

Financial Statements

***Arizona Department of Transportation
Highway Expansion and Extension Loan
Program Fund***

Fiscal Years Ended June 30, 2015 and 2014

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Financial Statements
Fiscal years ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

Director
Arizona Department of Transportation
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Highway Expansion and Extension Loan Program Fund, an enterprise fund of the Arizona Department of Transportation, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the fund'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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Highway Expansion and Extension Loan Program Fund, an enterprise fund of the Arizona Department of Transportation as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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 audits 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.

Regarding Stand-Alone Report

As discussed in Note 1, the financial statements of the Highway Expansion and Extension Loan Program Fund are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Arizona Department of Transportation, that is attributable to the Highway Expansion and Extension Loan Program Fund. They do not purport to, and do not, present fairly the financial position of the Arizona Department of Transportation, as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2016 on our consideration of the Highway Expansion and Extension Loan Program Fund'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 Highway Expansion and Extension Loan Program Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
April 18, 2016

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Management's Discussion and Analysis
June 30, 2015 and 2014

As management of the Arizona Department of Transportation, Highway Expansion and Extension Loan Program Fund (Fund), we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of the Fund exceeded its liabilities by \$78,770,273 at the end of fiscal year 2015 as compared to \$78,226,426 at fiscal year 2014. All of this amount may be used only to meet the Fund's operational needs, and for loans or other financial assistance.
- The Fund's total net position increased by \$543,847 and \$662,283 for fiscal years 2015 and 2014, respectively.
- There were no loan amounts disbursed for fiscal years 2015 and 2014, respectively.

Fund Financial Statements

Fund accounting The operations of the Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Government resources are allocated and accounted for based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various transactions are accounted for in one fund type as follows:

Proprietary funds Enterprise funds, which are part of the Proprietary funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. An enterprise fund is used by the Arizona Department of Transportation to account for the Fund's operations.

The Department's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Management's Discussion and Analysis (continued)
June 30, 2015 and 2014

Financial Analysis

In governmental financial statements, net position may serve over time as a useful indicator of a government's financial position. The Fund's net position increased by \$543,847 and \$662,283 by the end of fiscal years 2015 and 2014, respectively.

Table 1
Highway Expansion and Extension Loan Program Fund's Net Position
as of June 30, 2015, 2014 and 2013

		Business-type Activities	
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 78,770,273	\$ 78,226,426	\$ 77,564,143
Non-current assets	-	-	-
Total assets	<u>78,770,273</u>	<u>78,226,426</u>	<u>77,564,143</u>
Current liabilities	-	-	-
Non-current liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net assets			
Restricted	<u>78,770,273</u>	<u>78,226,426</u>	<u>77,564,143</u>
Net position	<u>\$ 78,770,273</u>	<u>\$ 78,226,426</u>	<u>\$ 77,564,143</u>

All of the Fund's net position is restricted for loans and other financial assistance.

Changes in current assets for fiscal years 2015 and 2014 primarily related to interest earned by the Fund.

Due to economic factors, no new loans were initiated, approved or disbursed in fiscal years 2015 and 2014.

At the end of fiscal years 2015 and 2014, the Fund is able to report a positive balance of net position. The net position of the Fund is restricted for loans and other financial assistance, and is available for future HELP operational and loan activities.

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Management's Discussion and Analysis (continued)
June 30, 2015 and 2014

Table 2
Highway Expansion and Extension Loan Program Fund's Revenues, Expenses, and
Changes in Net Position for fiscal years ended June 30, 2015, 2014 and 2013

	<u>2015</u>	<u>Business-type Activities</u> <u>2014</u>	<u>2013</u>
Revenues:			
Operating revenues			
Interest on loans receivables	\$ -	\$ -	\$ 5,606
Non-operating revenues			
Income from invested cash	<u>587,016</u>	<u>708,119</u>	<u>722,371</u>
Total revenues	<u>587,016</u>	<u>708,119</u>	<u>727,977</u>
Expenses:			
Operating expenses	-	-	-
Non-operating expenses	<u>43,169</u>	<u>45,836</u>	<u>46,140</u>
Total expenses	<u>43,169</u>	<u>45,836</u>	<u>46,140</u>
Change in net position	543,847	662,283	681,837
Net position - July 1	<u>78,226,426</u>	<u>77,564,143</u>	<u>76,882,306</u>
Net position - June 30	<u>\$ 78,770,273</u>	<u>\$ 78,226,426</u>	<u>\$ 77,564,143</u>

All loans were paid in full prior to fiscal year 2014, and no new loans were issued in either fiscal year 2015 or 2014. Therefore there was no interest on loans receivable in either year. The Fund's non-operating expenses represent investment expenses.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

Requests for information This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an overview of the Fund'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, Mail Drop 202B, Phoenix, Arizona, 85007, or by visiting our website at:

<http://www.azdot.gov/about/FinancialManagementServices/transportation-funding/highway-expansion-and-extension-loan-program>.

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Restricted cash on deposit with the State Treasurer (Note 1C)	\$ 78,770,273	\$ 78,226,426
Total current assets	<u>78,770,273</u>	<u>78,226,426</u>
 Total non-current assets	 <u>-</u>	 <u>-</u>
Total assets	<u>78,770,273</u>	<u>78,226,426</u>
 Total current liabilities	 <u>-</u>	 <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 Net position		
Restricted for loans and other financial assistance	<u>78,770,273</u>	<u>78,226,426</u>
Net position	<u>\$ 78,770,273</u>	<u>\$ 78,226,426</u>

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

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Statements of Revenues, Expenses, and Changes in Net Position
For the fiscal years ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Interest on loans receivables	\$ -	\$ -
Total operating revenues	-	-
Operating expenses:		
Total operating expenses	-	-
Operating income <loss>	-	-
Non-operating revenues <expenses>:		
Income from investments	587,016	708,119
Investment expense	<43,169>	<45,836>
Total non-operating revenues <expenses>	543,847	662,283
Change in net position	543,847	662,283
Net position - July 1	78,226,426	77,564,143
Net position - June 30	\$ 78,770,273	\$ 78,226,426

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

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Statements of Cash Flows
For the fiscal years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	\$ -	\$ -
Receipts from Arizona counties and cities (Note 3A)	-	-
Net cash provided <used> by operating activities	-	-
Cash flows from non-capital financing activities:		
Net cash provided <used> by non-capital financing activities	-	-
Cash flows from investing activities:		
Income from investments	587,016	708,119
Investment expense	<43,169>	<45,836>
Net cash provided <used> by investing activities	543,847	662,283
Net increase <decrease> in cash	543,847	662,283
Cash - July 1	78,226,426	77,564,143
Cash - June 30	\$ 78,770,273	\$ 78,226,426
Reconciliation of operating income <loss> to net cash provided <used> by operating activities:		
Operating income <loss>	\$ -	\$ -
Net changes in assets and liabilities:		
Receivables	-	-
Net cash provided <used> by operating activities	\$ -	\$ -

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

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Notes to Financial Statements
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Arizona Department of Transportation (Department) was authorized in 1996 to administer a State Infrastructure Bank under a cooperative agreement with the Federal Highway Administration (FHWA), pursuant to Section 350 of the National Highway System Designation Act of 1995. The Highway Expansion and Extension Loan Program (HELP) was established as Arizona's State Infrastructure Bank under Arizona Revised Statutes (ARS), Title 28, Chapter 21. The HELP Fund (Fund) was initially capitalized with grants from the FHWA and state matching funds.

The Fund is administered by the Department, which is charged with reviewing requests for loans and financial assistance, making recommendations to the Arizona State Transportation Board (Transportation Board) and submitting an annual report to the Governor and state legislature.

The Transportation Board may make loans or provide other financial assistance to qualified borrowers, including the Department, from monies in the Fund for eligible projects; enter into loan repayment agreements with recipients; and apply for, accept, and administer grants and other financial assistance from the United States and from other public and private sources that are made for deposit in the Fund. Qualified borrowers, which include any political subdivision, the State or its agencies, and Indian tribes, may submit loan applications to HELP for eligible projects. HELP does not increase the Transportation Board's bonding authority.

The Department is a department of the State of Arizona and is not a legally separate entity. The Department has no component units. The Director of the Department serves as the Chief Administrative Officer and is directly responsible to the Governor. The Governor appoints a seven-member Transportation Board, which has responsibility for establishing a complete system of state highway routes and distributing monies for local airport facility projects through a grant program.

The financial statements present only the funds comprising the Fund and are not intended to present fairly the financial position or results of operations of the Department. The accounting policies of the Department conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governmental units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The economic resources measurement focus and the accrual basis of accounting are followed for reporting purposes. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Federal grants and reimbursements are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Department uses an enterprise fund to account for the Fund and for its loan distribution operation. The Fund can receive monies from the FHWA along with applicable state matching funds, State Transportation Board Funding Obligations, direct state appropriations, and other lawfully available sources. The Transportation Board may use monies in the Fund to make eligible project loans or provide other financial assistance to qualified borrowers, subsidize interest rates, provide other forms and methods of financial assistance, and pay the costs to administer the Fund.

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Notes to Financial Statements (continued)
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The preparation of these financial statements, in conformity with GAAP, requires management to make a number of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. Assets, Liabilities, and Net Position

Deposits and Investments

The cash balance is on deposit with the State Treasurer for pooled investment purposes and is not evidenced by securities that exist in physical or book entry form in the Fund's name. 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, and other permitted investments. All investments are carried at fair value. These balances are not subject to Governmental Accounting Standards Board (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 ARS §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 and 2014, the State's investment pool 3 was not rated. The weighted average maturity at year end for investment pool 3 was 2.93 years.

The Fund's investments are included in the state investment pool and these investments are not shown in the Fund's name. From the perspective of the Fund, the pool functions as both a cash management pool and a demand deposit account. Therefore, the Fund 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.

Restricted Net Position

Resources of the Fund are classified as restricted on the statement of net position because their use is limited by state and federal statutes.

Net Position

The difference between assets and liabilities is reported as "Net Position" on the proprietary fund statements.

Arizona Department of Transportation
Highway Expansion and Extension Loan Program Fund
Notes to Financial Statements (continued)
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Revenues and Expenses

Revenues and expenses of proprietary funds are classified as operating and non-operating and are sub-classified by object (e.g., salaries, travel, interest on Board Funding Obligations, etc). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The expenses of the Fund are not governed by appropriations of the state legislature and therefore are not subject to the limitations of a legally adopted budget.

NOTE 3—DETAILED NOTES

A. Loans Receivables

Loans receivables represent loans made pursuant to Loan Repayment Agreements. There are no loans that have balances outstanding or are pending as of June 30, 2015 and 2014.

NOTE 4—OTHER INFORMATION

Contingent Liabilities

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 expenses which may be disallowed by the grantor cannot be determined at this time although the Fund expects any such amounts to be immaterial.

NOTE 5—SUBSEQUENT EVENT

Enacted during the 2015 regular session, fiscal year 2016 budget legislation (SB 1469) transferred \$20 million from the Fund to the state general fund for the purposes of providing adequate support and maintenance for agencies of the state in the fiscal year 2016 budget. The transfer was limited to investment earning received in previous years on state general fund appropriations received by the Fund, and proceeds of Board Funding Obligations.

Management has evaluated the subsequent events through April 18, 2016 and determined they do not have a material effect on the financial statements.

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

Director
Arizona Department of Transportation
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Highway Expansion and Extension Loan Program Fund, an enterprise fund of the Arizona Department of Transportation, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Highway Expansion and Extension Loan Program Fund's basic financial statements, and have issued our report thereon dated April 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highway Expansion and Extension Loan Program Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Highway Expansion and Extension Loan Program Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Highway Expansion and Extension Loan Program Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Highway Expansion and Extension Loan Program Fund's financial statements will not be prevented, or detected and corrected on a timely basis. We did identify deficiencies in internal control that we consider to be material weaknesses, as follows:

2015-001: Sub-ledger Reconciliations

Condition/Context: Due to a change in administration, key personnel, as well as an implementation of a significant entity wide system upgrade, the Arizona Department of Transportation did not have a system of internal controls that would enable management to timely and properly reconcile the general ledger subledger accounts to ensure they were complete and presented in accordance with accounting principles generally accepted in the United States of America in a timely manner.

Criteria: Internal controls would dictate that procedures be designed, implemented and followed for the reconciliation of general subledger accounts to prevent, detect and correct potential misstatements.

Effect: There were misstatements of various general ledger accounts that were which resulted in material audit adjustments.

Cause: Reconciliation procedures were not performed timely and controls were either not properly designed or implemented, or designed controls were not performed as designed.

Recommendation: In order to strengthen internal controls, we recommend management review its current policy and determine whether the policy should be revised. We also recommend management review the implementation of current procedures to determine that procedures are being performed as designed.

2015-002: Year-End Adjustments and Preparation of the Financial Statements

Condition/Context: Due to a change in administration, key personal, as well as an implementation of a significant entity wide system upgrade, the Arizona Department of Transportation did not have a system of internal controls that would enable management to conclude the financial statements and related disclosures were complete and presented in accordance with accounting principles generally accepted in the United States of America in a timely manner.

The Arizona Department of Transportation requested us to assist in drafting the financial statements. We also proposed material audit adjustments in order to draft the financial statements. These entries related to internal controls over the year-end close-out process. The absence of a complete control procedures or processes in this area is considered a material weakness because there were material misstatements of the financial statements that occurred and not prevented or detected by Arizona Department of Transportation's internal control processes.

Criteria: Internal controls would dictate that an adequate review process be put into place to prevent a material misstatement from going undetected and uncorrected.

Effect: Audit adjustments were proposed and subsequently approved and recorded by management to present the financial statements in accordance with generally accepted accounting principles. Those entries included:

- 1) Audit adjustments were proposed and subsequently recorded by management to properly record beginning fund balances.
- 2) Audit adjustments were proposed and subsequently recorded by management to properly report cash balances and outstanding warrants (checks).
- 3) Audit adjustments were proposed and subsequently recorded by management to properly report accounts payable, capital outlay and expenditures.
- 4) Audit adjustments were proposed and subsequently recorded by management to properly report accounts receivable, deferred inflows of resources and revenue.
- 5) Audit adjustments were proposed and subsequently recorded by management to properly record distributions to Arizona counties and cities that were improperly capitalized during the year.
- 6) Audit adjustments were proposed and subsequently recorded by management to properly report interfund balances and transfers.

Cause: The finance department did not have an adequate conversion processes and personnel to prepare the year-end financial statements for external reporting purposes.

Recommendation: We recommend the Arizona Department of Transportation continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to identify year end closing adjustments. Should the Arizona Department of Transportation elect to establish the “full oversight” of the financial statement preparation, we suggest management establish effective review policies and procedures, including, but not limited to, the following functions: review the adequacy of financial statement disclosures by completing a disclosure checklist; review and approve schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
April 18, 2016