	8	0.38%			
Scottsdale Lincoln Health Netw	10,500	9	0.34%			
Honeywell	10,000	10	0.32%	12,000	6	0.43%
U.S. Postal Service				11,406	7	0.41%
Raytheon Co.				10,300	10	0.37%
Total	<u>198,385</u>		<u>6.42%</u>	<u>167,175</u>		<u>5.99%</u>

SOURCES: Resources: Bizjournals.com for 2014 employers, Business Journal, Book of Lists 2004 for employers; Arizona Department of Commerce website, www.workforce.az.gov (for annual State employment). The sources are those most current at the time of printing.

Note: Beginning with fiscal year 2014 a 10 year range is used. Prior years reflect a 9 year range.

OPERATING INFORMATION

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 ¹	Total Appropriated FTEs	Arizona Highways Magazine	HELP	Other	Total Non-Appropriated FTEs	
2015	792	2,235	78	1,075	368	4,548	18	1	44	63	4,611
2014	792	2,235	78	1,060	383	4,548	20	1	44	65	4,613
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

NOTES ¹ ECD FTE total was included in the Motor Vehicle Division 2006-2010.

Arizona Department of Transportation
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2015
(Thousands of Dollars)

Function and Activity	Land	Buildings and Improvements	Improvements other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
Administration	\$ 879	\$ 53,840	\$ 44,187	\$ 10,456	\$ -	\$ -	\$ 109,362
Highway:							
Administrative and other services	936	37,855	1,798	3,279	-	-	43,868
Highway construction	2,956,756	10,567	384	4,470	15,732,569	1,358,934	20,063,680
Highway development	710	105	-	2,667	-	-	3,482
Materials engineering	-	4,908	7	4,301	-	-	9,216
Traffic engineering	-	357	22	1,218	-	-	1,597
Transportation planning and research	-	153	123	316	-	-	592
Highway maintenance	5,068	45,260	9,396	9,013	-	-	68,737
Motor vehicle	<u>12,797</u>	<u>47,244</u>	<u>3,572</u>	<u>20,251</u>	-	-	<u>83,864</u>
Total governmental funds capital assets	<u>\$ 2,977,146</u>	<u>\$ 200,289</u>	<u>\$ 59,489</u>	<u>\$ 55,971</u>	<u>\$ 15,732,569</u>	<u>\$ 1,358,934</u>	<u>\$ 20,384,398</u>

Note:

¹ 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 Activity¹
for the fiscal year ended June 30, 2015

Function and Activity	Governmental Funds Capital Assets July 1, 2014	Additions	Deductions	Governmental Funds Capital Assets June 30, 2015
Administration	\$ 81,167,858	\$ 28,199,763	\$ <5,613>	\$ 109,362,008
Highway:				
Administrative and other services	43,868,820			43,868,820
Highway construction	16,679,640,470	2,078,481,849	<53,376,911>	18,704,745,408
Highway development	3,482,394			3,482,394
Materials engineering	9,216,462	106,346	<106,000>	9,216,808
Traffic engineering	1,596,148	34,989	<34,000>	1,597,137
Transportation planning and research	591,681			591,681
Highway maintenance	68,576,678	191,017	<31,000>	68,736,695
Motor Vehicle	<u>72,068,368</u>	<u>11,888,516</u>	<u><93,000></u>	<u>83,863,884</u>
Functional sub-total	16,960,208,879	2,118,902,480	<53,646,524>	19,025,464,835
Construction in progress	<u>2,843,910,023</u>	<u>492,764,487</u>	<u><1,977,741,164></u>	<u>1,358,933,346</u>
Total governmental funds capital assets	<u>\$ 19,804,118,902</u>	<u>\$ 2,611,666,967</u>	<u>\$ <2,031,387,688></u>	<u>\$ 20,384,398,181</u>

NOTE: ¹ This schedule presents only the capital asset balances (not net of depreciation) 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.

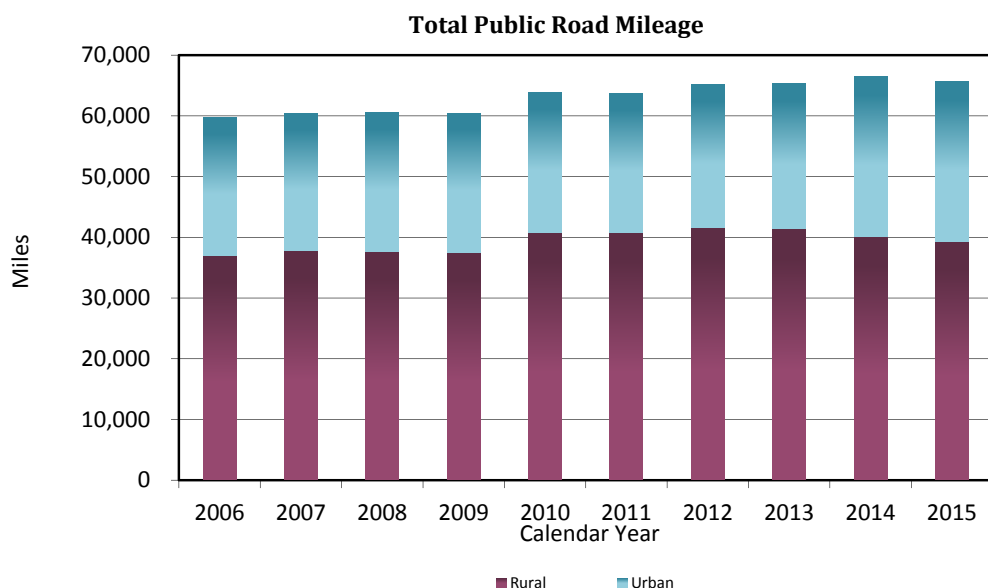
Arizona Department of Transportation
Total Public Road Mileage by Highway Class and Governmental Ownership
for the calendar year ended December 31
(In Center Line Miles)

Functional Classification	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rural:										
Interstate Freeway	981	981	980	980	980	980	980	982	921	921
¹ Principal Arterial Freeways & Expressways	Additional categorization beginning 2011						25	43	18	18
Principal Arterial	1,167	1,168	1,167	1,167	1,167	1,259	1,267	-	1,174	1,207
Minor Arterial	1,363	1,359	1,357	1,358	1,378	1,276	1,328	1,267	1,173	1,200
Major Collector	4,332	4,303	4,301	4,302	4,342	4,338	4,413	1,308	4,179	4,127
Minor Collector	2,188	2,186	2,185	2,191	2,134	1,735	2,032	6,416	1,794	1,807
Local	27,015	27,819	27,685	27,525	30,845	31,157	31,548	31,370	30,870	30,104
Total Rural	37,046	37,816	37,675	37,523	40,846	40,745	41,593	41,386	40,129	39,384
Urban:										
Interstate freeway	188	188	188	188	188	188	188	187	248	248
² Principal Arterial Freeways & Expressways	156	168	171	176	176	175	178	181	208	215
Principal arterial	1,400	1,400	1,400	1,399	1,400	1,390	1,435	1,437	1,491	846
Minor arterial	1,790	1,791	1,792	1,807	1,808	1,752	1,788	1,786	1,957	2,633
Urban collector	1,645	1,632	1,632	1,632	1,649	1,631	1,653	1,642	2,100	2,103
Local	17,564	17,380	17,735	17,735	17,817	17,806	18,256	18,645	20,308	20,165
Total urban	22,743	22,559	22,918	22,937	23,038	22,942	23,498	23,878	26,312	26,210
Statewide composite:										
Freeways and expressways	1,325	1,337	1,339	1,344	1,344	1,343	1,346	1,350	1,377	1,384
Arterials	5,720	5,718	5,716	5,731	5,753	5,677	5,843	4,533	5,813	5,904
Collectors	8,165	8,121	8,118	8,125	8,125	7,704	8,098	9,366	8,073	8,037
Locals	44,579	45,199	45,420	45,260	48,662	48,963	49,804	50,015	51,178	50,269
Total statewide composite	59,789	60,375	60,593	60,460	63,884	63,687	65,091	65,264	66,441	65,594

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

¹Additional category created for 2011 reporting.

²Before 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)**

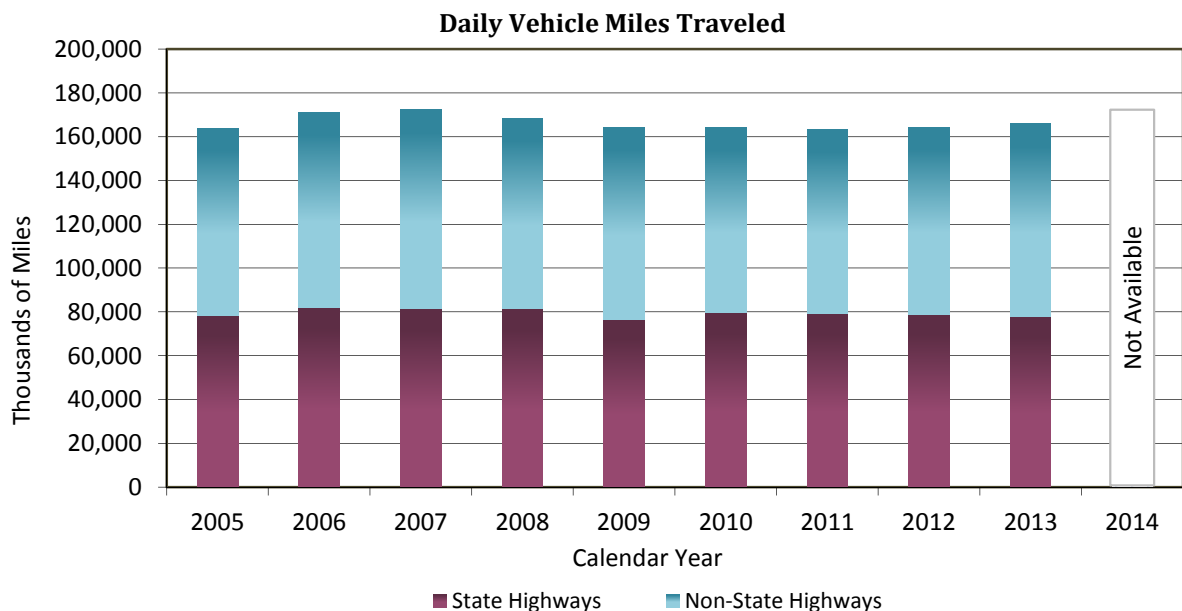
Calendar ¹ Year Ended December 31	Non-State ³ Highways	State ³ Highways	All Public Highways	Arizona ² Population	Daily Miles per capita
2014	-	-	171,591	6,731	25.5
2013	88,153	77,837	165,990	6,627	25.0
2012	85,285	79,003	164,288	6,553	25.1
2011	83,955	79,312	163,267	6,467	25.2
2010	84,427	79,699	164,126	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

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: ¹ Year 2014 is the latest population information available at the time of publication.

² Years 2005 through 2009 and 2011 population information has been revised to reflect revisions made by the U.S. Bureau of the Census.

³ At the time of publishing, this information was not available.



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