

*Financial Statements*

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

*Fiscal Years Ended June 30, 2009 and 2008*

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund

Financial Statements

Fiscal years ended June 30, 2009 and 2008

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## INDEPENDENT AUDITORS' REPORT

The Honorable Jan Brewer  
Governor of the State of Arizona, and  
Members of the Legislature:

We have audited the accompanying basic financial statements of the Arizona Department of Transportation Highway Expansion and Extension Loan Program Fund (the "Fund") as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Arizona Department of Transportation's (the "Department") management. Our responsibility is to express an opinion on the respective financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Fund of the Department are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities of the Department that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Department's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

*Deloitte + Touche LLP*

December 7, 2009

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis  
June 30, 2009 and 2008

As management of the Arizona Department of Transportation, Highway Expansion and Extension Loan Program (HELP) 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, 2009 and 2008. 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 HELP Fund exceeded its liabilities by \$74,702,986 at the end of fiscal year 2009 as compared to \$74,115,046 at fiscal year end 2008 and \$71,707,711 at fiscal year end 2007. All of this amount may be used to meet the HELP Fund's operational needs for loans or other financial assistance.
- The HELP Fund's total net assets increased by \$587,940 and \$2,407,335 for fiscal years 2009 and 2008, respectively.
- Total loan amounts of \$4.0 million were disbursed from July 1, 2008 to June 30, 2009 and \$26.0 million from July 1, 2007 to June 30, 2008. Of the \$4.0 million disbursed in fiscal year 2009, \$3.2 million was disbursed to the City of Eloy for the Sunshine Boulevard project and \$0.8 million was disbursed for the I-10 widening project (City of Goodyear). Of the \$26.0 million disbursed in fiscal year 2008, \$2.6 million was disbursed for the I-10 widening project (City of Goodyear), \$8.0 million was disbursed to the Town of Oro Valley for the La Canada Drive widening project, \$2.0 million was disbursed to Pinal County for the Thornton Road project, and \$13.4 million was disbursed to the City of Tucson for the Mountain Avenue project.

**Fund Financial Statements**

**Fund accounting** The operations of the HELP Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, 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 (Department) to account for the HELP operation.

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  
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Management's Discussion and Analysis (continued)  
June 30, 2009 and 2008

**Financial Analysis**

In governmental financial statements, net assets may serve over time as a useful indicator of a government's financial position. The HELP Fund's net assets increased by \$587,940 and \$2,407,335 by the end of fiscal years 2009 and 2008, respectively.

**Table 1**  
**Highway Expansion and Extension Loan Program Fund's Net Assets**  
**as of June 30, 2009, 2008, and 2007**

	Business-type Activities		
	2009	2008	2007
Current assets	\$ 59,092,856	\$ 126,032,237	\$ 204,294,154
Non-current assets	15,660,000	20,273,156	41,967,252
Total assets	<u>74,752,856</u>	<u>146,305,393</u>	<u>246,261,406</u>
Current liabilities	49,870	70,019,991	154,553,695
Non-current liabilities	-	2,170,356	20,000,000
Total liabilities	<u>49,870</u>	<u>72,190,347</u>	<u>174,553,695</u>
Net assets			
Restricted	<u>74,702,986</u>	<u>74,115,046</u>	<u>71,707,711</u>
Total net assets	<u>\$ 74,702,986</u>	<u>\$ 74,115,046</u>	<u>\$ 71,707,711</u>

All of the HELP Fund's net assets are restricted for loans and other financial assistance.

Changes in current assets for fiscal year 2009 primarily related to the repayment of \$50,000,000 in principal and accrued interest for the Series 2007 Board Funding Obligations (BFOs). Changes in current assets for fiscal year 2008 primarily related to the repayment of \$140,000,000 principal amount and accrued interest of the Series 2003 BFOs and the borrowing of \$50,000,000 of the Series 2007 BFOs.

In fiscal year 2009, non-current assets decreased by 23 percent. In fiscal year 2008, non-current assets decreased by 52 percent. Because of the State's economic condition and other factors, only a limited number of new loans were disbursed in fiscal years 2009 and 2008. As a result, loan receivables declined as loan repayments were received from borrowers, but were not offset by new loan activity.

In fiscal year 2009, current liabilities decreased due to the repayment of \$50,000,000 principal amount and accrued interest of the Series 2007 BFOs and to repayment of \$20,000,000 to the State Highway Fund. In fiscal year 2008, current liabilities decreased due to the repayment of \$140,000,000 principal amount and accrued interest of the Series 2003 BFOs and the borrowing of \$50,000,000 of the Series 2007 BFOs.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis (continued)  
June 30, 2009 and 2008

**Table 2**  
**Highway Expansion and Extension Loan Program Fund's Changes in Net Assets**  
**for fiscal years ended June 30, 2009, 2008, and 2007**

	Business-type Activities		
	2009	2008	2007
<b>Revenues:</b>			
Operating revenues			
Interest on loans receivables	\$ 1,127,759	\$ 1,755,395	\$ 2,909,458
Non-operating revenues			
Interest on investments	<u>1,572,256</u>	<u>4,705,331</u>	<u>5,439,624</u>
Total revenues	<u>2,700,015</u>	<u>6,460,726</u>	<u>8,349,082</u>
<b>Expenses:</b>			
Operating expenses			
Interest on Board Funding Obligations	1,877,425	3,795,890	4,040,000
Other	<u>234,650</u>	<u>257,501</u>	<u>314,619</u>
Total expenses	<u>2,112,075</u>	<u>4,053,391</u>	<u>4,354,619</u>
Increase <decrease> in net assets	587,940	2,407,335	3,994,463
Net assets - July 1	<u>74,115,046</u>	<u>71,707,711</u>	<u>67,713,248</u>
Net assets - June 30	<u>\$ 74,702,986</u>	<u>\$ 74,115,046</u>	<u>\$ 71,707,711</u>

At the end of fiscal years 2009 and 2008, the HELP Fund is able to report a positive balance of net assets. The net assets of the HELP Fund are restricted for loans and other financial assistance, and are available for future loan activity.

The HELP Fund's interest on loans receivable revenues decreased by 36 percent in fiscal year 2009 and decreased by 40 percent in fiscal year 2008. Lower average principal balances outstanding accounted for the decrease in interest on loans in fiscal years 2009 and 2008.

In fiscal year 2009, interest on investments decreased by \$3,133,075 due to the HELP Fund maintaining lower average cash balances during the year and by lower average interest rates on invested cash due to prevailing market conditions during the fiscal year.

The HELP Fund's interest expense on Board Funding Obligations (BFOs) for fiscal year 2009 declined due to the fact that only \$50,000,000 of BFOs were outstanding for most of the fiscal year. During the prior fiscal year, \$50,000,000 of BFOs were outstanding for the entire year. In addition, the interest rate on the Series 2007 BFOs is higher than the average interest rate on the Series 2003 BFOs. Other operating expenses decreased by 9 percent in fiscal year 2009. The majority of operating expenses decreased this fiscal year due to budget constraints. The one exception was professional and outside services which increased due to outside auditors' fees. In

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis (continued)  
June 30, 2009 and 2008

**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. 17<sup>th</sup> Avenue, Phoenix, Arizona, 85007 or by visiting our website at [http://www.azdot.gov/Inside\\_ADOT/help/statementarchives.asp](http://www.azdot.gov/Inside_ADOT/help/statementarchives.asp).

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Statements of Net Assets  
June 30, 2009 and 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Restricted cash on deposit with the State Treasurer (Note 1C)	\$ 50,220,090	\$ 77,630,108
Receivables:		
Accrued interest	481,944	669,877
Loans (Note 3A)	8,390,822	47,732,252
Total current assets	59,092,856	126,032,237
Non-current assets:		
Receivables:		
Loans (Note 3A)	15,660,000	20,273,156
Total non-current assets	15,660,000	20,273,156
Total assets	74,752,856	146,305,393
<b>Liabilities</b>		
Current liabilities:		
Accrued payroll and other accrued expenses	6,951	6,170
Board Funding Obligations (Note 3C)	-	50,000,000
Compensated absences	12,329	13,821
Advance from other Arizona Department of Transportation funds (Note 3B)	-	20,000,000
Due to Arizona counties and cities	30,590	-
Total current liabilities	49,870	70,019,991
Non-current liabilities:		
Accrued interest payable (Note 3C)	-	2,170,356
Total non-current liabilities	-	2,170,356
Total liabilities	49,870	72,190,347
<b>Net assets</b>		
Restricted for loans and other financial assistance	74,702,986	74,115,046
Total net assets	\$ 74,702,986	\$ 74,115,046

*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 Activities  
For the fiscal years ended June 30, 2009 and 2008

	2009	2008
<b>Operating revenues:</b>		
Interest on loans receivables	\$ 1,127,759	\$ 1,755,395
Total operating revenues	<u>1,127,759</u>	<u>1,755,395</u>
<b>Operating expenses:</b>		
Salaries and related benefits	141,207	146,321
Supplies	197	2,477
Professional and outside services	32,000	24,759
Travel	-	254
Interest on Board Funding Obligations	1,877,425	3,795,890
Other	461	1,439
Total operating expenses	<u>2,051,290</u>	<u>3,971,140</u>
Operating loss	<923,531>	<2,215,745>
<b>Non-operating revenues &lt;expenses&gt;:</b>		
Interest on investments	1,572,256	4,705,331
Investment expense	<58,785>	<80,251>
Distributions to other state agencies	<2,000>	<2,000>
Total non-operating revenues <expenses>	<u>1,511,471</u>	<u>4,623,080</u>
Change in net assets	587,940	2,407,335
Total net assets - July 1	<u>74,115,046</u>	<u>71,707,711</u>
<b>Total net assets - June 30</b>	<u>\$ 74,702,986</u>	<u>\$ 74,115,046</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 Cash Flows  
For the fiscal years ended June 30, 2009 and 2008

	2009	2008
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,144,879	\$ 1,630,032
Receipts from other funds	33,900,000	65,000,000
Receipts from Arizona counties and cities	14,067,252	7,715,250
Payments to suppliers	<32,000>	<27,236>
Payments to employees	<142,115>	<145,813>
Payments to other funds	<20,000,000>	-
Payments to Arizona counties and cities	<3,982,077>	<26,038,156>
Other receipts <payments>	<461>	<1,439>
Net cash provided <used> by operating activities	<u>24,955,478</u>	<u>48,132,638</u>
<b>Cash flows from non-capital financing activities:</b>		
Distributions to other state agencies	<2,000>	<2,000>
Repayment of Board Funding Obligations	<54,047,781>	<156,160,000>
Issuance of Board Funding Obligations	-	50,000,000
Net cash provided <used> by non-capital financing activities	<u>&lt;54,049,781&gt;</u>	<u>&lt;106,162,000&gt;</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	1,743,070	5,108,111
Investment expense	<58,785>	<80,251>
Net cash provided <used> by investing activities	<u>1,684,285</u>	<u>5,027,860</u>
Net increase <decrease> in cash	<27,410,018>	<53,001,502>
Cash - July 1	77,630,108	130,631,610
<b>Cash - June 30</b>	<u>\$ 50,220,090</u>	<u>\$ 77,630,108</u>
<b>Reconciliation of operating income &lt;loss&gt; to net cash provided &lt;used&gt; by operating activities:</b>		
Operating income <loss>	\$ <923,531>	\$ <2,215,745>
Net changes in assets and liabilities:		
Receivables	43,971,705	46,551,731
Accrued payroll and other accrued expenses	781	820
Compensated absences	<1,492>	<58>
Due to Arizona counties and cities	30,590	-
Advance from other Arizona Department of Transportation funds	<20,000,000>	-
Accrued interest payable	1,877,425	3,795,890
Net cash provided <used> by operating activities	<u>\$ 24,955,478</u>	<u>\$ 48,132,638</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  
Notes to Financial Statements  
June 30, 2009 and 2008

**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 authorized to be established as Arizona's State Infrastructure Bank under Arizona Revised Statutes, Title 28, Chapter 21. The HELP Fund (Fund) was initially capitalized with grants from FHWA and state matching funds.

The Fund is administered by a seven-member advisory committee. The members serve staggered four-year terms and serve no more than two consecutive terms. The committee is charged with reviewing requests for loans and financial assistance, making recommendations to the Transportation Board of the State of Arizona Department of Transportation (Transportation Board) and submitting an annual report to the Governor and State Legislature. Qualified borrowers, which include any political subdivision, the State or its agencies, and Indian tribes, may submit loan applications to HELP for eligible projects.

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. 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 facilities' 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.

Arizona Department of Transportation  
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Notes to Financial Statements (continued)  
June 30, 2009 and 2008

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**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.

Transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit are accounted for as revenues or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenses initially made from that fund, which are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of the expenses in the fund that is reimbursed.

The preparation of these financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make 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 Assets**

***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 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*

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2009 and 2008

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*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, 2009 and 2008, the state's investment pool was not rated.

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.

***Receivables and Payables***

Activities between Departmental funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from. All other outstanding balances between the Fund and Arizona counties and cities are reported as loans receivable.

***Restricted Assets***

Resources of the Fund are classified as restricted assets on the balance sheet because their use is limited by state statutes.

***Compensated Absences***

It is the Department's policy to permit employees to accumulate earned but unused sick leave and vacation benefits. There is no liability for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the proprietary fund financial statements. A liability for these amounts is reported as current liabilities.

Arizona Department of Transportation  
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Notes to Financial Statements (continued)  
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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

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 state hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date, times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1,500 hours. The maximum benefit value is \$30,000. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the State's financial statements as an Internal Service Fund.

Employees are allowed to accumulate up to 240 hours of vacation leave (320 hours for uncovered employees) which is paid when vacation is taken or upon termination of employment at the individual's then current rate of pay. For the proprietary funds, all of the outstanding vacation at June 30 is recorded as a current liability.

***Net Assets***

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

**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.

Arizona Department of Transportation  
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Notes to Financial Statements (continued)  
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**NOTE 3—DETAILED NOTES**

**A. Loans Receivables**

Loans receivables represent loans made pursuant to Loan Repayment Agreements. Seventeen loans have balances outstanding or are pending as of June 30, 2009, as follows:

PROJECT SPONSOR	LOAN DATE	INTEREST RATE*	AUTHORIZED LOAN AMOUNT	FINAL MATURITY	DRAWS TO DATE	OUTSTANDING LOAN BALANCE	DUE WITHIN ONE YEAR
GILA COUNTY	4/19/2002	1.43%	1,237,500	Mar-09	1,237,500	-	-
REGIONAL FREEWAY SYSTEM	11/21/2003	1.44%	80,500,000	Aug-08	80,500,000	-	-
TOWN OF MARANA	11/19/2004	2.51%	7,000,000	Mar-10	7,000,000	900,000	900,000
PIMA COUNTY	5/20/2005	3.06%	4,836,000	Jun-09	4,836,000	-	-
CITY OF KINGMAN	9/23/2005	3.11%	2,000,000	Nov-11	2,000,000	1,100,000	400,000
CITY OF PHOENIX	11/18/2005	To be determined	11,900,000	Jun-10	-	-	-
CITY OF TOMBSTONE	11/18/2005	To be determined	150,000	Nov-10	-	-	-
CITY OF GOODYEAR	4/21/2006	3.13%	7,369,000	Jun-10	6,760,604	3,450,822	3,450,822
MOHAVE COUNTY	4/21/2006	To be determined	8,700,000	Jun-10	-	-	-
CITY OF TUCSON	3/16/2007	1.97%	14,000,000	May-11	13,400,000	5,900,000	2,500,000
TOWN OF ORO VALLEY	7/20/2007	3.20%	8,000,000	Aug-12	8,000,000	8,000,000	-
CITY OF BISBEE	9/21/2007	To be determined	2,400,000	Oct-10	-	-	-
CITY OF ELOY	11/16/2007	1.49%	3,200,000	Mar-14	3,200,000	3,200,000	640,000
PINAL COUNTY	12/21/2007	2.35%	2,000,000	May-12	2,000,000	1,500,000	500,000
TOWN OF PAYSON	3/21/2008	To be determined	1,200,000	May-13	-	-	-
MARICOPA COUNTY	3/21/2008	To be determined	25,700,000	Jul-13	-	-	-
CITY OF PEORIA	5/16/2008	To be determined	9,910,000	Apr-12	-	-	-
<b>TOTAL</b>			<b>\$ 190,102,500</b>		<b>\$ 128,934,104</b>	<b>\$ 24,050,822</b>	<b>\$ 8,390,822</b>

\* Interest Rate will be determined on the date of the first draw.

The activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Due Within One Year
Loans receivable	\$ 68,005,408	\$ 4,012,666	\$ <47,967,252>	\$ 24,050,822	\$ 8,390,822

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2009 and 2008

**NOTE 3—DETAILED NOTES—Continued**

Twenty loans had balances outstanding or were pending as of June 30, 2008, as follows:

PROJECT SPONSOR	LOAN DATE	INTEREST RATE*	AUTHORIZED LOAN AMOUNT	FINAL MATURITY	DRAWS TO DATE	OUTSTANDING LOAN BALANCE	DUE WITHIN ONE YEAR
ADOT	9/21/2001	3.30%	\$ 50,000,000	Dec-08	\$ 50,000,000	\$ -	\$ -
GILA COUNTY	4/19/2002	1.43%	1,237,500	Mar-09	1,237,500	185,595	185,595
GILA COUNTY	4/19/2002	1.81%	600,000	Jun-08	600,000	-	-
GILA COUNTY	4/19/2002	3.12%	487,500	Jun-08	487,500	121,875	121,875
CITY OF SAFFORD	8/16/2002	2.42%	2,000,000	Oct-07	2,000,000	-	-
TOWN OF THATCHER	8/16/2002	1.56%	2,000,000	Oct-07	2,000,000	-	-
REGIONAL FREEWAY SYSTEM	11/21/2003	1.44%	80,500,000	Aug-08	80,500,000	33,900,000	33,900,000
TOWN OF ORO VALLEY	2/20/2004	2.52%	5,000,000	Feb-08	5,000,000	-	-
CITY OF TUCSON	8/20/2004	To be determined	12,293,000	Jan-09	-	-	-
ADOT	11/19/2004	To be determined	18,500,000	Jan-09	-	-	-
TOWN OF MARANA	11/19/2004	2.51%	7,000,000	Mar-10	7,000,000	1,900,000	1,000,000
PIMA COUNTY	5/20/2005	3.06%	4,836,000	Jun-09	4,836,000	1,000,000	1,000,000
CITY OF KINGMAN	9/23/2005	3.11%	2,000,000	Oct-10	2,000,000	1,550,000	450,000
CITY OF PHOENIX	11/18/2005	To be determined	11,900,000	Jun-10	-	-	-
CITY OF TOMBSTONE	11/18/2005	To be determined	150,000	Nov-10	-	-	-
CITY OF GOODYEAR	4/21/2006	3.13%	7,369,000	Jun-10	5,947,938	5,947,938	3,309,782
MOHAVE COUNTY	4/21/2006	To be determined	8,700,000	Jun-10	-	-	-
CITY OF TUCSON	3/16/2007	1.97%	14,000,000	Jan-11	13,400,000	13,400,000	7,500,000
TOWN OF ORO VALLEY	7/20/2007	3.20%	8,000,000	Aug-12	8,000,000	8,000,000	-
PINAL COUNTY	12/21/2007	2.35%	2,000,000	May-12	2,000,000	2,000,000	265,000
<b>TOTAL</b>			<b>\$ 238,573,000</b>		<b>\$ 185,008,938</b>	<b>\$ 68,005,408</b>	<b>\$ 47,732,252</b>

\* Interest Rate will be determined on the date of the first draw.

The activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Due Within One Year
Loans receivable	\$ 114,682,502	\$ 26,038,156	\$ <72,715,250>	\$ 68,005,408	\$ 47,732,252

**B. Advance from other Arizona Department of Transportation funds**

Laws 1999, Chapter 2 (SB 1002) authorized the transfer of \$20,000,000 from the State Highway Fund to the HELP Fund in fiscal year 2000. This amount is shown as Advance to Other Arizona Department of Transportation funds in the State Highway Fund and Advance from other Arizona Department of Transportation funds in this Fund. The Advance was repaid on December 29, 2008.

Arizona Department of Transportation  
 Highway Expansion and Extension Loan Program Fund  
 Notes to Financial Statements (continued)  
 June 30, 2009 and 2008

**C. Short-term Debt – Board Funding Obligations**

The Transportation Board has issued Board Funding Obligations (BFOs) to the State Treasurer in accordance with Arizona Revised Statutes, §28-7678. The BFOs are nonnegotiable and are authorized by Transportation Board resolution specifying the rate(s) of interest, the date(s) of maturity, the terms of redemption, the form and manner of execution of the funding obligation, any terms necessary to secure credit enhancement or other sources of payment or security, and any other item the Transportation Board determines is necessary. The total principal amount of BFOs at any one time shall not be more than \$200 million and shall mature no later than four calendar years after the delivery. Up to \$60 million of the proceeds shall be deposited into the General Fund (State Highway Fund) and up to \$140 million shall be deposited into the Highway Expansion and Extension Loan Program Fund.

The BFOs are special obligations of the Transportation Board; are not obligations that are general, special or otherwise of the State; are not a legal debt of the State; and are payable and enforceable only from the monies pledged and assigned in the authorizing resolutions of the Transportation Board.

The State Treasurer shall provide written notice to the Transportation Board and the Department when the operating monies fall below \$400 million. If operating monies fall below \$200 million, the State Treasurer may call the investment in the BFOs in \$25 million increments up to the amount that the operating monies are below \$200 million. The State Treasurer shall give the Transportation Board and the Department at least fifteen days' notice of the call.

The activity for the fiscal years ended June 30, 2009 and 2008, was as follows:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
Board Funding Obligations	\$ 50,000,000	\$ -	\$ <50,000,000>	\$ -

  

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008
Board Funding Obligations	\$ 140,000,000	\$ 50,000,000	\$ <140,000,000>	\$ 50,000,000

During fiscal year 2009, the Department repaid \$50,000,000 in principal and \$4,047,781 in accrued interest for the Series 2007 BFOs which were called by the State Treasurer as required by Arizona Revised Statutes §35-313(D)(3). During fiscal year 2008, the Department repaid \$140,000,000 in principal and \$14,534,466 in accrued interest for the Series 2003 BFOs, and borrowed \$50,000,000 of the Series 2007 BFOs.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2009 and 2008

**NOTE 4—OTHER INFORMATION**

**A. 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 such amounts, if any, to be immaterial.