Fiscal Year 2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT

State of Arizona I Department of Transportation

For fiscal year ended June 30, 2019

ADOT

Arizona Department of Transportation
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019

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, 2019
Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
Certificate of Achievement for Excellence in Financial Reporting	vi
List of Principal Officials	vii
Organization Chart	viii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position (Exhibit 1)	18
Statement of Activities (Exhibit 2)	19
Governmental Funds Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position (Exhibit 3.1)	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit 4)	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1)	29
Proprietary Funds Financial Statements:	
Statement of Net Position – Proprietary Funds (Exhibit 5)	31
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Exhibit 6)	32
Statement of Cash Flows – Proprietary Funds (Exhibit 7)	33
Notes to the Financial Statements	36

	Page
Required Supplementary Information (Other than MD&A)	
Budgetary Comparison Schedule – General Fund (State Highway Fund)	71
Note to Required Supplementary Information	72
Information about Infrastructure Assets Reported Using the Modified Approach	73
Pension Liability and Pension Contributions	78
Supplementary Information	
Nonmajor Governmental Funds Financial Statements:	
Combining Balance Sheet (Exhibit 8)	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit 9)	83
STATISTICAL SECTION	
Overview	86
Index of Statistical Section	87
Financial Trends	
Change in Net Position (Table A-1)	89
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Table A-2)	93
Fund Balances of Governmental Funds (Table A-3)	97
Expenditures of Federal Awards (Table A-4)	99
Government-Wide Expenses by Function (Table A-5)	101
Government-Wide Revenues (Table A-6)	103
Net Position by Component (Table A-7)	105
Revenue Capacity	
Highway User Revenue Fund Collections (Table B-1)	108
Highway User Revenue Fund Distributions (Table B-2)	109
Fuel Tax Rates (Table B-3)	110
Motor Vehicle Fuel Tax – Top Ten Suppliers (Table B-4)	111
Gasoline Volume Sold – Top Twenty-Five Suppliers (Table B-5)	113

	Page
Debt Capacity	
Highway User Revenue Fund – Legal Debt Margin (Table C-1)	117
Highway Revenue Bonds – Bond Coverage (Table C-2)	118
Transportation Excise Tax Revenue Bonds – Bond Coverage (Table C-3)	119
Transportation Excise Tax Revenue Bonds – Debt Service Revenue and Cost Per Capita (Table C-4)	120
Ratios of Outstanding Debt by Type (Table C-5)	121
Demographic and Economic Information	
Registrations, Temporary Registration Permits and Disability Placards Per Year (Table D-1)	124
Registrations, Temporary Registration Permits and Disability Placards Compared to Fuel Sales (Table D-2)	125
Demographic and Economic Statistics (Table D-3)	126
Principal Employers (Table D-4)	127
Operating Information	
Full-Time Equivalents (FTEs) (Table E-1)	129
Capital Assets – Schedule by Function and Activity (Table E-2)	130
Capital Assets – Schedule of Changes by Function and Activity (Table E-3)	131
Total Public Road Mileage by Highway Class and Governmental Ownership (Table E-4)	132
Vehicle Miles Traveled with Population Data (Table E-5)	133
Acknowledgments	134

Introductory Section

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Douglas A Ducey, Governor
John S. Halikowski, Director
Kristine Ward, Chief Financial Officer

December 16, 2019

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, 2019. 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, 2019, 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, 2019, 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, 2019, the Department was organized into six major operating divisions supported by several groups, such as Human Resources, Information Technology and Financial Management Services. The six major operating divisions include: Infrastructure Delivery and Operations (IDO), Motor Vehicle Division (MVD), Enforcement and Compliance Division (ECD), Administrative Services Division (ASD), Multimodal Planning Division (MPD) and Transportation System Management and Operations (TSMO).

- The IDO 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 goals of the IDO are to enhance the safe movement of people and products throughout Arizona, optimize efficiencies and effectiveness of the transportation system, develop and retain a high performing workforce, and promote environmental sustainability and stewardship.
- The MVD 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 MVD annually processes motor vehicle registrations and records, issues certificates of title for motor vehicles, and processes drivers' license applications.
- The ECD 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 ASD provides a wide variety of services for the Department business areas and employees. The ASD work units include Equipment Services, Facilities Maintenance & Support, Procurement, Safety & Health, and Audit & Analysis. The ASD also oversees operations of the Grand Canyon National Park Airport.
- The MPD is responsible for the planning of the statewide transportation system, including highways and airports, in coordination with local and regional planning agencies. The MPD produces the Five-Year Transportation Facilities Construction Program through which the Transportation Board establishes the priorities for highways and airports. The MPD also supports statewide public transit

planning, administers federal grants for transit planning in rural and metropolitan areas, and performs state regulatory safety oversight for the light rail system in Maricopa County.

- The TSMO is responsible for optimizing performance of existing infrastructure by implementing multimodal, intermodal, and cross-jurisdictional systems, services, and projects. The TSMO strategies improve system efficiency, enhance public safety and security, reduce traffic delays, and improve access to information to travelers. The TSMO responsibilities include traffic safety, incident management, travel information, roadway weather, freeway management, connected and automated vehicles, traffic signal systems, work zone, managed lanes, emergency response, Homeland Security, freight, and active traffic management.

Overall, the Department employs approximately 3,600 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 "administrative adjustment" period (typically one year) are charged against the 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 and to ensure budgetary compliance and management control. These features of AFIS 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 experienced modest economic growth in FY 2019 with employment, personal income and population all posting growth over FY 2018. The growth in the major economic indicators in FY 2019 was similar to the growth posted in FY 2018. The 12-month average price of gasoline increased 11.6 percent in FY 2019. The 12-month average price of use fuel (diesel) increased 10.5 percent in FY 2019. The national economy also experienced positive economic growth in FY 2019 with employment and personal income posting modest gains. According to the Arizona Office of Economic Opportunity, the Arizona unemployment rate increased from 4.7 percent in June 2018 to 4.9 percent in June 2019. During this period, employment increased by approximately 78,700 jobs. In FY 2018, Arizona employment increased by approximately 70,700 jobs.

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 2019. In FY 2019, the HURF revenue collections were $1,520.2 million, 4.4 percent above FY 2018 and 2.0 percent above the forecast. The Regional Area Road Fund revenues equaled $468.6 million, an increase of 6.8 percent over FY 2018, and 0.5 percent above the estimate. Fiscal year 2019 was the fourth consecutive year that RARF revenues surpassed the FY 2007 high, while FY 2019 was the third consecutive year that HURF revenues surpassed the FY 2007 high.

Arizona's economy is expected to out out pace national growth rates over the next two years, but not as strong as Arizona's historical growth rates prior to 2007. The June 2019 University of Arizona Economic and Business Research Center Forecast Report estimates Arizona non-farm employment will grow by 2.4 and 2.1 percent in calendar years 2019 and 2020, respectively. According to the July 2019 Western Blue Chip report, personal income in Arizona is expected to increase by 5.4 percent in calendar year 2019 and 5.2 percent in calendar year 2020. According to the Arizona Office of Economic Opportunity, the Arizona population is forecasted to grow by 1.5 percent in FY 2019 and 1.4 percent in FY 2020.

The Department's FY 2020 HURF revenue estimate amounts to $1,569.4 million, an increase of 3.2 percent over fiscal year 2019 Beginning FY 2018, ADOT changed the way HURF revenues are reported. Previously, "off-the-top" distributions from gas tax revenues to the State Lake Improvement Fund and Off-highway Vehicle Recreation Fund were not included in ADOT's published HURF revenues. Beginning in FY 2018, these two distributions are included in the reported HURF revenues.. The HURF ten-year compound growth rate for fiscal years 2010 through 2019 was 2.6 percent. The distribution of HURF revenues in FY 2020 is estimated to be as follows: State Highway Fund $774.8 million; Arizona cities and towns $481.5 million; Arizona counties $300.0 million; State Lake Improvement Fund and Off-highway Vehicle Recreation Fund $11.5 million; Economic Strength Project Fund $1.0 million; and the Motor Vehicle Division for the registration compliance/third party program $0.658 million. An estimated $35.4 million will be re-allocated from the State Highway Fund share of HURF vehicle license tax revenues with $31.6 million going to the State General Fund and $3.8 million going to the Department of Public Safety.

The Maricopa County Transportation Excise Tax revenue forecast for FY 2020 totals $497.7 million, an increase of 6.2 percent over fiscal year 2019. The Maricopa County Transportation Excise Tax ten year compound growth rate for fiscal years 2010 through 2019 was 5.1 percent. The distribution of the Maricopa County Transportation Excise Tax revenue in FY 2020 is estimated to be as follows: Maricopa County Regional Area Road Fund $279.7 million for highways, $52.3 million for arterial streets, and $165.7 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 2019, the Transportation Board approved a $4.59 billion statewide Highway Construction Program as part of the Five-Year Transportation Facilities Construction Program for fiscal years 2020 through 2024. 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 $2.38 billion for expansion, $1.35 billion for preservation, and $0.40 billion for modernization.

The Five-Year Transportation Facilities Construction Program includes approximately $2.39 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 $9.1 billion. The Department currently has 6 major RTP Freeway Program projects under design and 6 major projects under construction. Included in these project listings is the new South Mountain Freeway.

As part of the Five-Year Transportation Facilities Construction Program, the Transportation Board also adopted a $50.0 million (***annual*** state share of $10.0 million) Five-Year Airport Development Program that includes 65 projects at general aviation and air carrier airports located throughout the state.

Other Information

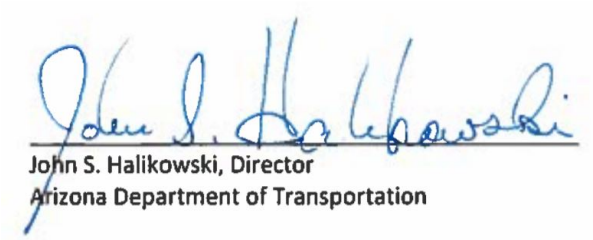
Single Audit The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Department's Single Audit information is included in the Single Audit of the State of Arizona for the fiscal year ended June 30, 2019.

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, 2018. This accomplishment was the twenty-ninth 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 2019 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, 2018

Christopher P. Morrill

Executive Director/CEO

Arizona Department of Transportation
List of Principal Officials

John S. Halikowski
Director

Scott Omer
Deputy Director, Operations

Kevin Biesty
Deputy Director for Policy

Dallas Hammit
Deputy Director, Transportation

Kristine Ward
Chief Financial Officer

Steve West
Chief Information Officer

Floyd Roehrich, Jr.
Executive Officer

Sonya E. Herrera
Director, Administrative Services Division

Tim Lane
Director, Enforcement and Compliance Division

Steve Boschen
Director, Infrastructure Delivery and Operations

Eric Jorgensen
Director, Motor Vehicle Division

Gregory Byres
Director, Multimodal Planning Division

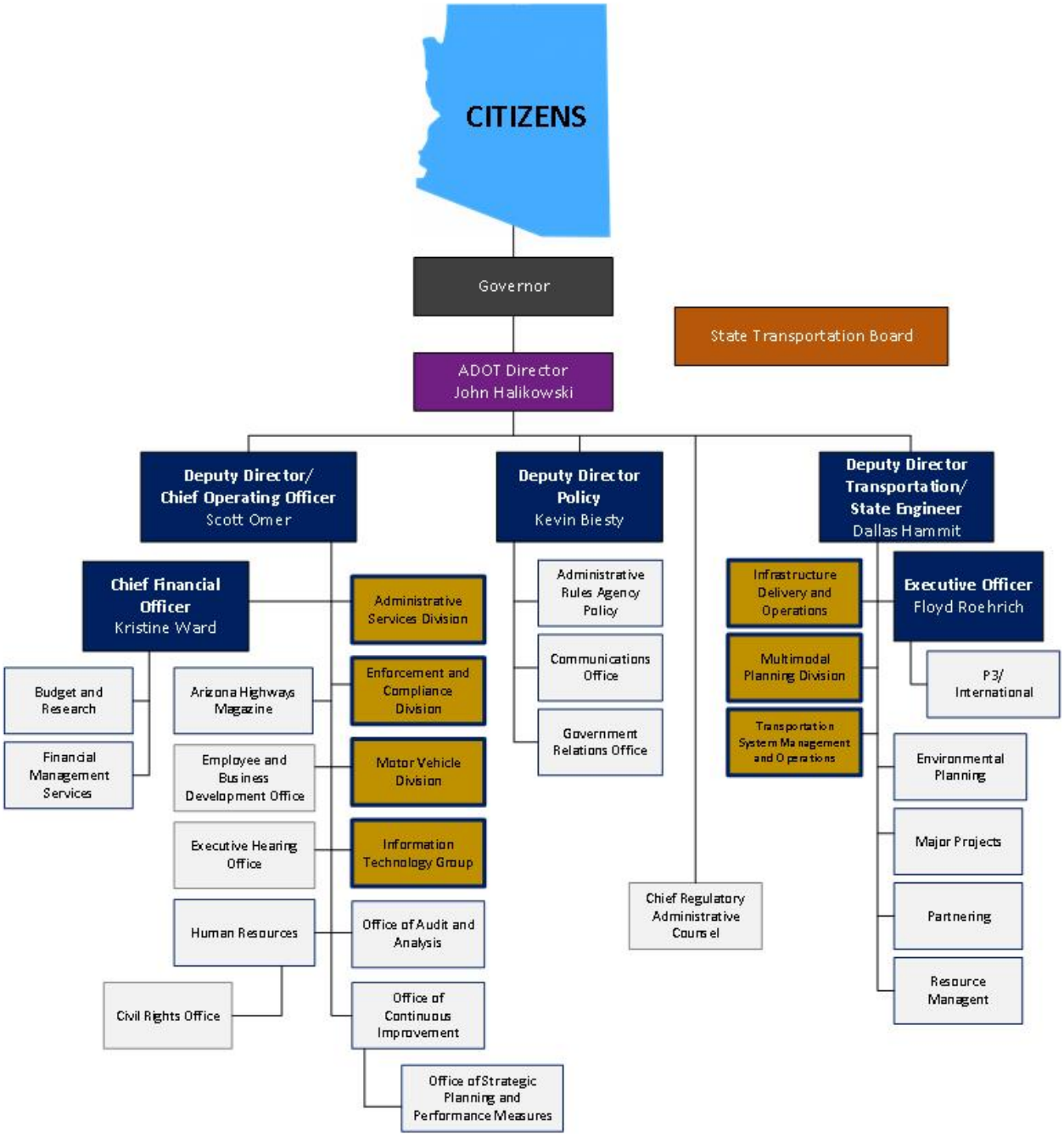
Brent Cain
Director, Transportation Systems Management and Operations

Arizona State Transportation Board

Member	Counties	Term Expires
Jack Sellers, Chairman	District 1 (Maricopa County)	2020
Michael S. Hammond, Vice Chairman	District 2 (Pima County)	2020
Steve Stratton, Member	District 4 (Gila, Graham, and Pinal Counties)	2022
Jesse Thompson, Member	District 5 (Apache, Coconino, and Navajo Counties)	2023
Sam Elters, Member	District 1 (Maricopa County)	2024
Gary Knight, Member	District 6 (Yavapai, Yuma, Mohave, LaPaz Counties)	2024

State of Arizona
Department of Transportation
Organization Chart

June 30, 2019



Financial Section

CliftonLarsonAllen LLP
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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, 2019, 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.

The Honorable Douglas A. Ducey
Governor of the State of Arizona

Members of the Arizona State Legislature
Arizona Department of Transportation

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, 2019, 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 Matter

As discussed in Note 1, the financial statements present only the Arizona Department of Transportation and do not purport to, and do not present fairly the financial position of the State of Arizona as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, information about infrastructure assets reported using the modified approach, and the Department's proportionate share of the net pension liability and contributions, as listed in the table of contents, 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.

The Honorable Douglas A. Ducey
Governor of the State of Arizona

Members of the Arizona State Legislature
Arizona Department of Transportation

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 also issued our report dated December 16, 2019, 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 solely 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 the effectiveness of the Department's 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
December 16, 2019

As management of the Arizona Department of Transportation (the "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, 2019. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal and the Department's basic financial statements, 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 $21.7 billion, compared to $20.8 billion for fiscal year 2018, an increase of $832.6 million. Of this amount, $98.3 million represents the *unrestricted* component as compared to $(28.6) million at the end of 2018.
- The Department's capital assets are $23.1 billion, compared to $22.4 billion for fiscal year 2018, an increase of 3.3% This increase is attributable to the results of highway construction activity. The Department's *net investment in capital assets* is $20.6 billion, compared to $20.0 billion for fiscal year 2018, an increase of 3.1%.
- The Department's total liabilities are $3.3 billion, compared to $3.2 billion in 2018. The Department had $125.1 million more in bonds outstanding in 2019 than in 2018. During fiscal year 2019, road construction bonds of $324.5 million were issued and $199.4 million in bonds were retired.

Fund Level

- As of the close of the fiscal year, the governmental funds of the Department reported combined ending fund balances of $1.4 billion, as compared to $1.2 billion in 2018.
- The total restricted fund balance is $1.0 billion; the majority of this amount is restricted for capital projects. Inventories of $212 thousand represent the nonspendable portion of fund balance while $405.6 million represents the committed fund balance portion.
- The enterprise fund reported net position at year-end of $1.2 million, as compared to $30.5 million in 2018.

Overview of 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 assets and liabilities.

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 Highway Expansion and Extension Loan Program (HELP) is reported here.

The government-wide financial statements can be found in the Basic Financial State Financial Statements section 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.
- Debt service principal payments are reported as expenditures in the funds, but reduce long-term liabilities in the government-wide Statement of Net Position
- 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.
- 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 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 two categories: governmental and proprietary.

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 fourteen 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 eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements in the Supplementary Information of 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 within the Basic Financial Statements section 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 fund is 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 within the Basic Financial Statements section of this report.

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 in the Notes to Financial Statements section 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 in the Required Supplementary Information section of this report.

Supplementary Information

Other Supplementary Information includes the combining statements for the nonmajor governmental funds and is presented immediately following the Required Supplementary Information. Combining fund statements and schedules can be found in the Supplementary Information section 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 analysis 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, 2019 and 2018.

The Department's combined net position increased by $832.6 million, or 4.0%, over the course of this fiscal year's operations. The net position of the governmental activities increased by $861.9 million, or 4.1%; and business-type activities decreased by $29.3 million, or (96.1)% over the previous year. The business-type activities decrease was due to a $30.0 million legislative distribution to State General Fund from the Highway Expansion and Extension Loan Program Fund (HELP). 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 Statements of Net Position as of June 30, 2019 and 2018:

Condensed Statements of Net Position
As of June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	**2019**	2018	**2019**	2018
Assets						
Current and other assets	**$ 1,758,340,269**	$ 1,529,889,220	**$ 1,196,071**	$ 30,520,459	**$ 1,759,536,340**	$ 1,560,409,679
Capital Assets	**23,134,695,923**	22,385,270,388	**—**	—	**23,134,695,923**	22,385,270,388
Total Assets	**24,893,036,192**	23,915,159,608	**1,196,071**	30,520,459	**24,894,232,263**	23,945,680,067
Deferred Outflows of Resources	**112,215,781**	121,008,932	**—**	—	**112,215,781**	121,008,932
Liabilities						
Current liabilities	**331,928,778**	286,774,390	**—**	—	**331,928,778**	286,774,390
Noncurrent liabilities	**2,936,552,467**	2,891,196,625	**—**	—	**2,936,552,467**	2,891,196,625
Total liabilities	**3,268,481,245**	3,177,971,015	**—**	—	**3,268,481,245**	3,177,971,015
Deferred Inflows of Resources	**64,826,076**	48,152,381	**—**	—	**64,826,076**	48,152,381
Net Position						
Net investment in capital assets	**20,611,958,834**	19,987,899,408	**—**	—	**20,611,958,834**	19,987,899,408
Restricted	**962,898,860**	881,309,835	**—**	—	**962,898,860**	881,309,835
Unrestricted	**97,086,958**	(59,164,099)	**1,196,071**	30,520,459	**98,283,029**	(28,643,640)
Total net position	**$21,671,944,652**	$20,810,045,144	**$ 1,196,071**	$ 30,520,459	**$21,673,140,723**	$20,840,565,603

The total assets of the Department (excluding deferred outflows of resources) were $24.9 billion, while total liabilities (excluding deferred inflows of resources) were $3.3 billion, resulting in a net position balance of $21.7 billion. The majority of the Department's net position, $20.6 billion (95.1%), was invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), net of any related debt used to acquire those assets. The Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The governmental activities reported an increase in capital assets with the largest increase being in the area of infrastructure construction in progress.

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:

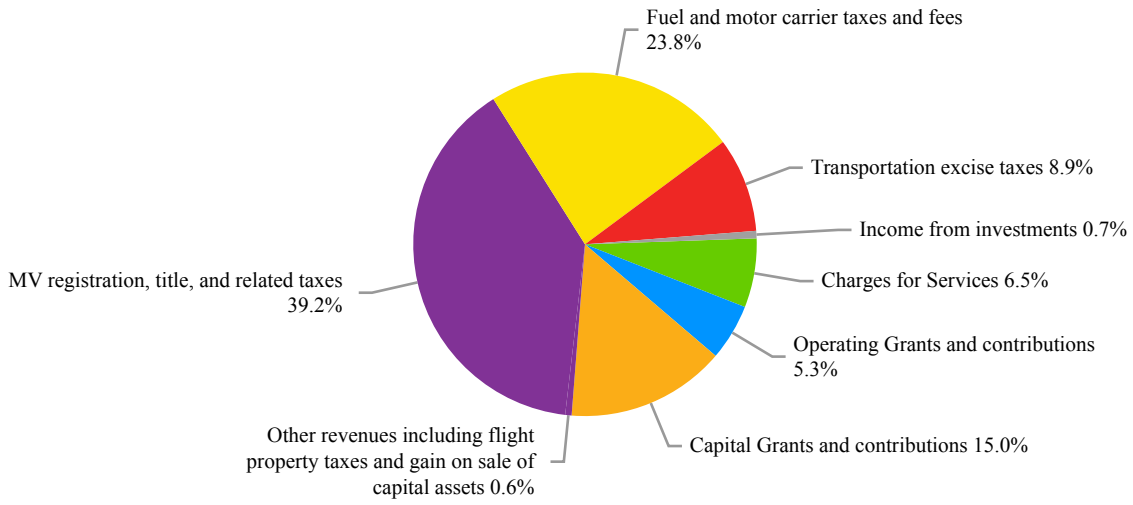
Condensed Statements of Activities
For the Years Ended June 30,

	Governmental Activities		Business-type Activities		Total	
	2019	2018	**2019**	2018	**2019**	2018
Revenues						
Program revenues						
Charges for services	**$ 230,624,734**	$ 182,218,638	**$ —**	$ —	**$ 230,624,734**	$ 182,218,638
Operating grants and contributions	**188,021,386**	149,779,148	**—**	—	**188,021,386**	149,779,148
Capital grants and contributions	**532,676,695**	744,854,224	**—**	—	**532,676,695**	744,854,224
General revenues						
Motor vehicle registration, title, and related taxes	**1,400,749,044**	1,142,560,728	**—**	—	**1,400,749,044**	1,142,560,728
Fuel and motor carrier taxes and fees	**846,289,907**	838,823,494	**—**	—	**846,289,907**	838,823,494
Transportation excise taxes	**316,144,353**	295,100,385	**—**	—	**316,144,353**	295,100,385
Flight property taxes	**10,297,142**	13,011,635	**—**	—	**10,297,142**	13,011,635
Income from investments	**26,135,021**	17,264,216	**675,612**	569,661	**26,810,633**	17,833,877
Other	**5,926,042**	5,954,590	**—**	—	**5,926,042**	5,954,590
Gain (loss) on sale of capital assets	**225,197**	2,662,973	**—**	—	**225,197**	2,662,973
Total revenues	**3,557,089,521**	3,392,230,031	**675,612**	569,661	**3,557,765,133**	3,392,799,692
Expenses						
Distributions to Arizona counties and cities	**1,427,633,847**	1,307,529,826	**—**	—	**1,427,633,847**	1,307,529,826
Noncapital, including asset preservation	**279,298,491**	319,869,666	**—**	—	**279,298,491**	319,869,666
Distributions to other state agencies	**306,615,717**	224,220,584	**—**	—	**306,615,717**	224,220,584
Highway	**164,751,577**	133,914,884	**—**	—	**164,751,577**	133,914,884
Highway maintenance	**112,939,448**	97,196,657	**—**	—	**112,939,448**	97,196,657
Local governmental assistance	**121,971,496**	127,400,215	**—**	—	**121,971,496**	127,400,215
Motor vehicle	**116,727,306**	110,516,024	**—**	—	**116,727,306**	110,516,024
Interest on long-term debt	**87,783,581**	58,873,649	**—**	—	**87,783,581**	58,873,649
Administration	**77,468,550**	77,547,136	**—**	—	**77,468,550**	77,547,136
Highway Expansion and Extension Loan Program	**—**	—	**30,000,000**	30,000,000	**30,000,000**	30,000,000
Total expenses	**2,695,190,013**	2,457,068,641	**30,000,000**	30,000,000	**2,725,190,013**	2,487,068,641
Changes in net position	**861,899,508**	935,161,390	**(29,324,388)**	(29,430,339)	**832,575,120**	905,731,051
Net position, beginning	**20,810,045,144**	19,874,883,754	**30,520,459**	59,950,798	**20,840,565,603**	19,934,834,552
Net position, ending	**$ 21,671,944,652**	$ 20,810,045,144	**$ 1,196,071**	$ 30,520,459	**$ 21,673,140,723**	$ 20,840,565,603

Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2019:

Revenues – Governmental Activities
$3,557,089,521



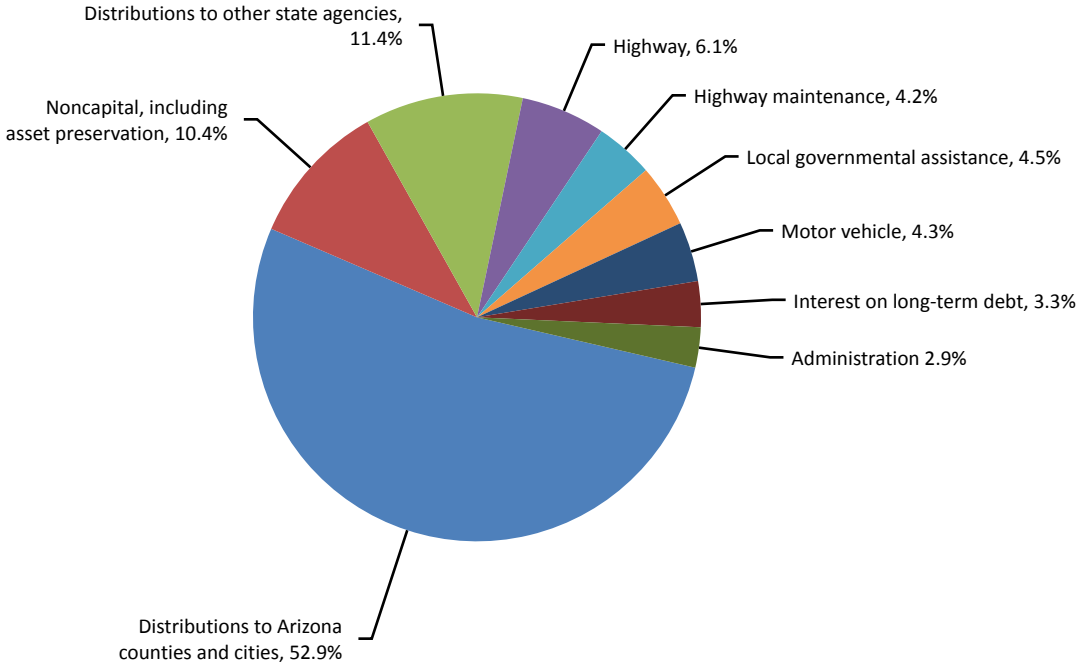
Of the Department's revenues, $2.8 billion (or 78.1%) are from the following three revenue sources:

- Motor vehicle registration, title, license, and related taxes comprise the Department's largest revenue source of $1.4 billion (39.2%).
- Fuel and motor carrier taxes and fees represent the Department's second largest revenue source of $846.3 million (23.8%).
- Capital grants and contributions represent the Department's third largest revenue source of $532.7 million (15.0%).

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 2019. HURF collections totaled approximately $1.5 billion , 4.4% above fiscal year 2018 and 2.0% above the forecast. Maricopa County Transportation Excise Tax collections totaled $468.6 million million, an increase of 6.8% over fiscal year 2018 and 0.5% above the Department's estimate. The Transportation Excise Tax distribution to the Department was $316.1 million compared to $295.1 million for fiscal year 2018.

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2019:

Expenses – Governmental Activities
$2,695,190,013



Of the Department's expenses, $2.0 billion (or 74.7%) were for the following:

- Distributions to Arizona counties and cities comprise the Department's largest expense of $1.4 billion (52.8%).
- Noncapital, including asset preservation, represents the Department's second largest expense of $279.3 million (10.4%).
- Distributions to other state agencies represent the Department's third largest expense of $306.6 million (11.4%).

Distributions to Arizona counties and cities increased in fiscal year 2019 as compared to fiscal year 2018 due to an increase in vehicle license tax and gas and fuel tax revenue collections. The distributions to other

government entities (excluding distributions from the Local Agency Deposit Fund) equal $1.7 billion (64.3%); making up more than half of the expenditures for fiscal year 2019.

Business-type Activities

Net position for business-type activities decreased by $29.3 million in fiscal year 2019. Total revenues were $676 thousand , all of which came from income from investments. There were no operating expenses for business-type activities during the year, however, a legislative transfer of $30.0 million was made to the State General Fund in fiscal year 2019.

The Highway Expansion and Extension Loan Program did not approve or disburse any loans in Fiscal Year 2019, and no future program loans are planned at this time.

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 (Governmental Funds financial statements) 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 nonmajor governmental funds are combined into a single column. Combining statements for the nonmajor governmental funds may be found in the Supplementary Information section of this report.

As of the end of the fiscal year, the fund balances of the governmental funds totaled $1.4 billion, an increase of $199.8 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 nonspendable fund balance was $212 thousand; the restricted fund balance was $464.1 million; and the committed fund balance was $364.2 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 2019 were $454.7 million; Transportation Excise Tax revenue of $311.2 million (or 68.4%) was a significant revenue source. The remaining revenue was mainly federal revenue and excess land sales.

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. Other financing sources totaled $310.9 million This amount was transferred in from the General Fund (State Highway Fund) $142.9 million, Maricopa Regional Area Road Construction Fund $142.4 million, and Grant Anticipation Notes Fund $25.5 million.

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. Issuance of Transportation Excise Tax Revenue bonds and Grant Anticipation Notes produced $365.9 million in other financing sources during the year. In fiscal year 2019, the Capital Projects Funds' expenditures were $339.5 million. Non-capital, including asset preservation expenditures of $39.2 million (11.6%) and Capital outlay expenditures of $298.6 million (87.9%) accounted for the majority of the expenditures in the Capital Projects Fund. The expenditures were for

major preservation and expansion pavement projects financed by proceeds from the Transportation Excise Tax Revenue Bonds Series 2018 and the Grant Anticipation Notes Series 2019A. Please see the Capital Asset and Debt Administration section in the MD&A for more information Capital outlay expenditures for the acquisition and construction of new highways was converted to capital assets on the government-wide statements.

Budget Variances

The Department's appropriated operating budget from the General Fund (State Highway Fund) increased by about $22.9 million from fiscal year 2018 to fiscal year 2019. The increase was primarily due to the increased cost to maintain and operate new lane miles. In fiscal year 2018, the Department spent 93.1% of its budget and in fiscal year 2019 the Department spent 84.7% of its budget. Ultimately, the Department spent about $10.9 million less in fiscal year 2019 than in fiscal year 2018 from its appropriated operating budget from the General Fund (State Highway Fund). Reference the budgetary comparison schedule in the Required Supplementary Information section of this report.

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, 2019, amounts to $23.1 billion (net of accumulated depreciation), a $682.9 million increase over the previous fiscal year.

Capital Assets
June 30, 2019

	Governmental Activities		Business-type Activities		Total	
	2019	2018	**2019**	2018	**2019**	2018
Land	**$ 3,511,601,121**	$ 3,485,414,860	**$ —**	$ —	**$ 3,511,601,121**	$ 3,485,414,860
Infrastructure	**16,450,541,973**	16,301,538,413	**—**	—	**16,450,541,973**	16,301,538,413
Construction in progress	**2,921,982,661**	2,372,107,578	**—**	—	**2,921,982,661**	2,372,107,578
Development in progress	**65,224,581**	49,966,310			**65,224,581**	49,966,310
Buildings and improvements	**92,713,073**	88,431,448	**—**	—	**92,713,073**	88,431,448
Improvements other than buildings	**17,020,459**	15,034,868	**—**	—	**17,020,459**	15,034,868
Machinery and equipment	**6,856,763**	7,685,287	**—**	—	**6,856,763**	7,685,287
Mobile fleet and aircraft	**68,755,292**	65,091,625	**—**	—	**68,755,292**	65,091,625
Total	**$23,134,695,923**	$22,385,270,389	**$ —**	$ —	**$23,134,695,923**	$22,385,270,389

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 6,822 center line miles of roads (21,532 travel lane miles) and 4,860 bridges that the Department is responsible for maintaining.

The Five-Year Transportation Facilities Construction Program (the "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 3.55 was achieved for fiscal year 2019.

The Department manages its bridges using the Arizona Bridge Information and Storage System (ABISS). To comply with Federal standards, the Department is expected to maintain its Bridges to a condition where not more than 10.0% are classified as poor. The Department's most recent assessment indicated that 1.4% of the bridges were so classified for fiscal year 2019.

Noncurrent Liabilities (See Note 5E to the financial statements for additional information)

The Department's noncurrent liabilities for its governmental and business-type activities as of June 30, 2019, amount to $2.9 billion, an increase of $45.4 million million from the previous fiscal year.

		2019		2018
Governmental Activities				
Bonds and notes				
Highway revenue bonds	**$**	**1,280,830,000**	$	1,359,500,000
Transportation excise tax revenue bonds		**732,365,000**		575,040,000
Grant anticipation notes (GARVEE bonds)		**223,885,000**		177,420,000
Unamortized Premium on bonds		**349,554,391**		344,153,009
Total bonds and notes		**2,586,634,391**		2,456,113,009
Capital leases		**—**		24,251,680
Compensated absences		**17,829,377**		17,783,919
Other noncurrent liabilities, including accrued relocation costs		**16,008,138**		29,783,142
Total governmental activities	**$**	**2,620,471,906**	$	2,527,931,750

		2019		2018
Net pension liability	**$**	**248,089,762**	$	296,900,511
Net OPEB obligation	**$**	**67,990,799**	$	66,364,364

The Department has issued revenue bonds in 39 separate issues since 2000. During 2019 the Department issued Transportation Excise Tax Revenue Bonds, Series 2018 and Grant Anticipation Notes, Series 2019A. All outstanding bonds as of June 30, 2019, are scheduled to mature on various dates with none later than July 1, 2038. The bonds are obligations of the Transportation Board of the State of Arizona Department of Transportation (the "Transportation Board") and are not obligations of the State of Arizona.

Standard & Poor's Ratings Services and Moody's Investors Service have respectively rated the Senior lien Highway Revenue Bonds as AA+/Aa1 and subordinate lien Highway Revenue Bonds as AA+/Aa2; Transportation Excise Tax Revenue Bonds as AA+/Aa1; and the Grant Anticipation Notes as AA+/Aa2/AA with the additional rating of AA from 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 – includes a statement of net position and a statement of activities. These statements report the overall Department activities. The statements also distinguish between the Department's government and business-type activities. These statements are prepared utilizing the accrual basis of accounting for financial reporting.

Governmental and Proprietary Fund Financial Statements – provides information about the Department's funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Notes to the Financial Statements – provide additional information that is essential for the full understanding of the data provided in the government-wide and fund 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

Exhibit 1

Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Unrestricted cash on deposit with State Treasurer	$ 344,401,365	$ 1,196,071	$ 345,597,436
Receivables			
Taxes and fees	69,277,022	—	69,277,022
Notes and loans	2,543,640	—	2,543,640
Other, net of allowance for doubtful accounts	6,743,314	—	6,743,314
Due from U.S. government	82,800,066	—	82,800,066
Due from other state agencies	27,545,782	—	27,545,782
Inventories	2,224,202	—	2,224,202
Restricted cash on deposit with State Treasurer	1,221,014,655	—	1,221,014,655
Restricted cash with fiscal agents	1,790,223	—	1,790,223
Capital assets not subject to depreciation (Notes 5A)	22,949,350,336	—	22,949,350,336
Capital assets subject to depreciation, net of accumulated depreciation, (Notes 5A)	185,345,587	—	185,345,587
Total assets	24,893,036,192	1,196,071	24,894,232,263
Deferred Outflows of Resources			
Relating to pensions (Note 6C)	33,365,346	—	33,365,346
Relating to OPEB	2,175,059	—	2,175,059
Loss on debt refundings	76,675,376	—	76,675,376
Total deferred outflows of resources	112,215,781	—	112,215,781
Liabilities			
Accounts payable and other current liabilities	128,532,719	—	128,532,719
Accrued payroll and other accrued expenses	11,515,047	—	11,515,047
Due to other state agencies	19,370,319	—	19,370,319
Tax and refunds payable	10,949,674	—	10,949,674
Due to Arizona counties and cities	159,814,625	—	159,814,625
Unearned revenue	1,746,394	—	1,746,394
Non-current liabilities (Note 5E):			
Due within one year	262,873,519	—	262,873,519
Due in more than one year	2,357,598,387	—	2,357,598,387
Net OPEB liability	67,990,799	—	67,990,799
Net pension liability (Note 6C)	248,089,762	—	248,089,762
Total liabilities	3,268,481,245	—	3,268,481,245
Deferred Inflows of Resources			
Relating to pensions (Note 6C)	48,644,172	—	48,644,172
Relating to OPEB	16,181,904	—	16,181,904
Total deferred inflows of resources	64,826,076	—	64,826,076
Net Position			
Net investment in capital assets	20,611,958,834	—	20,611,958,834
Restricted:			
Loans and other financial assistance	8,766,112	—	8,766,112
Capital projects	954,132,748	—	954,132,748
Unrestricted	97,086,958	1,196,071	98,283,029
Total net position	$ 21,671,944,652	$ 1,196,071	$ 21,673,140,723

The accompanying notes are an integral part of these financial statements.

Arizona Department of Transportation

Exhibit 2

Statement of Activities

For the Year Ended June 30, 2019

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues
Functions/Programs					
Governmental activities					
Administration	$ 77,468,550	$ 8,049,211	$ 5,178,675	$ —	$ (64,240,664)
Highway	164,751,577	1,848,606	44,030,599	532,676,638	413,804,266
Highway maintenance	112,939,448	6,369,465	—	—	(106,569,983)
Motor vehicle	116,727,306	180,161,965	668,267	57	64,102,983
Noncapital, including asset preservation	279,298,491	34,195,487	—	—	(245,103,004)
Distributions to other state agencies	306,615,717	—	—	—	(306,615,717)
Distributions to Arizona counties and cities	1,427,633,847	—	—	—	(1,427,633,847)
Local government assistance	121,971,496	—	138,143,845	—	16,172,349
Interest on long-term debt	87,783,581	—	—	—	(87,783,581)
Total governmental activities	$ 2,695,190,013	$ 230,624,734	$ 188,021,386	$ 532,676,695	$ (1,743,867,198)
Business-type activities					
Highway Expansion and Extension Loan Program	30,000,000	—	—	—	(30,000,000)
Total business-type activities	30,000,000	—	—	—	(30,000,000)
Total primary government	$ 2,725,190,013	$ 230,624,734	$ 188,021,386	$ 532,676,695	$ (1,773,867,198)

	Governmental Activities	Business-type Activities	Total
Net (expenses) revenues	$ (1,743,867,198)	$ (30,000,000)	$ (1,773,867,198)
General revenues			
Transportation excise taxes	316,144,353	—	316,144,353
Motor vehicle registration, title, and related taxes	1,400,749,044	—	1,400,749,044
Fuel and motor carrier taxes and fees	846,289,907	—	846,289,907
Flight property taxes	10,297,142	—	10,297,142
Income from investments	26,135,021	675,612	26,810,633
Gain on sale of capital assets	225,197	—	225,197
Other	5,926,042	—	5,926,042
Total general revenues	2,605,766,706	675,612	2,606,442,318
Changes in net position	861,899,508	(29,324,388)	832,575,120
Beginning net position	20,810,045,144	30,520,459	20,840,565,603
Ending net position	$ 21,671,944,652	$ 1,196,071	$ 21,673,140,723

The accompanying notes are an integral part of these financial statements.

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.

NONMAJOR FUNDS

Other Governmental Funds are the nonmajor funds and are all special revenue funds. These funds can be found on Exhibit 8 and Exhibit 9.

Arizona Department of Transportation

Balance Sheet — Governmental Funds
June 30, 2019

	General Fund (State Highway Fund)	Special Revenue Funds: Maricopa Regional Area Road Construction Fund	Special Revenue Funds: Motor Vehicle Division Clearing Fund
Assets			
Unrestricted cash on deposit with the State Treasurer	$ 300,888,847	$ —	$ —
Receivables			
Interfund	132,101,744	—	17,523,718
Taxes and fees	—	—	3,080,983
Notes and loans	—	—	—
Due from other state agencies	24,415	26,951,066	—
Due from Arizona counties and cities	—	—	—
Other, net	2,914,436	235,232	421,931
Amounts due from U.S. government	34,842,299	22,217,399	—
Inventories	212,350	—	—
Restricted cash held by fiscal agents	1,790,223	—	—
Restricted cash on deposit with the State Treasurer	462,296,516	464,810,755	89,534,498
Total assets	$ 935,070,830	$ 514,214,452	$ 110,561,130
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	$ 77,346,679	$ 20,434,282	$ 12,417
Accrued payroll and other accrued expenditures	10,259,889	243,709	135,029
Tax and refunds payable	—	—	6,030,160
Interfund payables	5,744,977	—	72,445,378
Amounts due to			
Other state agencies	2,773,701	—	15,610,727
Arizona counties and cities	8,702,430	3,490,452	24,455,842
Unearned revenue	1,746,394	—	—
Total liabilities	106,574,070	24,168,443	118,689,553
Deferred inflows of resources			
Unavailable revenue	—	8,966,174	—
Fund balances			
Unassigned	—	—	(8,128,423)
Nonspendable	212,350	—	—
Restricted	464,086,739	481,079,835	—
Committed	364,197,671	—	—
Total fund balances (deficits)	828,496,760	481,079,835	(8,128,423)
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 935,070,830	$ 514,214,452	$ 110,561,130

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds				
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit 8)	Total Governmental Funds
$ —	$ —	$ —	$ 37,829,319	$ 338,718,166
68,711,292	—	—	310,352	218,647,106
66,196,039	—	—	—	69,277,022
—	—	—	2,543,640	2,543,640
—	—	—	350,618	27,326,099
—	—	—	—	—
—	—	—	1,790,760	5,362,359
—	—	—	25,740,368	82,800,066
—	—	—	—	212,350
—	—	—	—	1,790,223
124,700,388	876,735	66,598,306	12,197,457	1,221,014,655
$ 259,607,719	$ 876,735	$ 66,598,306	$ 80,762,514	$ 1,967,691,686
$ —	$ —	$ 12,118,144	$ 17,538,074	$ 127,449,596
—	—	122,275	276,170	11,037,072
4,919,514	—	—	—	10,949,674
139,743,296	—	—	977	217,934,628
985,891	—	—	—	19,370,319
113,959,018	—	—	9,206,883	159,814,625
—	—	—	—	1,746,394
259,607,719	—	12,240,419	27,022,104	548,302,308
—	—	—	3,560,772	12,526,946
—	—	—	—	(8,128,423)
—	—	—	—	212,350
—	876,735	54,357,887	8,766,112	1,009,167,308
—	—	—	41,413,526	405,611,197
—	876,735	54,357,887	50,179,638	1,406,862,432
$ 259,607,719	$ 876,735	$ 66,598,306	$ 80,762,514	$ 1,967,691,686

The accompanying notes are an integral part of these financial statements.

Exhibit 3.1

Arizona Department of Transportation
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

Fund balances – total governmental funds (Exhibit 3)	$ 1,406,862,432
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note 4 B1).	23,063,303,539
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).	12,526,946
Internal service funds are used by management to charge the costs of equipment rentals to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (Exhibit 5).	61,961,768
Deferred outflows of resources are not reported in the funds (Notes 4 B2).	110,508,839
OPEB liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B3).	(64,645,652)
Pension liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B4).	(236,950,532)
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 B5).	(2,619,776,885)
Deferred inflows of resources are not reported in the funds (Note 4 B6).	(61,845,803)
Net position of governmental activities (Exhibit 1)	$ 21,671,944,652

The accompanying notes are an integral part of these financial statements.

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Arizona Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds
For the Year Ended June 30, 2019

		Special Revenue Funds	
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
Revenues			
Transportation excise taxes	$ —	$ 311,187,957	$ —
Vehicle registration, title, license, and related taxes and fees	418,089,453	—	791,240,806
Fuel and motor carrier taxes and fees	418,318,223	—	—
Flight property taxes	—	—	—
Reimbursement of construction expenditures – federal aid	437,140,971	78,237,446	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	11,308,984	29,199,032	—
Distributions from other state agencies	14,908,058	—	—
Interest on loans receivable	5,119	—	—
Income from investments	15,776,358	1,866,986	—
Sales and charges for services	7,509,033	34,195,487	—
Rental income	2,020,096	—	—
Other	4,191,046	—	—
Total revenues	1,329,267,341	454,686,908	791,240,806
Expenditures			
Current			
Administration	84,355,201	2,360,818	11,661,742
Highway	164,171,750	8,007,717	—
Highway maintenance	113,143,943	2,645,276	—
Motor vehicle	105,735,548	—	11,792,661
Total current expenditures	467,406,442	13,013,811	23,454,403

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds				
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit 9)	Total Governmental Funds
$ —	$ —	$ —	$ 4,956,396	$ 316,144,353
364,731,325	—	—	6,849,425	1,580,911,009
426,624,445	—	—	1,347,239	846,289,907
—	—	—	10,297,142	10,297,142
—	—	—	26,833,971	542,212,388
—	—	—	128,044,651	128,044,651
—	—	—	10,482,742	50,990,758
100,783	—	—	—	15,008,841
—	—	—	121,894	127,013
1,656,903	2,871,734	3,512,596	450,444	26,135,021
—	—	—	—	41,704,520
—	—	—	241,675	2,261,771
1,090,586	—	—	644,410	5,926,042
794,204,042	2,871,734	3,512,596	190,269,989	3,566,053,416
7,717,393	—	—	1,874,912	107,970,066
—	—	—	84,937,440	257,116,907
—	—	—	437,074	116,226,293
658,687	—	—	4,207,761	122,394,657
8,376,080	—	—	91,457,187	603,707,923

The accompanying notes are an integral part of these financial statements.

	General Fund (State Highway Fund)	Special Revenue Funds: Maricopa Regional Area Road Construction Fund	Special Revenue Funds: Motor Vehicle Division Clearing Fund
Expenditures - continued			
Intergovernmental			
Distributions to other state agencies	$ 86,908,331	$ 268,510	$ 189,205,593
Distributions to Arizona counties and cities	51,246,966	33,811,822	578,580,810
Debt service			
Principal	—	—	—
Interest	—	—	—
Bond issuance costs	—	—	—
Noncapital, including asset preservation	186,062,904	23,481,762	—
Capital outlay	316,025,121	183,602,210	—
Total expenditures	1,107,649,764	254,178,115	791,240,806
Revenues over (under) expenditures	221,617,577	200,508,793	—
Other Financing Sources (Uses)			
Transfers in	—	—	—
Transfers out	(142,912,555)	(142,449,704)	—
Proceeds from sale of capital assets	342,770	—	—
Insurance recovery	6,369,465	—	—
Proceeds from debt issuance	—	—	—
Premium from debt issuance	—	—	—
Total other financing sources (uses)	(136,200,320)	(142,449,704)	—
Net change in fund balances	85,417,257	58,059,089	—
Fund balances (deficits), beginning of year	743,079,503	423,020,746	(8,128,423)
Fund balances (deficits), end of year	$ 828,496,760	$ 481,079,835	$ (8,128,423)

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds				
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit 9)	Total Governmental Funds
$ 26,514,195	$ —	$ —	$ 3,719,088	$ 306,615,717
759,313,767	—	—	42,923,770	1,465,877,135
—	199,355,000	—	—	199,355,000
—	114,124,561	—	—	114,124,561
—	—	1,687,827	—	1,687,827
—	—	39,237,651	—	248,782,317
—	—	298,567,296	527,295	798,721,922
794,204,042	313,479,561	339,492,774	138,627,340	3,738,872,402
—	(310,607,827)	(335,980,178)	51,642,649	(172,818,986)
—	310,894,015	—	—	310,894,015
—	—	—	(25,531,756)	(310,894,015)
—	—	—	—	342,770
—	—	—	—	6,369,465
—	—	324,475,000	—	324,475,000
—	—	41,448,651	—	41,448,651
—	310,894,015	365,923,651	(25,531,756)	372,635,886
—	286,188	29,943,473	26,110,893	199,816,900
—	590,547	24,414,414	24,068,745	1,207,045,532
$ —	$ 876,735	$ 54,357,887	$ 50,179,638	$ 1,406,862,432

The accompanying notes are an integral part of these financial statements.

Exhibit 4.1

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 Year Ended June 30, 2019

Net change in fund balances – total governmental funds (Exhibit 4)	$	199,816,900
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).		746,468,811
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).		(345,648,647)
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).		227,383,807
Internal services funds are used by management to charge the cost of equipment rentals to individual funds. The change in net position of the internal service funds is reported with governmental activities (Note 4 C3).		3,355,266
Pension contributions are reported as expenditures in the governmental funds (Note 4 C4).		29,960,469
OPEB Contributions are reported as expenditures in governmental funds, however, the change in net OPEB liability is reported in the Statement of Activities (Note 4 C4)		(1,590,730)
Some items reported in the statement of activities do not require the use of, or provide current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (Note 4 C5).		2,153,632
Change in net position of governmental activities (Exhibit 2)	$	861,899,508

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

MAJOR FUND

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.

NONMAJOR 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.

Exhibit 5

Arizona Department of Transportation
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities – Enterprise Fund	
	Highway Expansion and Extension Loan Program Fund	Governmental Activities- Internal Service Fund
Assets		
Current assets		
Unrestricted cash on deposit with the State Treasurer	$ 1,196,071	$ 5,683,199
Receivables		
Other, net allowance for doubtful accounts	—	1,380,955
Due from other State agencies		219,683
Inventories	—	2,011,852
Total current assets	1,196,071	9,295,689
Noncurrent assets		
Capital assets subject to depreciation, net of accumulated depreciation	—	71,392,384
Total noncurrent assets	—	71,392,384
Total assets	1,196,071	80,688,073
Deferred Outflows of Resources		
Relating to pensions	—	1,599,929
Relating to OPEB	—	107,013
Total deferred outflows of resources	—	1,706,942
Liabilities		
Current liabilities		
Accounts payable	—	1,083,123
Accrued payroll and other accrued expenses	—	477,975
Interfund payables (Note 5C)	—	712,478
Compensated absences	—	695,021
Total current liabilities	—	2,968,597
Noncurrent liabilities		
Net OPEB liability	—	3,345,147
Net pension liability	—	11,139,230
Total noncurrent liabilities	—	14,484,377
Total liabilities	—	17,452,974
Deferred Inflows of Resources		
Relating to pensions (Note 6C)	—	2,184,123
Relating to OPEB	—	796,150
Total deferred inflows of resources	—	2,980,273
Net Position		
Net investment in capital assets	—	70,515,257
Unrestricted	1,196,071	(8,553,489)
Total net position	$ 1,196,071	$ 61,961,768

The accompanying notes are an integral part of these financial statements.

Exhibit 6

Arizona Department of Transportation
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Fund	
	Highway Expansion and Extension Loan Program Fund	Governmental Activities- Internal Service Fund
Operating Revenues		
Sales and charges for services	$ —	$ 26,273,783
Other	—	103,909
Total operating revenues	—	26,377,692
Operating Expenses		
Publication and promotional cost	—	17,770
Repair and maintenance	—	3,647,216
Fuel and lubricants	—	10,644,065
Salaries and related benefits	—	11,062,464
Shipping and postage	—	18,160
Supplies	—	305,419
Equipment purchase and rental	—	261,703
Professional and outside Services	—	425,381
Travel	—	74,272
Depreciation	—	14,401,157
Other	—	582,955
Total operating expenses	—	41,440,562
Operating loss	—	(15,062,870)
Nonoperating Income (Expenses)		
Income from investments	675,612	119,366
Gain on sale/disposal of capital assets	—	974,359
Distributions from other State agencies	—	9,375,948
Distributions to other state agencies	(30,000,000)	—
Total nonoperating revenue (expenses)	(29,324,388)	10,469,673
Capital contributions	—	7,948,463
Change in net position	(29,324,388)	3,355,266
Net position, beginning of year	30,520,459	58,606,502
Net position, end of year	$ 1,196,071	$ 61,961,768

The accompanying notes are an integral part of these financial statements.

Exhibit 7

Arizona Department of Transportation
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2019

	Business-type Activities - Enterprise Fund	
	Highway Expansion and Extension Loan Program Fund	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Receipts from other Funds	$ —	$ 26,491,687
Payments to suppliers	—	(15,071,387)
Payments to employees	—	(12,519,842)
Other receipts	—	103,909
Net cash (used in) operating activities	—	(995,633)
Cash flows from non-capital financing activities		
Distributions to other state agencies	(30,000,000)	—
Distributions from other state agencies	—	16,472
Net cash used in non-capital financing activities	(30,000,000)	16,472
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	—	1,874,867
Acquisition of capital assets	—	(9,432,799)
Distributions from other state agencies	—	9,359,476
Net cash provided by capital and related financing activities	—	1,801,544
Cash flows from investing activities:		
Income from investments	675,612	119,366
Net cash provided by investing activities	675,612	119,366
Net increase <decrease> in cash	(29,324,388)	941,749
Cash - July 1	30,520,459	4,741,450
Cash - June 30	$ 1,196,071	$ 5,683,199

The accompanying notes are an integral part of these financial statements.

Arizona Department of Transportation
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2019

Exhibit 7
- continued

	Business-type Activities - Enterprise Fund	
	Highway Expansion and Extension Loan Program Fund	Governmental Activities - Internal Service Fund
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ —	$ (15,062,870)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	—	14,401,157
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Due from other state agencies	—	(219,683)
Other receivables	—	437,587
Inventories	—	788,705
Deferred outflows of resources	—	(69,915)
Accounts payable	—	42,577
Accrued payroll and other accrued expenses	—	(22,882)
Compensated absences	—	5,967
Net OPEB liability	—	80,020
Net pension liability	—	(2,132,223)
Deferred inflows of resources	—	755,927
Total adjustments	—	14,067,237
Net cash (used in) operating activities	$ —	$ (995,633)
Non-cash capital and financing activities:		
Certain vehicles were contributed to the Equipment Revolving Fund by the General Fund		$ 7,948,463
Certain vehicles placed in service during the year were financed with trade accounts payable		877,127
Total Noncash Capital and Financing Activities	$ —	$ 8,825,590

The accompanying notes are an integral part of these financial statements.

Arizona Department of Transportation
Index — Notes to the Financial Statements
June 30, 2019

	Page
Note 1 – Summary of Significant Accounting Policies	37
A – Reporting Entity	37
B – Government-wide and Fund Financial Statements	37
C – Measurement Focus, Basis of Accounting, and Financial Statement Presentation	38
D – Assets, Liabilities, and Net Position/Fund Balance	40
E – Revenues and Expenditures/Expenses	45
F – Interfund Activity and Balances	45
G – Use of Estimates	45
Note 2 – Funds by Classification	46
A – Funds	46
Note 3 – Budgeting, Budgetary Control, and Legal Compliance	46
Note 4 – Accounting Pronouncements and Reconciliation of Government-Wide and Fund Financial Statements	47
A – New Accounting Pronouncements	47
B – Explanations of Reconciling Items of the Balance Sheet of Governmental Funds to the Statement of Net Position	47
C – Explanations of Reconciling Items of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	49
Note 5 – Detailed Notes on all Funds and Activities	52
A – Capital Assets	52
B – Commitments	53
C – Interfund Receivables, Payables, Advances, and Transfers	53
D – Leases	55
E – Noncurrent Liabilities	56
F – Fund Balances	61
Note 6 – Other Information	62
A – Loop 202 South Mountain Freeway Project	62
B – Contingent Liabilities	63
C – Pension and Other Postemployment Benefits	64
D – Subsequent Events	69

1) Summary of Significant Accounting Policies

The accounting and reporting policies of the Arizona Department of Transportation (the "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 (the "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 (the "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. Responsibilities of the Department also include grants to local airports, registering motor vehicles and aircraft, licensing drivers, certain law enforcement activities, and the publishing of the *Arizona Highways Magazine.*

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 activities of the government. 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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

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 and proprietary funds. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in a single column with combining statements provided in the supplementary information.

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.

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 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 fuel use 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, 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 fund:

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. See the separate Independent Audited Financial Reports for more information.

Additionally, the Department reports the following fund:

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

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 *nonoperating* 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, interest on loan receivables and other revenues intended to recover the cost of services. Operating expenses for the enterprise fund 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, 2019, 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 5.12 years while for investment pool 3 was 1.13 years, and for investment pool 4 it was 4.70 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 fair value.

The Department has restricted cash for payment of capital projects for Maricopa and Pima Counties, and for future debt service payments.

At June 30, 2019, the carrying amount of the Department's cash on deposit with the State Treasurer (unrestricted and restricted) totaled $1,566,612,091. Of this amount, $1,333,949,470 was invested in the State Agency's pool number 2 and pool number 4. The remaining $232,662,621 is operating cash, and was not invested in the State's pools, but was held by the State Treasurer as demand deposit accounts. These pools are valued at the pool's share price multiplied by the number of shares the Department held. The fair value of a participant's position in the pools approximate the value of that participant's shares. The funds are invested in accordance with the Investment Policy of the Arizona State Treasurer's office.

Receivables, Payables and Advances

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

Advances between funds, as reported in the fund financial statements, are classified as nonspendable fund balance in the General Fund (State Highway Fund) to indicate that they are not available for appropriation and are not expendable available financial resources. The other receivables are shown net of allowance for doubtful accounts. For other receivables comprising recoverable claims, the amount reserved for doubtful accounts is comprised of 100% of the balances sent to the Attorney General's Office for collection.

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

Inventories

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.

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.

Restricted Assets

Certain proceeds of the Department's governmental revenue bonds, as well as certain resources of the General Fund (State Highway 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, constitutional mandates, or voter initiatives. State law, in conjunction with cooperative agreements with local governments, require 12.6% 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% 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 deposited in the capital projects fund and are restricted by bond covenants 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, mobile fleet and aircraft, infrastructure, development in progress, 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 acqusition value at time of donation.

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

Capital Assets	Useful Life
Buildings and improvements	20-40 years
Improvements other than buildings	15-40 years
Machinery and equipment	5 years
Mobile fleet and aircraft	5-15 years

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/Unavailable 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. Unearned revenue in the Governmental Activities represents subscription revenue received in advance of delivery of the related subscriptions. Additionally, in the governmental funds, unavailable revenue is reported as deferred inflows of resources, until such revenue is available to liquidate liabilities of the current period. Unearned revenues are reported in the government-wide statements for the governmental activities and in the fund statements for the governmental funds. In the fund statements, unavailable revenue represents a receivable from the Federal Highway Administration for un-reimbursed accrued relocation cost for various infrastructure projects.

Compensated Absences

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

Effective July 1, 1998, state employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1,500 hours, upon retirement directly from state service. The benefit value is calculated by taking the employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date, times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25% for 500 hours to a maximum of 50% 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. No intergovernmental advances are outstanding as of June 30, 2019.

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 deferred outflows of resources, and liabilities and deferred inflows of resources 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.

Unassigned fund balance – is the residual classification for the general fund and includes all spendable amounts not reported in other classifications. Also, deficits in fund balances of other governmental funds are reported as unassigned.

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 (such as the Arizona State Transportation Board) and Commissions to authorize fund uses.

When practicable, the Department segregates restricted funds from unrestricted funds using existing chart of account elements. As a result, an assumption as to the order of how monies are spent is unnecessary for those restricted funds so segregated. In cases where it is impractical to segregate restricted from unrestricted funds, expenditures 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 that may be related to bonds, loans, advances, board funding obligations, or 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 nonoperating and are sub-classified by the type of expense (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 nonoperating.

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 where the leased asset(s) reside(s) in that fund, insurance recovery, and transfers from other funds. Other financing uses are reductions of governmental fund resources in fund financial statements normally resulting from transfers to other funds.

F. Interfund Activity and Balances

Interfund Activity

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

Interfund Balances

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and

assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position, 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

Funds

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

FUND TYPES	
MAJOR FUNDS	**NONMAJOR FUNDS**
Governmental Funds	*Special Revenue Funds*
General Fund (State Highway Fund)	State Aviation Fund
Special Revenue Funds:	Safety Enforcement and
Maricopa Regional Area Road	Transportation Infrastructure Fund
Construction Fund	Motor Vehicle Liability Insurance
Motor Vehicle Division Clearing Fund	Enforcement Fund
Highway User Revenue Fund	Motor Vehicle Inspection and Title
Debt Service Fund	Enforcement Fund
Capital Projects Fund	Motor Carrier Safety Revolving Fund
Proprietary Funds	Economic Strength Project Fund
Enterprise Fund:	Grant Anticipation Notes Fund
Highway Expansion and Extension	Local Agency Deposits Fund
Loan Program Fund	*Internal Service Fund:*
	Equipment Revolving 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 special line-item appropriations for highway maintenance, vehicles and construction equipment, other capital expenditures, and Attorney General legal services. Expenditure details for personal services, employee-related expenditures, and all other operating expenditures are specifically allocated within all divisions. In certain divisions, other specific programs are allocated in addition to these categories. Revenue budgets are developed internally by the Department and are not part of the appropriation process.

Amendments to the approved appropriations require legislative approval. However, since the Department's appropriation is a lump sum appropriation, the allocation of funds between personal services, employee-related expenditures, and other operating expenditures is an internal decision. Accordingly, transfers between line items such as personal services and other operating

expenditures within a particular program may be made by the program manager. Expenditures may not exceed appropriations 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

For the year ended June 30, 2019, the Department implemented the provisions of the following GASB pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* – to improve accounting and financial reporting by state and local governments for certain legally enforceable asset retirement obligations and the corresponding deferred outflow of resources. The requirements of this pronouncement did not impact the Department's financial statements.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The requirements of this pronouncement did not impact the Department's financial statements.

The implementation of the above GASB Statements did not have a material effect on the Department's financial statements.

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	$	22,949,350,336
Capital assets subject to depreciation		185,345,587
		23,134,695,923
Less: Internal Service Fund (Equipment Revolving Fund) capital assets		(71,392,384)
	$	23,063,303,539

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	$	33,365,346
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to pensions		(1,599,929)
		31,765,417
Deferred outflows of resources-loss on debt refunding		76,675,376
	$	108,440,793

Deferred outflows of resources relating to OPEB	$	2,175,059
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to OPEB		(107,013)
	$	2,068,046

3. OPEB liabilities are as follows:

Net OPEB liability	$	(67,990,799)
Less: Internal Service Fund (Equipment Revolving Fund) net OPEB liability		3,345,147
	$	(64,645,652)

4. 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	$	(248,089,762)
Less: Internal Service Fund (Equipment Revolving Fund) net pension liability		11,139,230
	$	(236,950,532)

5. 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)	$	(2,586,634,391)
Compensated absences		(17,134,356)
Other noncurrent liabilities, including accrued relocation costs		(16,008,138)
	$	(2,619,776,885)

6. 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	$	(48,644,172)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to pensions		2,184,123
	$	(46,460,049)
Deferred inflows of resources related to OPEB	$	(16,181,904)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to OPEB		796,150
	$	(15,385,754)

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

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

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

Capital outlay	$	798,721,922
Assets removed from service, net of accumulated depreciation		(33,671,371)
Capitalized relocation costs for the South Mountain Project accrued as a long term liability		9,508,138
Less: depreciation expense - governmental funds		(7,844,360)
Less: Prior Year Relocation Costs and Condemnation Judgment - government wide		(29,783,142)
Net prior year adjustments		9,537,624
	$	746,468,811

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:		
Issuance Transportation Excise Tax Revenue Bonds	$	(262,010,000)
Issuance of Grant Anticipation Notes		(62,465,000)
Premium on debt issued		(41,448,651)
Net Change in accrued relocation costs		20,275,004
	$	(345,648,647)
Principal repayments		
Highway Revenue Refunding Bonds	$	78,670,000
Transportation Excise Tax Revenue Refunding Bonds		104,685,000
Grant Anticipation Notes		16,000,000
Amortization of premium and discount		36,047,269
Amortization of deferred losses on refunding		(8,018,462)
	$	227,383,807

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 Services Revolving Fund)		
Changes in net position	$	3,355,266

4. Pension and OPEB 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 and net OPEB obligation is measured a year before the Department's current fiscal year-end financial statements. Pension and OPEB expense, which is the change in net pension liability/net OPEB obligation adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities:

Pension contributions	$	18,967,477
Pension expense		10,992,992
	$	29,960,469
OPEB expense, net of Internal Service Fund	$	(1,590,730)

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:

A one-time write-off of a capital lease liability does not provide current financial resources, and, therefore, is not reported in the funds.	$	24,251,680
Certain noncurrent liabilities do not require the use of current financial resources, and, therefore, are not reported in the funds.		(6,500,000)
Certain accruals of federal grant reimbursements do not provide current financial resources, and, therefore, are not reported in the funds.		3,560,772
Net change in accrued relocation/condemnation reimbursement revenue does not provide current financial resources, and, therefore, is not reported in the funds		(19,119,329)
Compensated absences		(39,491)
	$	2,153,632

5) Detailed Notes on All Funds and Activities

A. Capital Assets

Capital assets activity for the year ended June 30, 2019, was as follows:

	July 1, 2018				June 30, 2019
	Beginning Balance, as restated[1]	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	$ 3,485,414,860	$ 59,661,636	$ (33,475,375)	$ —	$ 3,511,601,121
Infrastructure	16,301,538,413	—	—	149,003,560	16,450,541,973
Construction in progress	2,372,107,578	698,878,643	—	(149,003,560)	2,921,982,661
Development in progress	49,966,310	15,258,271	—	—	65,224,581
Total capital assets, not being depreciated	22,209,027,161	773,798,550	(33,475,375)	—	22,949,350,336
Capital assets, being depreciated					
Buildings and improvements	208,326,207	9,139,898	(9,451)	—	217,456,654
Improvements other than buildings	33,995,989	3,782,944	—	—	37,778,933
Machinery and equipment	42,399,635	1,714,000	(1,991,342)	—	42,122,293
Mobile fleet and aircraft	187,622,207	17,807,539	(9,029,176)	—	196,400,570
Total capital assets, being depreciated	472,344,038	32,444,381	(11,029,969)	—	493,758,450
Less accumulated depreciation for					
Buildings and improvements	(119,894,760)	(4,926,710)	77,889	—	(124,743,581)
Improvements other than buildings	(18,961,121)	(1,797,353)	—	—	(20,758,474)
Machinery and equipment	(34,714,348)	(2,340,173)	1,788,991	—	(35,265,530)
Mobile fleet and aircraft	(122,530,582)	(13,181,281)	8,066,585	—	(127,645,278)
Total accumulated depreciated	(296,100,811)	(22,245,517)	9,933,465	—	(308,412,863)
Total capital assets, being depreciated, net	176,243,227	10,198,864	(1,096,504)	—	185,345,587
Governmental activities capital assets, net	$ 22,385,270,388	$783,997,414	$ (34,571,879)	$ —	$23,134,695,923

[1]Accumulated development costs related to the new Motor Vehicle Division processing software was reported as construction in progress in prior fiscal years. These balances/activity should have been reported as development in progress. The beginning balances of construction in progress and development in progress were restated in fiscal year 2019 to reflect the new presentation. There is no effect on either total capital assets not being depreciated or total capital assets beginning balances.

Capital asset additions are not included on the fund statements, but are included on the government-wide Statement of Net Position, as follows:

Capital asset additions not subject to depreciation	$	773,798,550
Capital asset additions subject to depreciation		32,444,381
		806,242,931
Add: Accrued relocation costs (long-term liability) added in prior fiscal year		29,783,142
Less: Internal Service Fund (Equipment Services Fund) asset additions		(18,258,389)
Accrued relocation costs (long-term liability)		(9,508,138)
Adjustment related to capital outlay and capital asset additions timing differences		(9,537,624)
Total capital outlay	$	798,721,922

Depreciation expense was charged to functions/programs as follows:

Governmental activities		
Administration	$	1,628,489
Highway		2,616,094
Highway maintenance		1,753,214
Motor vehicle		1,846,563
		7,844,360
Capital assets held by the Department's internal service fund are charged to the various functions based on their usage of the assets		14,401,157
Total depreciation expense	$	22,245,517

B. Construction Commitments

The Department's outstanding commitments for contracts at June 30, 2019, were $2.2 billion. Commitments are first categorized by segregating between Local government assistance and State Highway construction and related phases, and then further classified by phase of construction, as presented in the following table.

		Remaining Commitment
Local government assistance	$	178,785,569
State highways		
Construction		1,206,122,549
Design		185,339,798
Right of way		190,904,174
Utilities		28,124,688
Planning and research		46,955,341
Other		402,136,569
	$	2,238,368,688

C. Interfund Receivables, Payables, Advances, and Transfers

The balances of current interfund receivables and payables as of June 30, 2019, were:

Receivables	Payables	Amount
Governmental activities		
General Fund (State Highway Fund)	Equipment Services Fund	$ 712,478
	Highway User Revenue Fund	124,235,804
	Motor Vehicle Division Clearing Fund	7,153,462
Motor Vehicle Division Clearing Fund	General Fund (State Highway Fund)	2,015,247
	Highway User Revenue Fund	15,507,492
	Non-major governmental funds	979
Highway User Revenue Fund	General Fund (State Highway Fund)	3,729,729
	Motor Vehicle Division Clearing Fund	64,981,563
Non-major governmental funds	Motor Vehicle Division Clearing Fund	310,352
		$ 218,647,106

The General Fund (State Highway Fund) receivable of $124.2 million is an accrual for fuel taxes and vehicle license tax imposed in fiscal year 2019 from the Highway User Revenue Fund that will be collected in fiscal year 2020.

The Motor Vehicle Division Clearing Fund receivable of $15.5 million is an accrual for vehicle license taxes due in fiscal year 2019 from the Highway User Revenue Fund that will be collected in fiscal year 2020.

The Highway User Revenue Fund receivable of $65.0 million is an accrual for vehicle license taxes due in fiscal year 2019 from the Motor Vehicle Division Clearing Fund that will be collected in fiscal year 2020.

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfers To
	Debt Service Fund
Transfers from	
General Fund (State Highway Fund)	$ 142,912,555
Maricopa Regional Area Road Fund	142,449,704
Non-major Governmental Funds	25,531,756
Total Debt Service Fund	$ 310,894,015

Transfers from the General Fund (State Highway Fund), Maricopa Regional Area Road Fund, and the Non-major Governmental Fund (GANS) into the Debt Service Fund are to pay bond debt service.

D. Leases

Capital Leases

The Department has entered into lease agreements as lessee for financing the acquisition of various vehicles, equipment, and modular buildings. Capital leases are not material to the Department's financial statements, and, therefore, are not reported therein. Beginning net position was not restated for this change.

E. Noncurrent 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 $1.360 billion.

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:

Outstanding Highway Revenue Bonds
As of June 30, 2019

	Series 2011A		Series 2013A		Series 2013B		Series 2015		Series 2016	
Maturity (7/1)	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2020	$ 200,000	4.000%	$ 7,000,000	3.500%	$ 27,940,000	2.179%				
2020	33,315,000	5.000%	13,050,000	5.000%						
2021	200,000	4.000%	36,020,000	5.000%						
2021	48,465,000	5.000%								
2022	53,210,000	5.000%	35,710,000	5.000%						
2023	13,475,000	5.000%	53,430,000	5.000%			$ 24,745,000	5.000%		
2024	30,170,000	5.000%	40,080,000	5.000%			$ 25,985,000	5.000%		
2025	30,885,000	5.000%	32,880,000	5.000%			$ 27,280,000	5.000%		
2026			49,950,000	5.000%			$ 28,650,000	5.000%	$ 6,605,000	5.000%
2027			32,635,000	5.000%			$ 30,085,000	5.000%	18,615,000	5.000%
2028			14,500,000	4.000%			$ 31,585,000	5.000%	19,545,000	5.000%
2028			19,765,000	5.000%						
2029			2,100,000	4.000%			$ 33,160,000	5.000%	20,530,000	5.000%
2029			33,740,000	5.000%						
2030			20,000,000	4.000%			$ 34,820,000	5.000%	21,550,000	5.000%
2030			17,610,000	5.000%						
2031							$ 36,565,000	5.000%	22,625,000	5.000%
2032	4,220,000	4.000%					$ 38,385,000	5.000%	19,535,000	5.000%
2032										
2033							$ 40,305,000	5.000%	24,905,000	5.000%
2033										
2034									26,150,000	5.000%
2035			18,035,000	5.000%					10,205,000	5.000%
2036			18,935,000	5.000%					10,715,000	5.000%
2037			19,885,000	5.000%						
2038			20,880,000	5.000%						
Totals	**$ 214,140,000**		**$ 486,205,000**		**$ 27,940,000**		**$ 351,565,000**		**$ 200,980,000**	

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

	Highway Revenue Bonds		
Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 81,505,000	$ 62,736,113	$ 144,241,113
2021	84,685,000	59,556,050	144,241,050
2022	88,920,000	55,323,800	144,243,800
2023	91,650,000	50,877,800	142,527,800
2024	96,235,000	46,295,300	142,530,300
2025-2029	432,510,000	164,169,750	596,679,750
2030-2034	306,670,000	63,855,650	370,525,650
2035-2038	98,655,000	11,535,750	110,190,750
	$ 1,280,830,000	$ 514,350,213	$ 1,795,180,213

The Department has pledged future motor vehicle and related fuel fees and taxes to repay $1.28 billion in outstanding Highway Revenue Bonds issued since 2011. Proceeds from the bonds finance portions of the Transportation Board's Five-Year Transportation Facilities Construction Program, and to refund certain maturities of outstanding Highway Revenue bond issues. 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 $1.8 billion. Principal and interest paid for the current year and total pledged revenues were $144.2 million and $656.8 million respectively. The annual principal and interest payments on the bonds required 22.0% 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 $575.040 million.

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

	2009 Series		**2010 Series**		**2011 Series**		**2014 Series**		**2016 Series**		**2018 Series**	
Maturity (7/1)	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2020	$ 340,000	3.500%	$ 5,250,000	4.000%	$ 11,955,000	5.000%	$ 20,365,000	5.000%	$ 29,490,000	5.000%	$33,105,000	5.000%
2020			7,445,000	5.000%								
2021					12,555,000	5.000%	53,065,000	5.000%	12,465,000	5.000%	35,205,000	5.000%
2022					13,180,000	3.000%	55,720,000	3.000%	13,085,000	5.000%	8,000,000	2.000%
2022											28,970,000	5.000%
2023							58,505,000	4.000%	26,135,000	5.000%	39,760,000	5.000%
2024							76,800,000	4.000%	13,015,000	5.000%	40,805,000	5.000%
2025					14,685,000	3.000%	63,675,000	5.000%	15,660,000	5.000%	43,130,000	5.000%
2025												
Totals	**$ 340,000**		**$ 12,695,000**		**$ 52,375,000**		**$ 328,130,000**		**$ 109,850,000**		**$ 228,975,000**	

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

	Transportation Excise Tax Revenue Bonds		
Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 107,950,000	$ 35,763,350	$ 143,713,350
2021	113,290,000	30,423,450	143,713,450
2022	118,955,000	24,758,950	143,713,950
2023	124,400,000	19,314,800	143,714,800
2024	130,620,000	13,094,800	143,714,800
2025	137,150,000	6,563,800	143,713,800
	$ 732,365,000	$ 129,919,150	$ 862,284,150

The Department has pledged future transportation excise taxes to repay $732.4 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2009. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County and to refund certain maturities of various outstanding Transportation Excise Tax Revenue bond issues.

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 $862.3 million. Principal and interest paid for the current year and total pledged revenues were $143.7 million and $311.2 million, respectively. The annual principal and interest payments on the bonds required 46.2% of the pledged revenues.

Bond Issuance

On August 23, 2018, the Transportation Board issued $262.0 million of Transportation Excise Tax Revenue Bonds Series 2018, with interest rates ranging from 2.0% to 5.0% and serial maturities ranging from 2020 to 2025. Net proceeds totaled $289.2 million, after receipt of $28.5 million of original issue premium and payment of $1.3 million of issuance costs and underwriter's discount. Proceeds of the Series 2018 bonds are being used to pay: (i) the costs of design, right-of-way purchase, and/or construction of certain freeways and other routes within Maricopa County, Arizona, and (ii) the costs of issuing the Series 2018 bonds.

Arizona Transportation Board Grant Anticipation Notes

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 issued in prior years and outstanding at the start of the fiscal year was $177.420 million.

Grant Anticipation Notes currently outstanding are as follows:

	Series 2011A		Series 2016		Series 2017A		Series 2019A	
Maturity (7/1)	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2020	$ 260,000	4.000%			$ 3,230,000	5.000%	$ 2,890,000	5.000%
2020	13,285,000	5.000%						
2021	270,000	4.000%	13,060,000	5.000%	3,390,000	5.000%	3,040,000	5.000%
2022			14,000,000	5.000%	3,560,000	5.000%	3,195,000	5.000%
2023			14,700,000	5.000%	3,740,000	5.000%	3,360,000	5.000%
2024			15,430,000	5.000%	3,925,000	5.000%	3,520,000	5.000%
2025			16,205,000	5.000%	4,125,000	5.000%	3,690,000	5.000%
2026			17,015,000	5.000%	4,325,000	5.000%	3,880,000	5.000%
2027					4,540,000	5.000%	4,070,000	5.000%
2028					4,770,000	5.000%	4,270,000	5.000%
2029					5,010,000	5.000%	4,495,000	5.000%
2030					5,260,000	5.000%	4,715,000	5.000%
2031					5,520,000	5.000%	4,955,000	5.000%
2032					5,800,000	5.000%	5,195,000	5.000%
2033							5,455,000	5.000%
2034							5,735,000	5.000%
Totals	**$ 13,815,000**		**$ 90,410,000**		**$ 57,195,000**		**$ 62,465,000**	

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

	Transportation Excise Tax Revenue Bonds		
Fiscal year ending June 30,	Principal	Interest	Total
2020	$ 19,665,000	$ 11,188,950	$ 30,853,950
2021	19,760,000	10,208,300	29,968,300
2022	20,755,000	9,223,000	29,978,000
2023	21,800,000	8,185,250	29,985,250
2024	22,875,000	7,095,250	29,970,250
2025-2029	76,395,000	19,857,500	96,252,500
2030-2034	42,635,000	5,720,250	48,355,250
	$ 223,885,000	$ 71,478,500	$ 295,363,500

The Department has pledged federal revenues to repay $223.9 million in outstanding Grant Anticipation Notes. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and to refund certain maturities of various outstanding Grant Anticipation Notes. The bonds are payable solely from federal revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds is $295.4 million. Principal and interest paid for the current year and total pledged revenues were $25.5 million and $596.5 million, respectively. The annual principal and interest payments on the bonds required 4.3% of the pledged revenues.

Bond Issuance

On April 11, 2019, the Transportation Board issued $62.5 million of Grant Anticipation Notes (GAN) Series 2019A, with an interest rate of 5.0% and serial maturities ranging from 2020 to 2034. Net proceeds totaled $75.0 million, after receipt of $12.9 million of original issue premium and payment of $438 thousand of issuance costs and underwriter's discount. GAN proceeds are being used to pay: (i) a portion of the costs of certain infrastructure projects throughout the State of Arizona, and (ii) pay the costs of issuing the Series 2019A Notes.

Refunded Bonds Deposited with Escrow Agents

In the 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.

Changes in Noncurrent Liabilities

The activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Due Within One Year
Governmental activities					
Bonds and notes					
Highway Revenue bonds	$ 1,359,500,000	$ —	$ (78,670,000)	$ 1,280,830,000	$ 81,505,000
Transportation Excise Tax Revenue bonds	575,040,000	262,010,000	(104,685,000)	732,365,000	107,950,000
Grant Anticipation notes	177,420,000	62,465,000	(16,000,000)	223,885,000	19,665,000
Unamortized premium on bonds	344,153,009	41,448,651	(36,047,269)	349,554,391	36,047,268
Total bonds and notes	2,456,113,009	365,923,651	(235,402,269)	2,586,634,391	245,167,268
Capital leases	24,251,680	—	(24,251,680)	—	—
Compensated absences	17,783,919	11,286,175	(11,240,717)	17,829,377	11,240,717
Other noncurrent liabilities, including accrued relocation costs	29,783,142	6,500,000	(20,275,004)	16,008,138	6,465,534
Total governmental activities	$ 2,527,931,750	$ 383,709,826	$ (291,169,670)	$ 2,620,471,906	$ 262,873,519

Accrued relocation costs represent expenditures to relocate displaced individuals and businesses resulting from eminent domain proceedings related to the South Mountain Freeway project. Such expenditures will be paid out over several years, and, therefore, are accrued as a long-term liability.

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, $695 thousand of the Internal Service Fund's compensated absences is included in the above amounts.

Capital leases were removed from the financial statements in fiscal year 2019 due to materiality considerations.

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.

F. Fund Balances

The fund balance classifications of the governmental funds as of June 30, 2019, were as follows:

	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Debt Service Fund	Capital Projects Funds	Non-major Governmental Funds	Total
Fund Balances							
Nonspendable							
Inventories	$ 212,350	$ —	$ —	$ —	$ —	$ —	$ 212,350
Total nonspendable	212,350	—	—	—	—	—	212,350
Restricted for							
Highway	294,831,832	339,080,362	—	—	54,357,887	—	688,270,081
Debt Service	131,886,002	116,734,952	—	876,735	—	—	249,497,689
Aid to local governments	37,368,905	25,264,521	—	—	—	8,766,112	71,399,538
Total restricted	464,086,739	481,079,835	—	876,735	54,357,887	8,766,112	1,009,167,308
Committed to							
Administration						32,784,193	32,784,193
Highway	215,605,021	—	—	—	—	—	215,605,021
Highway maintenance	148,592,650	—	—	—	—	—	148,592,650
Motor vehicle	—	—	—	—	—	8,629,333	8,629,333
Total committed	364,197,671	—	—	—	—	41,413,526	405,611,197
Unassigned	—	—	(8,128,423)	—	—	—	(8,128,423)
Total fund balances	$ 828,496,760	$ 481,079,835	$ (8,128,423)	$ 876,735	$54,357,887	$ 50,179,638	$ 1,406,862,432

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. Loop 202 South Mountain Freeway Project

On February 26, 2016 the Department entered into a design-build-maintain contract with Connect 202 Partners (private partner) for the design, construction, and 30 year maintenance of the Loop 202 South Mountain Freeway totaling $1.25 billion. The South Mountain Freeway is a 22 mile, 8 lane freeway that will complete the Loop 202 and Loop 101 freeway system. This is the largest highway project in Arizona history. Pre-construction activities, including geotechnical, utility work, property acquisition and preparation, have been underway since spring 2015. Construction began in summer 2016 with an anticipated project completion of late 2019. The capital asset replacement and routine maintenance contract is for 30 years.

Cost and Funding Sources

The anticipated cost of this project is approximately $2.0 billion, not including financing costs. Right-of-way cost estimates are not contractually committed, but are necessary costs to complete the project. The significant cost components of this project are as follows:

Developer Design and construction	$	1,000,264,467
Construction Management, Other Utilities & Contingency		73,531,447
Preliminary engineering and right of way		586,408,525
Capital asset replacement (30-year Period)		128,720,443
Routine maintenance (30-year period)		208,810,234
Total anticipated cost of project	$	1,997,735,116

Actual costs incurred by the Department through June 30, 2019 for this project is $1,402,502,695. Anticipated funding for the Loop 202 South Mountain Freeway Project will be provided from the following sources (in millions): (*Estimates provided below are only for the costs associated with Construction,Design, and Right of Way of the South Mountain Freeway. Since the capital replacement and routine maintenance predominantly extended outside the RTPFP lifecycle, program fund source estimates are not included).

Regional Area Road Fund (1/2 - cent sales tax)	$	363
Federal Funds		702
Regional Area Road Fund Bonds		295
Highway User Revenue Fund Bonds		120
State Highway User Revenue Funds		180
Total funding by source	$	1,660

Maintenance Services – 30-Year Period

Upon completion of the construction phase of the project, Connect 202 Partners will maintain the freeway corridor for a period of 30 years. The average annual routine maintenance cost to the Department is approximately $2,932,045. The actual amount paid to Connect 202 Partners in a given year will be escalated or reduced based on changes in the Consumer Price Index (CPI). Over the course of the 30 year maintenance period, Connect 202 Partners is expected to spend an additional $103,192,057 on capital asset replacement. The actual amount given to Connect 202 Partners in a given year will be escalated or reduced based on changes in the Construction Cost

Index (CCI). The current estimates assume CCI at 3% and CPI 2% annually, actual CCI and CPI will vary thus increasing or decreasing the routine asset and capital asset obligations for the contract.

B. 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.

C. Pension and Other Postemployment Benefits

Arizona State Retirement System

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 received 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
Average monthly compensation is based on	Highest 36 consecutive months of last 120 months-termination pay excluded	Highest 60 consecutive months of last 120 months-termination pay excluded
Benefit percent multiplier	2.1% to 2.3%	2.1% to 2.3%
Benefit percent multiplier is based on years of service	0-19.99 years of service 2.10% 20-24.99 years 2.15% 25-29.99 years 2.20% 30 or more years 2.30%	0-19.99 years of service 2.10% 20-24.99 years 2.15% 25-29.99 years 2.20% 30 or more years 2.30%

*Early retirement eligibility with actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to cost-of-living adjustments based on excess investment earnings, which are reserved for this purpose. Funds are reserved when total actuarial investment returns for each fiscal year are greater than 8%. If there are no excess investment earnings in the reserve, then no additional benefit increase is paid. As of June 30, 2018, there is a zero balance in the reserve for future cost-of-living adjustments.

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 retirement benefit option chosen determines the survival benefit. 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, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.80% (11.64% for retirement and 0.16% 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 11.80% (11.18% for retirement, 0.46% for the health insurance premium benefit, and 0.16% 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 10.53% (10.41% for retirement, 0.06% for health insurance premium benefit, and 0.06% 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, 2019, were $19,965,765.

During the fiscal year ended June 30, 2019, the Department paid for ASRS pension and OPEB contributions as follows: 90% from the General Fund (State Highway Fund), 3% from major funds, and 7% from other non-major funds.

The Department's total covered payroll for fiscal year 2019 was $178,584,660. 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 2019 was $19,965,765 each by both the employees and the Department, of which 100% was so contributed.

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.

Retirement Plans

The Department contributes to the Arizona Statement Retirement System plan described below. The plan is a component unit of the State of Arizona. At June 30, 2019, the Department reported the following amounts related to the pension plan to which it contributes:

Statement of Net Position and Statement of Activities		Governmental Activities
Net pension liability	$	248,089,762
Deferred outflows of resources		33,365,346
Deferred inflows of resources		48,644,172
Pension expense		(11,433,638)

Changes in the Department's net pension liability during the fiscal year ended June 30, 2019, were as follows:

		Governmental Activities
Beginning balance	$	296,900,511
Increases		160,676,165
Decreases		(209,486,914)
Ending balance	$	248,089,762

Pension Liability – At June 30, 2019, the Department reported a liability of $248.1 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018 using generally accepted actuarial procedures.

The Department's reported liability at June 30, 2019, decreased by $48.8 million from the prior year liability of $296.9 million 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, 2018. The Department's proportion measured as of June 30, 2018, was 1.78%, which was a decrease of 0.13% from its proportion measured as of June 30, 2017.

The net liability measured as of June 30, 2018 reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The ASRS Board adopted the experience study which recommended changes, and those changes were effective as of the June 30, 2017 actuarial valuation. The change in the Department's net liabilities as a result of these changes is not known.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2019, the Department recognized pension expense from ASRS of $(11.4) million. This amount excludes current year contribution deferrals and the Department's internal change in proportion. At June 30, 2019, 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	$ 6,834,672	$ 1,367,678
Change in Assumptions	6,564,909	—
Change in Assumptions	—	21,996,564
Difference between projected and actual earnings on pension plan investment earnings	—	5,965,972
Changes in proportion and differences between State contributions and proportionate share of contributions	—	19,313,958
Contributions subsequent to the measurement date	19,965,765	—
Total	$ 33,365,346	$ 48,644,172

The $19,965,765 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, 2020. 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	Pension Expense
2020	$ (9,816,864)
2021	(13,702,280)
2022	(9,049,939)
2023	(2,675,508)

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

Actuarial valuation date	6/30/2017
Actuarial roll forward date	6/30/2018
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Investment rate of return (Discount Rate)	7.5%
Projected salary increases	2.7 - 7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2018, valuation was determined by an actuarial valuation as of June 30, 2017, and rolled forward using generally accepted actuarial procedures to June 30, 2018.

The long-term expected real return on ASRS pension plan investments was determined to be 5.07% 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 contribution to expected real return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation Effective July 1, 2018	Real Return Geometric Basis	Long-Term Contribution to Expected Real Return
Equity	50%	5.50%	2.75%
Fixed income	30%	3.83%	1.15%
Real estate	20%	5.85%	1.17%
Total	100%		5.07%

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5%, which is greater than the long-term contribution to expected real return of 5.07%. 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 contribution to expected real 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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	$353,657,660	$248,089,762	$159,889,478

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.

D. Subsequent Events

On July 25, 2019, the Department was awarded a $90.0 million INFRA Grant by the US Department of Transportation (US DOT) to add new capacity on a rural, mountainous stretch of Interstate 17 north of Phoenix. In addition, on August 29, 2019, the Department was awarded a $10.4 million Competitive Highway Bridge Program Grant by US DOT to replace or rehabilitate four bridges on US 191. These grant funds will be received by the Department as expenditures on the projects are incurred.

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

Budgetary Comparison Schedule – General Fund (State Highway Fund)

Note to Required Supplementary Information

Information about Infrastructure Assets Reported Using the Modified Approach

Pension Liability and Pension Contributions

Arizona Department of Transportation
Required Supplementary Information
June 30, 2019

Budgetary Comparison Schedule
General Fund (State Highway Fund) – Budgetary Basis
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Actual Positive
	Original	Final	Amounts	(Negative)
Expenditures appropriated by State legislature in 2018 budget				
Department of Transportation	$ 381,954,200	$ 384,073,200	$ 325,176,836	$ 58,896,364
Timing differences:				
Prior-year appropriation expenditures expended in current budget			17,682,216	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			8,391,913	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			75,974,483	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			502,088,025	
Distributions to Arizona counties and cities			51,246,966	
Distributions to other state agencies			86,908,331	
3rd Party MVD fees			40,180,994	
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (General Fund) - Exhibit 4			$ 1,107,649,764	

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

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.

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

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 (the "Department") reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,822 center line miles (21,532 travel lane miles) of roads and 4,860 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 (the "Transportation Board") on an annual basis, the Five-Year Transportation Facilities Construction Program (the "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 2019 and beyond was adopted by the Transportation Board on June 16, 2017.

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

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

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

Roads

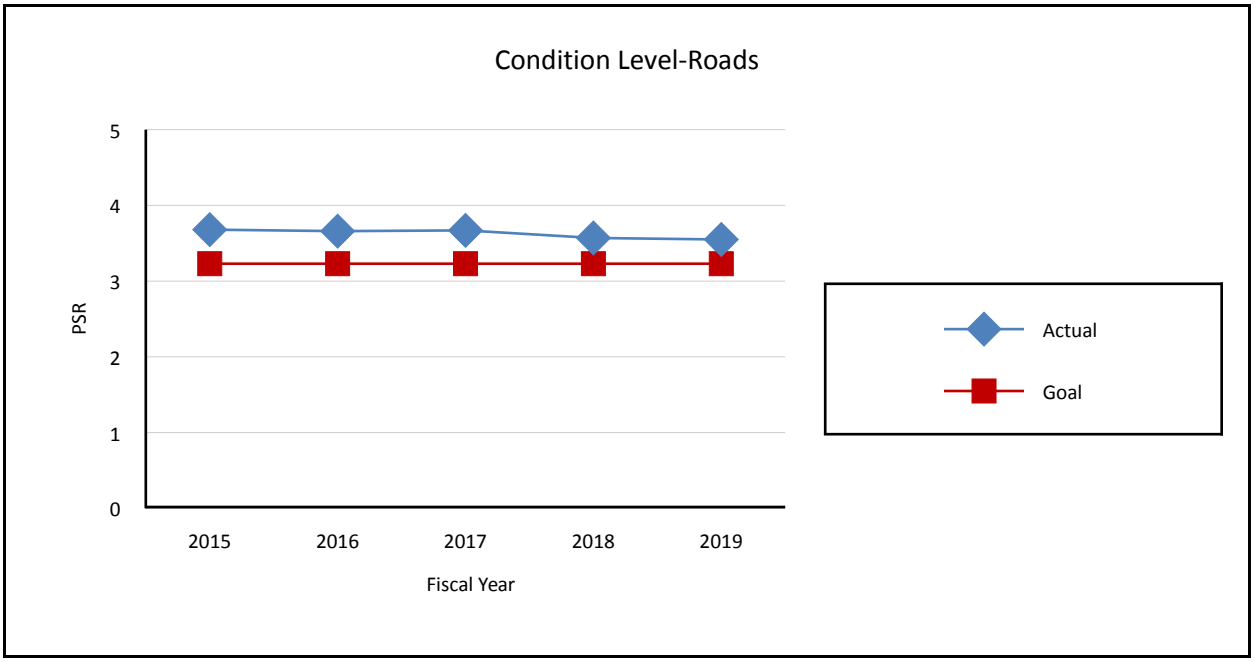
The mission of the Department's Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the state's investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the PMS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

The PMS has developed performance goals for the condition level of the pavement in the state highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability" which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many 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 2019, an overall rating of 3.55 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 2015 through 2019 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2015	$249.5	$300.6
2016	$272.0	$317.0
2017	$322.4	$186.4
2018	$375.0	$218.0
2019	$364.6	$231.0

Bridges

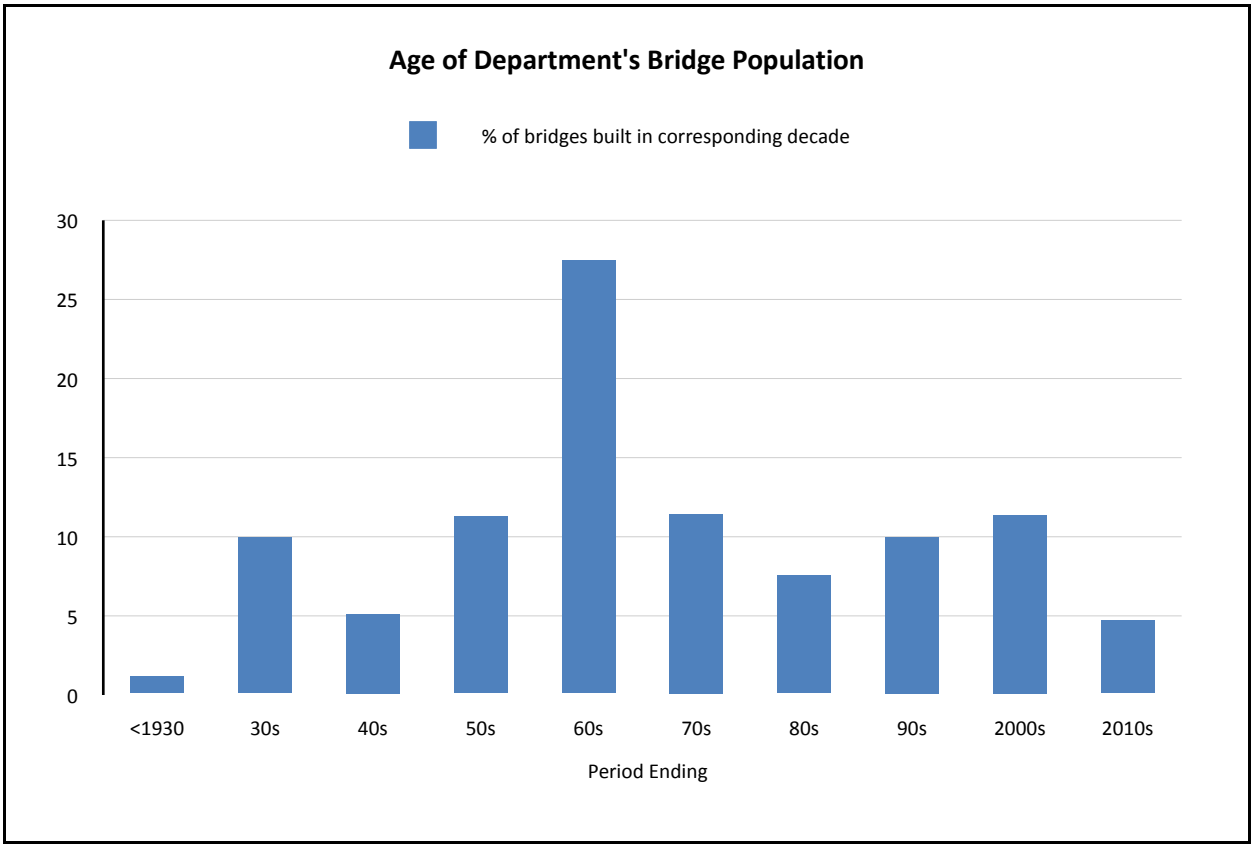
The Department's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2019, the Department owned and maintained 4,860 bridges with an approximate total deck area of 44,286,973 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in AASHTOWare™ Bridge Management software (BrM). 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, BrM is used for reporting bridge inventory and condition, on an annual basis, to the Federal Highway Administration (FHWA).

Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn were based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of the Nation's Bridges."

In 2015, FHWA issued new rules which have had the effect of replacing CRI as the summary statistic for bridge condition. Instead, the Departments of Transportation of the various States are expected to maintain their bridges so that no more than 10% are classified as Poor. Financial sanctions are held against States that do not comply with this standard. 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. In fiscal year 2019, 0.9% of bridges maintained by the Department were classified as Poor.

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 2 indicates that approximately 55% of the bridges in the state were constructed prior to the 1970s while only 16% have been constructed since 2000.

Figure 2



Each bar represents the percentage of bridges built in corresponding decade.

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 2015 through 2019 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2015	$13.7	$21.9
2016	$11.6	$39.8
2017	$28.8	$23.4
2018	$26.4	$15.3
2019	$28.1	$17.8

Pension Liability and Pension Contributions

Schedule of the Proportionate Share of the Net Pension Liability

For the last five fiscal years ended [1]

	Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability	1.78%	1.91%	1.99%	2.07%	2.08%
Proportion share of the net pension liability	$248,089,762	$296,900,511	$321,346,418	$322,028,132	$307,848,006
Covered payroll	$176,727,743	$178,648,729	$186,117,539	$190,570,110	$190,575,110
Proportion share of the net pension liability as a percentage of its covered payroll	140.38%	166.19%	172.66%	168.98%	164.15%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

Schedule of Pension Contributions

For the last five fiscal years ended [1]

	2019	2018	2017	2016	2015
Statutorily required contribution	$19,965,765	$19,263,324	$19,258,333	$20,193,753	$20,753,085
Contributions in relation to the statutorily required contribution	19,965,765	19,263,324	19,258,333	20,193,753	20,753,085
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$178,584,660	$176,727,743	$178,648,729	$186,117,539	$190,570,110
Contributions as a percentage of covered payroll	11.18%	10.90%	10.78%	10.85%	10.89%

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

SUPPLEMENTARY INFORMATION

NONMAJOR 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 Economic Strength Project Fund receives monies from the Highway User Revenue Fund for use on approved economic strength projects recommended by the Arizona Commerce Authority 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

Exhibit 8

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019

	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 State Treasurer	$ 26,225,083	$ 195,731	$ 8,114,549	$ 492,833
Receivables:				
Interfund (Note 5D)	158,718	31,016	81,268	39,350
Notes and loans	2,543,640	—	—	—
Due from other State agencies	350,618	—	—	—
Other (net)	717,056	—	—	—
Amounts due from U.S. Government	—	—	—	—
Restricted cash on deposit with the State Treasurer	—	—	—	—
Total assets	$ 29,995,115	$ 226,747	$ 8,195,817	$ 532,183
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ —	$ —	$ —	$ —
Accrued payroll and other accrued expenditures	46,461	39,980	50,496	53,150
Interfund payables (Note 5D)	977	—	—	—
Amounts due to				
Arizona counties and cities	146,395	—	—	—
Total liabilities	193,833	39,980	50,496	53,150
Deferred inflows of resources:				
Unavailable revenue	—	—	—	—
Fund balances				
Restricted	—	—	—	—
Committed	29,801,282	186,767	8,145,321	479,033
Total fund balances	29,801,282	186,767	8,145,321	479,033
Total liabilities and fund balances	$ 29,995,115	$ 226,747	$ 8,195,817	$ 532,183

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
4,979.00	$ 2,796,144	$ —	$ —	$ 37,829,319
—	—	—	—	310,352
—	—	—	—	2,543,640
—	—	—	—	350,618
—	—	—	1,073,704	1,790,760
—	—	—	25,740,368	25,740,368
—	—	—	12,197,457	12,197,457
4,979	2,796,144	—	39,011,529	80,762,514
—	—	—	17,538,074	17,538,074
—	—	—	86,083	276,170
—	—	—	—	977
—	—	—	9,060,488	9,206,883
—	—	—	26,684,645	27,022,104
—	—	—	3,560,772	3,560,772
—	—	—	8,766,112	8,766,112
4,979	2,796,144	—	—	41,413,526
4,979	2,796,144	—	8,766,112	50,179,638
$ 4,979	$ 2,796,144	$ —	$ 39,011,529	$ 80,762,514

Arizona Department of Transportation
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	State Aviation Fund	Safety Enforcement and Transportation Infrastructure Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
Revenues				
Transportation excise taxes	$ 4,956,396	$ —	$ —	$ —
Vehicle registration, title, license, and related taxes and fees	168,433	1,350,958	3,244,326	2,085,708
Fuel and motor carrier taxes and fees	347,239	—	—	—
Flight property taxes	10,297,142	—	—	—
Reimbursement of construction expenditures - federal aid	1,302,215	—	—	—
Other federal grants and reimbursements	—	—	—	—
Reimbursements from Arizona counties and cities	383,548	—	—	—
Interest on loans receivable	121,894	—	—	—
Income from investments	394,524	1,506	—	—
Rental income	241,675	—	—	—
Other	631,055	—	—	10,988
Total revenues	18,844,121	1,352,464	3,244,326	2,096,696
Expenditures				
Current				
Administration	1,872,693	600	700	400
Highway	1,226,501	—	—	—
Highway maintenance	—	437,074	—	—
Motor vehicle	—	965,463	1,698,727	1,515,711
Total current expenditures	3,099,194	1,403,137	1,699,427	1,516,111
Intergovernmental				
Distributions to other state agencies	—	—	1,250,000	1,128,000
Distributions to Arizona counties and cities	4,387,629	—	—	—
Capital outlay	527,295	—	—	—
Total expenditures	8,014,118	1,403,137	2,949,427	2,644,111
Revenues over (under) expenditures	10,830,003	(50,673)	294,899	(547,415)
Other Financing Sources (Uses)				
Transfers out	—	—	—	—
Total other financing sources (uses)	—	—	—	—
Net change in fund balances	10,830,003	(50,673)	294,899	(547,415)
Fund balances, beginning of year	18,971,279	237,440	7,850,422	1,026,448
Fund balances, end of year	$ 29,801,282	$ 186,767	$ 8,145,321	$ 479,033

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
$ —	$ —	$ —	$ —	$ 4,956,396
—	—	—	—	6,849,425
—	1,000,000	—	—	1,347,239
—	—	—	—	10,297,142
—	—	25,531,756	—	26,833,971
—	—	—	128,044,651	128,044,651
—	—	—	10,099,194	10,482,742
—	—	—	—	121,894
—	54,414	—	—	450,444
—	—	—	—	241,675
2,367	—	—	—	644,410
2,367	1,054,414	25,531,756	138,143,845	190,269,989
—	—	—	519	1,874,912
—	—	—	83,710,939	84,937,440
—	—	—	—	437,074
11,110	—	—	16,750	4,207,761
11,110	—	—	83,728,208	91,457,187
—	—	—	1,341,088	3,719,088
—	292,853	—	38,243,288	42,923,770
—	—	—	—	527,295
11,110	292,853	—	123,312,584	138,627,340
(8,743)	761,561	25,531,756	14,831,261	51,642,649
—	—	(25,531,756)	—	(25,531,756)
—	—	(25,531,756)	—	(25,531,756)
(8,743)	761,561	—	14,831,261	26,110,893
13,722	2,034,583	—	(6,065,149)	24,068,745
$ 4,979	$2,796,144	$ —	$ 8,766,112	$ 50,179,638

Arizona Department of Transportation
Overview — Statistical Section
For the Year Ended June 30, 2019

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Arizona Department of Transportation
Index — Statistical Section
For the Year Ended June 30, 2019

	Page
Financial Trends	
Changes in Net Position (Table A-1)	89
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Table A-2)	93
Fund Balances of Governmental Funds (Table A-3)	97
Expenditures of Federal Awards (Table A-4)	99
Government-wide Expenses by Function (Table A-5)	101
Government-wide Revenues (Table A-6)	103
Net Position by Component (Table A-7)	105
Revenue Capacity	
Highway User Revenue Fund Collections (Table B-1)	108
Highway User Revenue Fund Distributions (Table B-2)	109
Fuel Tax Rates (Table B-3)	110
Motor Vehicle Fuel Tax – Top Ten Suppliers (Table B-4)	111
Gasoline Volume Sold – Top Twenty-Five Suppliers (Table B-5)	113
Debt Capacity	
Highway User Revenue Fund – Legal Debt Margin (Table C-1)	117
Highway Revenue Bonds – Bond Coverage (Table C-2)	118
Transportation Excise Tax Revenue Bonds – Bond Coverage (Table C-3)	119
Transportation Excise Tax Revenue Bonds – Debt Service Revenue and Cost Per Capita (Table C-4)	120
Ratios of Outstanding Debt by Type (Table C-5)	121
Demographic and Economic Information	
Number of Vehicle Registrations Per Year (Table D-1)	124
Vehicle Registrations Per Year Compared to Fuel Sales (Table D-2)	125
Demographic and Economic Statistics (Table D-3)	126
Principal Employers (Table D-4)	127
Operating Information	
Full-Time Equivalents (FTEs) (Table E-1)	129
Capital Assets – Schedule by Function and Activity (Table E-2)	130
Capital Assets – Schedule of Changes by Function and Activity (Table E-3)	131
Total Public Road Mileage by Highway Class and Governmental Ownership (Table E-4)	132
Vehicle Miles Traveled with Population Data (Table E-5)	133

FINANCIAL TRENDS

Arizona Department of Transportation
Changes in Net Position
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

	2010	2011	2012	2013	2014
Expenses					
Governmental Activities					
Administration	$ 65,781	$ 93,040	$ 94,075	$ 101,370	$ 106,200
Aeronautics	—	—	—	—	—
Highway	34,721	37,070	39,632	46,076	51,074
Highway maintenance	102,932	129,700	125,331	139,762	122,977
Motor vehicle	102,926	99,949	116,095	107,655	111,397
Noncapital, including asset preservation	122,747	345,590	351,116	257,126	312,519
Distributions to other state agencies	251,392	254,702	307,885	213,394	216,675
Distributions to Arizona counties and cities	1,057,720	1,024,756	1,005,114	1,074,086	1,065,798
Local government assistance	83,230	163,035	93,557	102,332	90,376
Issuance cost on long-term debt	—	—	—	—	13,554
Interest on long-term debt	129,626	128,768	164,081	187,315	114,406
Total governmental activities expenses	1,951,075	2,276,610	2,296,886	2,229,116	2,204,976
Business-type Activities					
Arizona Highways Magazine	6,288	5,664	4,979	4,637	4,821
Highway Expansion and Extension Loan Program	147	126	75	46	46
Total business-type activities expenses	6,435	5,790	5,054	4,683	4,867
Total primary government expenses	$ 1,957,510	$ 2,282,400	2,301,940	2,233,799	2,209,843
Program Revenues					
Governmental Activities					
Charges for services					
Administration	$ 9,766	$ 10,770	$ 11,947	$ 12,254	$ 12,400
Aeronautics	—	—	—	—	—
Highway	1,266	2,798	1,681	842	864
Highway maintenance	1,858	2,667	2,290	1,887	2,418
Motor vehicle	111,412	117,427	111,429	119,733	122,042
Noncapital, including asset preservation	—	—	—	—	—
Local governmental assistance	5	—	—	—	—
Operating grants and contributions	146,936	220,759	161,992	168,436	157,705
Capital grants and contributions	575,448	743,718	775,976	651,798	546,680
Total governmental activities program	846,691	1,098,139	1,065,315	954,950	842,109
Business-type activities					
Charges for services					
Arizona Highways Magazine	5,975	5,619	5,581	5,188	5,164
Highway Expansion and Extension Loan	556	154	2	6	—
Total business-type activities program	6,531	5,773	5,583	5,194	5,164
Total primary government program	$ 853,222	$ 1,103,912	$ 1,070,898	$ 960,144	$ 847,273
Net (expenses)/revenues					
Governmental Activities	$ (1,104,384)	$ (1,178,471)	$ (1,231,571)	$ (1,274,166)	$ (1,362,867)
Business-type Activities	96	(17)	529	511	297
Total primary government net expense	$ (1,104,288)	$ (1,178,488)	$ (1,231,042)	$ (1,273,655)	$ (1,362,570)

2015	2016	2017	2018	2019
$ 98,855	$ 88,899	$ 74,516	$ 77,547	77,469
—	—	—	—	—
41,836	122,025	138,400	133,915	164,752
137,473	116,067	102,173	97,197	112,939
92,520	113,029	112,119	110,516	116,727
315,349	373,006	253,205	319,870	279,298
189,517	232,905	210,333	224,221	306,616
1,155,651	1,260,019	1,276,427	1,307,530	1,427,634
98,371	114,650	127,028	127,400	121,971
—	—	—	—	—
94,956	93,840	78,481	58,874	87,784
2,224,528	2,514,440	2,372,680	2,457,069	2,695,190
4,739	—	—	—	—
43	20,037	—	30,000	30,000
4,782	20,037	—	30,000	30,000
$ 2,229,310	$ 2,534,477	$ 2,372,680	2,487,069	2,725,190
$ 8,145	$ 13,185	$ 13,636	$ 12,679	$ 8,049
—	—	—	—	—
2,157	2,597	2,658	2,640	1,849
2,676	6,302	3,544	6,530	6,369
132,837	145,899	145,035	146,720	180,162
—	—	—	13,650	34,195
—	—	—	—	—
172,279	134,446	158,156	149,779	188,021
696,877	856,434	714,608	744,854	532,677
1,014,971	1,158,863	1,037,637	1,076,852	951,323
5,073	—	—	—	—
—	—	—	—	—
5,073	—	—	—	—
$ 1,020,044	$ 1,158,863	$ 1,037,637	1,076,852	951,323
$ (1,209,557)	$ (1,355,577)	$ (1,335,043)	$ (1,380,217)	$ (1,743,867)
291	(20,037)	—	(30,000)	(30,000)
$ (1,209,266)	$ (1,375,614)	$ (1,335,043)	$ (1,410,217)	$ (1,773,867)

Arizona Department of Transportation
Changes in Net Position
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

	2010	2011	2012
General Revenues and Other Changes in Net Position			
Governmental activities			
Transportation excise taxes	$ 199,672	$ 206,545	$ 216,281
Motor vehicle registration, title, and related taxes	893,287	874,191	899,345
Fuel and motor carrier taxes and fees	690,503	704,727	700,620
Flight property taxes	9,527	9,798	10,735
Income from investments	16,347	9,415	11,388
Other	8,966	16,095	10,442
Transfers	—	(851)	—
Total governmental activities	1,818,302	1,819,920	1,848,811
Business-type activities			
Income from investments	514	554	783
Other	—	—	—
Transfers	—	851	—
Total business-type activities	514	1,405	783
Total primary government	$ 1,818,816	$ 1,821,325	$ 1,849,594
Changes in Net Position			
Governmental activities	$ 713,918	$ 641,449	$ 617,240
Business-type activities	610	1,388	1,312
Total primary government	$ 714,528	$ 642,837	$ 618,552

Table A-1 - Continued

2013	2014	2015	2016	2017	2018	2019
$ 227,800	$ 243,786	$ 254,871	$ 262,971	$ 274,553	$ 295,100	$ 316,144
913,326	963,221	1,036,502	1,134,913	1,135,060	1,142,561	1,400,749
708,062	714,852	686,042	735,928	777,315	838,823	846,290
8,084	12,975	8,595	9,620	10,365	13,012	10,297
11,781	11,634	9,989	9,064	10,512	17,264	26,135
13,411	13,931	10,415	7,050	5,884	8,618	6,151
—	—	—	—	—	—	—
1,882,464	1,960,399	2,006,414	2,159,546	2,213,689	2,315,378	2,605,766
747	735	613	560	657,455	569,661	676
—	—	—	—	—	—	—
—	—	—	—	—	—	—
747	735	613	560	657,455	570	676
$ 1,883,211	$ 1,961,134	$ 2,007,027	$ 2,160,106	$ 2,214,346	2,315,948	2,606,442
$ 608,298	$ 597,532	$ 796,857	$ 803,969	$ 878,645	$ 935,161	$ 861,900
1,258	1,032	904	(19,477)	657	(29,430)	(29,324)
$ 609,556	$ 598,564	$ 797,761	$ 784,492	$ 879,302	$ 905,731	$ 832,576

Arizona Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

	2010	2011	2012
Revenues			
Transportation excise taxes	$ 199,672	$ 206,545	$ 216,281
Vehicle registration, title, license, and related taxes and fees	1,002,312	991,335	1,010,548
Fuel and motor carrier taxes and fees	692,632	704,727	700,620
Flight property taxes	9,527	9,799	10,735
Reimbursement of construction expenditures federal aid	544,498	736,803	770,900
Other federal grants and reimbursements	146,936	219,743	157,437
Reimbursements from Arizona counties and cities	31,503	10,078	9,645
Distributions from other state agencies	936	845	1,842
Interest on loans receivable	596	436	351
Income from investments	15,853	9,083	11,130
Sales and charges for services	—	—	—
Grand Canyon National Park Airport	866	798	821
Rental income	1,800	2,554	3,096
Other	6,370	9,913	8,177
Total revenues	2,653,501	2,902,659	2,901,583
Expenditures			
Current			
Transportation			
Administration	$ 52,971	$ 81,477	$ 80,627
Aeronautics	—	—	—
Highway	115,061	200,216	135,908
Highway maintenance	94,014	120,716	118,230
Motor vehicle	101,142	98,115	114,327
Total transportation	363,188	500,524	449,092
Intergovernmental			
Distributions to other state agencies	244,836	254,210	305,218
Distributions to Arizona counties and cities	1,046,576	1,022,512	1,004,768
Debt service			
Principal	144,232	201,219	196,338
Interest	143,133	144,748	137,213
Bond issuance costs	121	2,099	3,043
Noncapital, including asset preservation	217,338	313,179	286,217
Capital outlay	998,502	709,250	701,657
Total expenditures	3,157,926	3,147,741	3,083,546
Excess (deficiency) of revenues over (under) expenditures	$ (504,425)	$ (245,082)	$ (181,963)

Table A-2

2013	2014	2015	2016	2017	2018	2019
$ 227,800	$ 243,786	$ 254,871	$ 262,971	$ 274,553	$ 295,100	$ 316,144
1,021,441	1,085,166	1,169,339	1,280,812	1,280,095	1,289,281	1,580,911
613,607	714,852	686,042	735,928	777,315	838,823	846,290
—	12,975	8,595	9,620	10,365	13,012	10,297
597,762	536,192	685,823	859,985	638,098	750,540	542,212
66,217	148,902	162,701	106,660	138,168	106,304	128,045
(2,380)	19,314	20,632	24,235	55,828	24,307	50,991
989	915	1,338	744	963	27,573	15,009
93	228	179	207	194	112	127
11,282	11,500	9,989	9,064	10,512	17,264	26,135
—	—	—	9,189	10,832	23,279	41,705
—	1,170	1,295	344	647	1,015	—
5,244	6,025	6,671	5,556	3,931	3,346	2,262
7,779	11,959	10,264	6,990	5,880	5,955	5,926
$ 2,549,834	$ 2,792,984	$ 3,017,739	$ 3,312,305	$ 3,207,381	$ 3,395,910	$ 3,566,053
$ 80,612	$ 92,966	$ 93,309	$ 81,191	$ 71,638	$ 79,475	$ 107,970
—	—	—	—	—	—	—
42,996	128,196	136,527	163,011	218,959	235,195	257,117
125,199	133,572	130,599	108,882	96,396	94,996	116,226
100,993	109,553	87,296	106,030	106,461	109,592	122,395
349,800	464,287	447,731	459,114	493,454	519,258	603,708
132,685	216,482	189,517	232,990	211,145	224,221	306,616
1,053,543	1,065,798	1,155,651	1,320,949	1,312,206	1,334,573	1,465,877
160,415	216,879	272,053	194,308	174,448	204,161	199,355
142,524	140,259	121,404	122,449	108,230	108,977	114,125
2,455	—	3,026	—	2,125	425	1,688
242,039	223,572	251,953	356,753	209,802	233,316	248,782
677,236	563,428	634,303	689,613	741,658	793,955	798,722
2,760,697	2,890,705	3,075,638	3,376,176	3,253,068	3,418,885	3,738,872
$ (210,863)	$ (97,721)	$ (57,899)	$ (63,871)	$ (45,687)	$ (22,975)	$ (172,819)

Arizona Department of Transportation
Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

	2010	2011	2012	2013	2014
Other Financing Sources (Uses)					
Transfers in	$ 271,408	$ 331,547	$ 330,856	$ 283,066	$ 303,030
Transfers out for debt service	(266,934)	(331,547)	(330,856)	(227,996)	(303,030)
Transfers out other	(9,013)	(2,400)	—	—	—
Sale of capital assets	3,088	3,712	1,815	1,636	900
Insurance recovery	1,765	2,529	1,818	1,679	2,328
Debt issuance	32,628	349,698	269,001	767,020	42,366
Refunding debt issuance	—	—	499,725	92,477	—
Premium from debt issuance	—	38,876	90,753	36,385	—
Payment to refunded bond escrow agent	—	—	(560,228)	(611,874)	—
Total other financing sources (uses)	32,942	392,415	302,884	342,393	45,594
Net change in fund balances before accounting change	(471,483)	147,333	120,921	131,530	(52,127)
Special item – State appropriation for Statewide Transportation Acceleration Needs	—	—	—	—	—
Net change in fund balances	(471,483)	147,333	120,921	131,530	(52,127)
Fund balances, beginning of year	1,410,252	938,769	1,086,102	1,169,853	1,341,636
Fund balances, end of year	$ 938,769	$ 1,086,102	$ 1,207,023	$ 1,301,383	$ 1,289,509
Debt service as percentage of noncapital expenditures	13.5%	13.3%	14.1%	14.5%	15.3%
Debt service as a percentage of total revenues	12.2%	10.8%	12.1%	10.4%	12.8%

Table A-2 - Continued

2015	2016	2017	2018	2019
$ 305,410	$ 304,311	$ 274,990	$ 252,974	$ 310,894
(305,410)	(304,311)	(274,990)	(252,974)	(310,894)
—	—	—	—	—
259	60	1,294	3,524	343
2,676	6,302	3,544	6,530	6,369
783	—	—	62,595	324,475
754,285	—	403,310	—	—
149,554	—	100,305	12,839	41,449
(900,813)	—	(501,478)	—	—
6,744	6,362	6,975	85,488	372,636
(51,155)	(57,509)	(38,712)	62,513	199,817
—	—	—	—	
(51,155)	(57,509)	(38,712)	62,513	199,817
1,289,508	1,240,753	1,183,244	1,144,532	1,207,046
$ 1,238,353	$ 1,183,244	$ 1,144,532	$ 1,207,045	$ 1,406,863
16.1%	11.8%	11.3%	11.9%	10.7%
13.0%	9.6%	8.8%	9.2%	8.8%

Arizona Department of Transportation
Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

	2010	2011	2012	2013	2014
General Fund (State Highway Fund)					
Reserved	$ 270,550	$ —	$ —	$ —	$ —
Unreserved	80,251	—	—	—	—
Nonspendable	—	9,765	8,235	7,207	6,833
Restricted	—	229,559	240,444	267,414	295,361
Committed	—	102,350	25,229	123,662	129,115
Total general fund	350,801	341,674	273,908	398,283	431,309
All other governmental funds					
Reserved					
Debt service	1,894	—	—	—	—
Capital projects	576,331	—	—	—	—
Unreserved, reported in					
Nonmajor special revenue funds	9,743	—	—	—	—
Unassigned	—	—	(8,128)	(8,128)	(8,128)
Nonspendable	—	—	—	—	—
Restricted	—	719,996	903,891	870,678	816,591
Committed	—	24,462	37,352	40,550	49,737
Total all other governmental funds	587,968	744,458	933,115	903,100	858,200
Total general and other governmental funds	$ 938,769	$ 1,086,132	$ 1,207,023	$ 1,301,383	$ 1,289,509

NOTES: [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 2010 will continued 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.

Table A-3

2015	2016	2017	2018	2019
$ —	$ —	$ —	$ —	$ —
—	—	—	—	—
6,341	6,179	40	53	212
344,347	337,534	428,369	430,204	464,087
177,384	282,312	273,063	312,823	364,198
528,072	626,025	701,472	743,080	828,497
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
(8,128)	(8,128)	(8,128)	(14,194)	(8,128)
6,341	—	—	—	—
490,664	548,082	437,071	448,026	545,081
221,404	17,265	14,117	30,134	41,414
710,281	557,219	443,060	463,966	578,366
$ 1,238,353	$ 1,183,244	$ 1,144,532	$ 1,207,046	$ 1,406,862

Arizona Department of Transportation

Table A-4

Expenditures of Federal Awards[1]
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

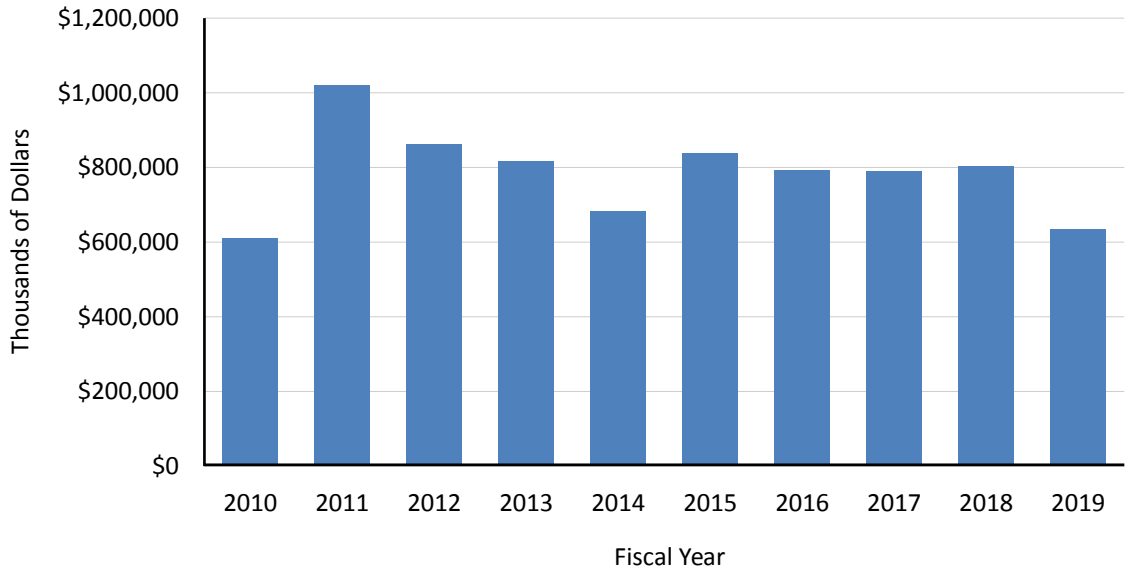
Fiscal	Federal Agencies[(1)]												Total Federal
Year	BIA	BJA	BLM	FAA	FHWA	FMCSA	FRA	FTA	GSA	NHTSA	OST	USDA	Expenditures
2019	$ —	$ —	$ —	$ 1,151	$590,592	$ 791	$ —	$28,577	$ —	$ 100	$12,192	$ —	$ 633,403
2018	—	—	—	1,220	778,021	274	6	20,966	—	100	2,808	—	803,395
2017	—	—	—	4,313	764,482	502	120	19,830		117	117	—	789,481
2016	—	—	—	3,292	763,879	827	53	14,923	—	193	8,916	—	792,083
2015	—	—	—	428	807,573	2,122	48	18,644	—	103	10,417	—	839,335
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

SOURCE: Arizona Department of Transportation Schedule of Expenditures of Federal Awards – fiscal years 2010 through 2019

NOTES: [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 (OST) Administration Secretariate; United States Department of Agriculture (USDA).

[2]Fiscal years 2016 - 2018 total federal expenditures are prepared on the other comprehensive basis of accounting using the cash basis.

Total Expenditures of Federal Awards



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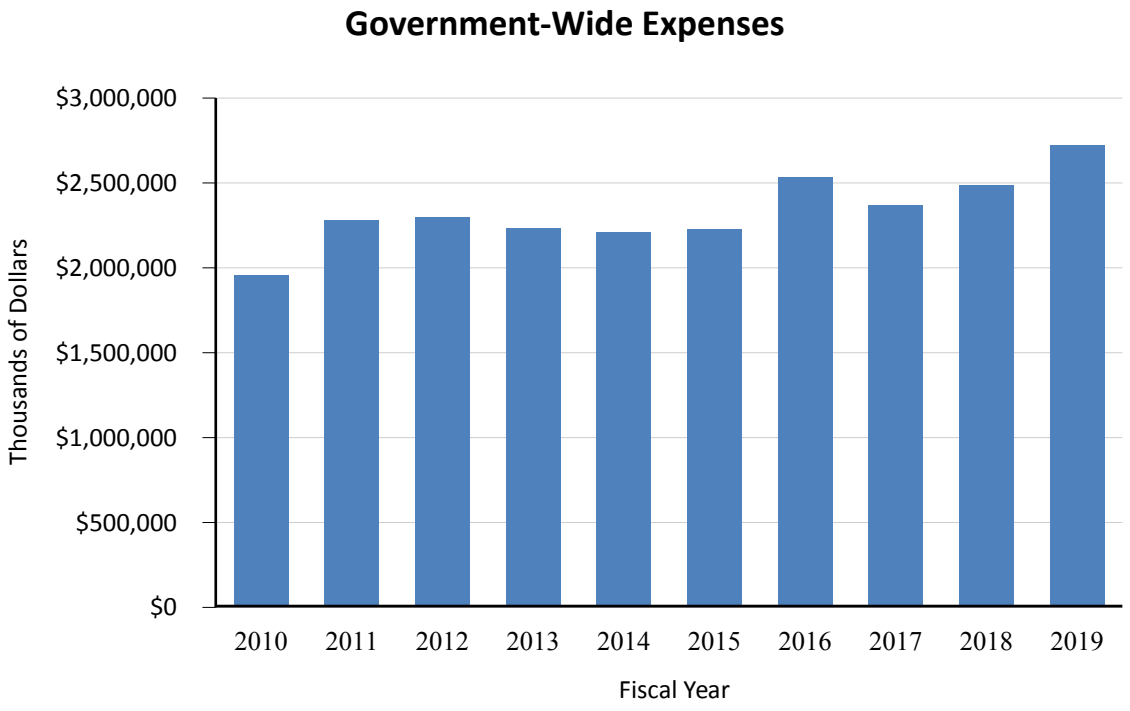
Arizona Department of Transportation
Government-Wide Expenses by Function
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

Fiscal Year	Administration	Highway	Highway Maintenance	Motor Vehicle	Distributions to Arizona Counties, Cities and Other State Agencies
2019	$ 77,469	$ 164,752	$ 112,939	$ 116,727	$ 1,734,250
2018	77,547	133,915	97,197	110,516	1,531,750
2017	74,516	138,400	102,173	112,119	1,486,760
2016	88,899	122,025	116,067	113,029	1,492,924
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

NOTES: [1]Arizona Highways Magazine was included in the general fund starting in 2016

Table A-5

Local Governmental Assistance	Premium on Long-Term Debt	Interest on Long-Term Debt	Other	Arizona Highways Magazine[1]	Highway Expansion and Extension Loan Program	Total
$ 121,971	$ —	$ 87,784	$ 279,298	$ —	$ 30,000	$ 2,725,189
127,400	—	58,874	319,870	—	30,000	2,487,069
127,028	—	78,481	253,205	—	—	2,372,682
114,650	—	93,840	373,006	—	20,037	2,534,477
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



Arizona Department of Transportation
Government-Wide Revenues
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

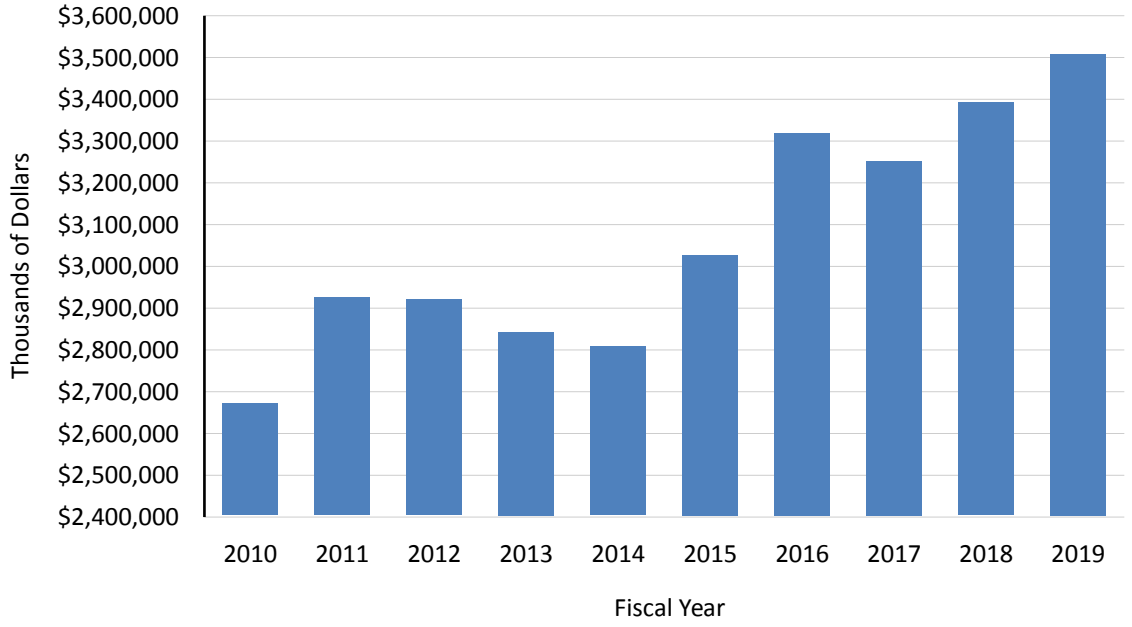
	Program Revenues			
	Governmental			Business-Type
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services
2019	$ 230,625	$ 188,021	$ 532,677	$ —
2018	182,219	149,779	744,854	—
2017	164,873	158,156	714,608	—
2016	167,983	134,446	856,434	—
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

NOTE: [1]Includes transfers for multiple years.

Table A-6

General Revenues					Total
Governmental			Business-Type		
Taxes	Other Revenues[(1)]	Income from Investments	Other Revenues[1]	Income from Investments	Government-Wide Revenues
$ 2,573,480	$ 6,151	$ 26,135	$ —	$ 676	$ 3,557,765
2,289,496	8,618	17,264	—	570	3,392,800
2,197,293	5,884	10,512	—	657	3,251,983
2,143,432	7,050	9,064	—	560	3,318,969
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

Government-Wide Revenues



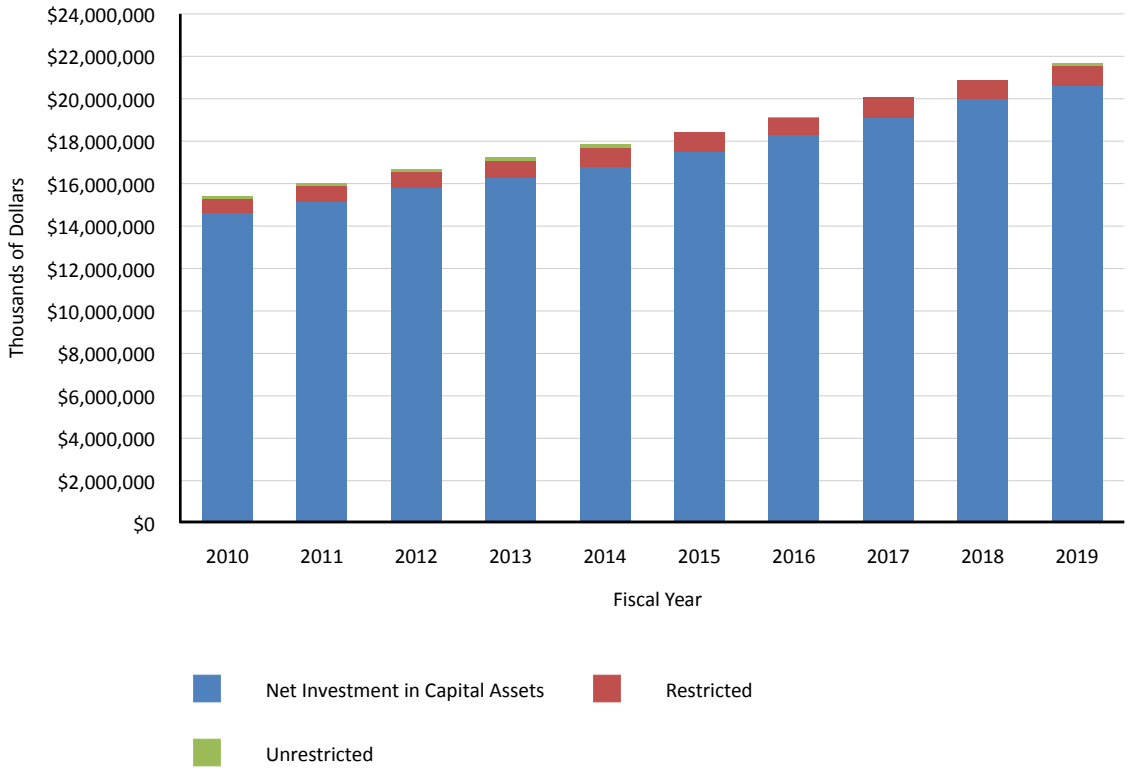
Arizona Department of Transportation
Net Position by Component
As of the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

	Governmental Activities				Business-Type	
Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Net Investment in Capital Assets	Restricted
2019	$ 20,611,959	$ 962,899	$ 97,087	$ 21,671,945	$ —	$ —
2018	19,987,899	881,310	(59,164)	20,810,045	—	—
2017	19,118,586	890,204	(67,741)	19,062,404	—	59,950
2016	18,305,646	746,099	10,659	18,258,034	—	59,293
2015	17,496,122	819,446	(57,534)	17,777,828	18	78,770
2014	16,812,808	805,893	159,127	17,180,295	24	78,226
2013	16,290,605	738,969	150,721	16,591,813	30	77,564
2012	15,818,053	666,828	106,932	15,954,757	43	76,882
2011	15,159,086	669,811	125,860	15,313,308	54	76,192
2010	14,620,099	566,794	126,415	14,599,390	92	75,619

Table A-7

Business-Type		Primary Government			
Unrestricted	Total	Net Investment in Capital Assets	Restricted	Unrestricted	Total
$ 1,196	$ 1,196	$ 20,611,959	$ 962,899	$ 98,283	$ 21,673,141
30,520	30,520	19,987,899	881,310	(28,644)	20,840,565
—	—	19,118,586	950,155	(67,741)	20,001,000
—	—	18,305,646	805,392	10,659	19,121,697
383	383	17,496,140	898,216	(57,151)	18,337,205
1,790	1,790	16,812,832	884,119	160,917	17,857,868
1,414	1,414	16,290,635	816,533	152,135	17,259,303
825	825	15,818,096	743,710	107,757	16,669,563
192	192	15,159,140	746,003	126,052	16,031,195
(663)	(663)	14,620,191	642,413	125,752	15,388,356

Primary Government Net Assets by Component



REVENUE CAPACITY

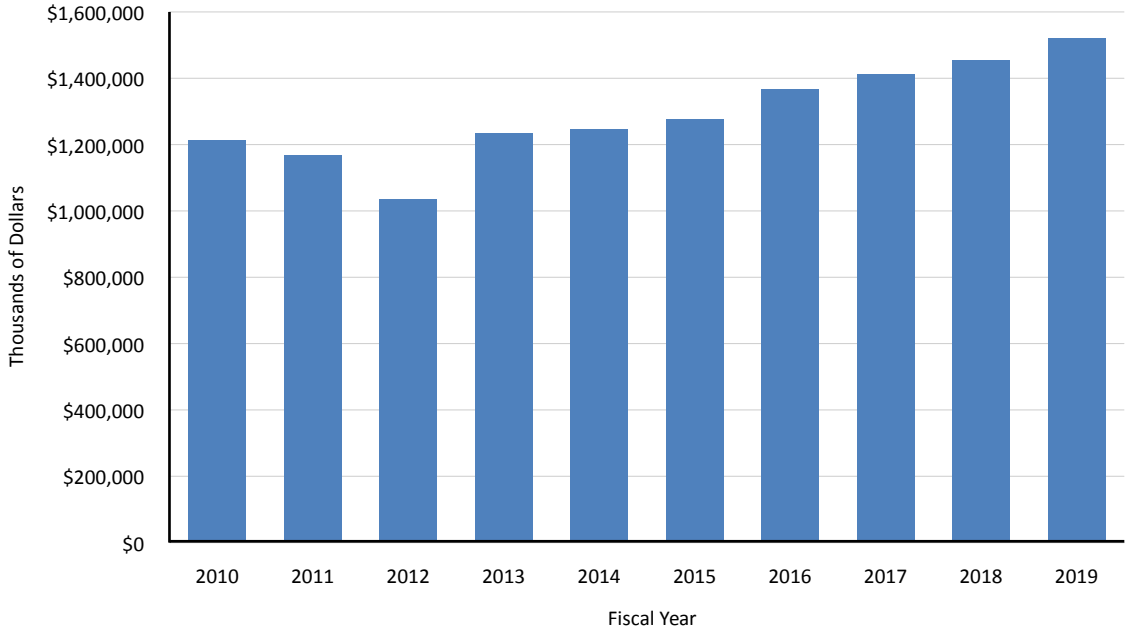
Arizona Department of Transportation

Table B-1

Highway User Revenue Fund Collections
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(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
2019	$ 749,885	$ 192,926	$ 45,812	$ 62,128	$ 469,470	$ 1,520,221
2018	729,469	181,227	42,823	57,503	444,757	1,455,779
2017	705,737	184,916	42,091	57,813	421,939	1,412,496
2016	688,105	184,564	41,058	57,943	395,952	1,367,622
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

Highway User Revenue Fund Collections



Arizona Department of Transportation

Table B-2

Highway User Revenue Fund Distributions
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

Fiscal Year	State Highway Fund	Cities and Towns	Counties	Department of Public Safety	Economic Strength Project Fund	Other[1]	Total
2019	$ 738,294	$ 461,903	$ 291,771	$ 15,509	$ 1,000	$ 11,744	$ 1,520,221
2018	663,318	416,621	263,562	99,284	1,000	11,994	1,455,779
2017	646,308	406,348	253,135	93,980	1,000	11,725	1,412,496
2016	621,182	405,169	233,712	95,035	1,000	11,524	1,367,622
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

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.

SOURCE: Cash basis HURF Distribution Report

NOTE: [1]An appropriation for Arizona State Parks is included. Fiscal years 2010, 2011 and 2012 include distributions to the State General Fund.

Table B-3

Arizona Department of Transportation
Fuel Tax Rates
For the Last Ten Fiscal Years Ended
Fiscal Year Ended June 30, 2019
(Cents per Gallon)

Fiscal Year	Gasoline Tax	Use Fuel Tax[1]
2019	$ 0.18	$ 0.26
2018	0.18	0.26
2017	0.18	0.26
2016	0.18	0.26
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

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

NOTE: 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

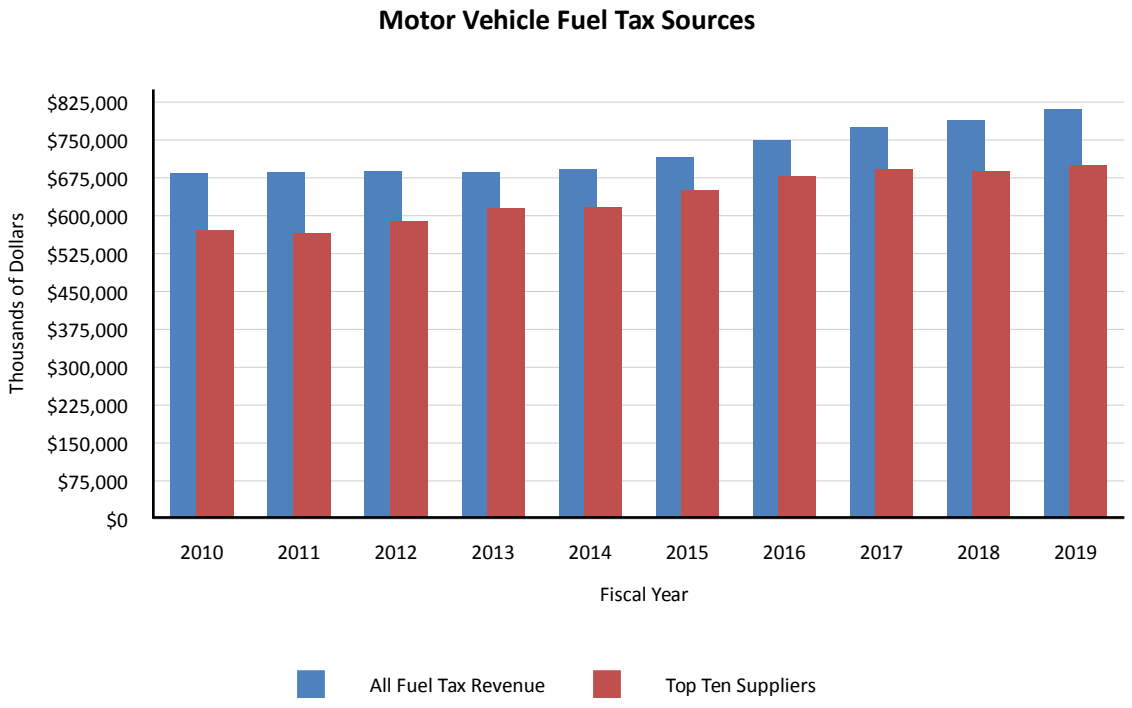
Table B-4

Motor Vehicle Fuel Tax – Top Ten Suppliers
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(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
2019	3,515,864	$698,726	$809,750	86.3%
2018	3,493,478	688,248	788,033	87.3%
2017	3,516,976	691,191	774,162	89.3%
2016	3,466,062	677,464	749,433	90.4%
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%

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 2010 - 2019



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Arizona Department of Transportation
Gasoline Volume Sold – Top Twenty-Five Suppliers
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019

	2010		2011		2012		2013		2014	
Range – in Millions of Gallons	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	2.7%	7	3.2%	15	5.9%	14	5.9%	13	4.8%
26–50	8	9.2%	5	4.9%	1	1.3%	2	2.4%	2	2.0%
50–100	1	1.5%	3	4.6%	1	1.8%	1	2.0%	2	4.2%
101–200	2	9.8%	3	15.3%	3	16.1%	2	10.2%	3	15.0%
201–300	3	21.7%	3	19.0%	1	7.7%	2	12.7%	1	6.2%
>300	4	51.6%	4	49.8%	4	65.3%	4	64.2%	4	65.0%
	25	96.5%	25	96.8%	25	98.1%	25	97.4%	25	97.2%
Total Gallons of Gasoline (Thousands)		2,607,660		2,616,186		2,616,570		2,612,577		2,644,667
Gasoline % of Total		76%		75.9%		75.8%		76%		76%
Total Gallons of Use Fuel (Diesel) (Thousands)		824,996		829,530		837,151		827,138		827,731
Diesel % of Total		24%		24.1%		24.2%		24%		24%

NOTE: Above data reflects a change in gasoline and use fuel gallon reported by the Revenue & Fuel Tax Administration for 20010 - 2019.

Table B-5

	2015		2016		2017		2018		2019	
Range – in Millions of Gallons	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	13	3.9%	16	3.5%	15	3.4%	14	4.1%	13	3.2%
26–50	3	3.4%	0	—%	1	1.0%	1	1.2%	3	3.6%
50–100	1	1.6%	2	4.9%	2	4.9%	3	7.0%	1	2.8%
101–200	2	9.1%	2	9.8%	2	8.6%	2	8.8%	2	8.8%
201–300	2	13.7%	1	9.0%	1	9.5%	1	9.2%	2	18.6%
>300	4	66.1%	4	72.4%	4	72.5%	4	69.6%	4	63.0%
	25	97.8%	25	99.6%	25	99.9%	25	99.9%	25	100.0%
Total Gallons of Gasoline (Thousands)		2,745,426		2,882,788		2,925,543		2,750,706		2,692,489
Gasoline % of Total		76.0%		76.0%		76.0%		78.7%		76.6%
Total Gallons of Use Fuel (Diesel) (Thousands)		850,274		886,658		913,982		742,722		823,298
Diesel % of Total		24.0%		24.0%		24.0%		21.3%		23.4%

NOTE: Above data reflects a change in gasoline and use fuel gallon reported by the Revenue & Fuel Tax Administration for 20010 - 2019.

DEBT CAPACITY

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Arizona Department of Transportation

Table C-1

Highway User Revenue Fund
Legal Debt Margin
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

Fiscal Year	Debt Limit[1]	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit
2019	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A
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

NOTES: [1] 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

Table C-2

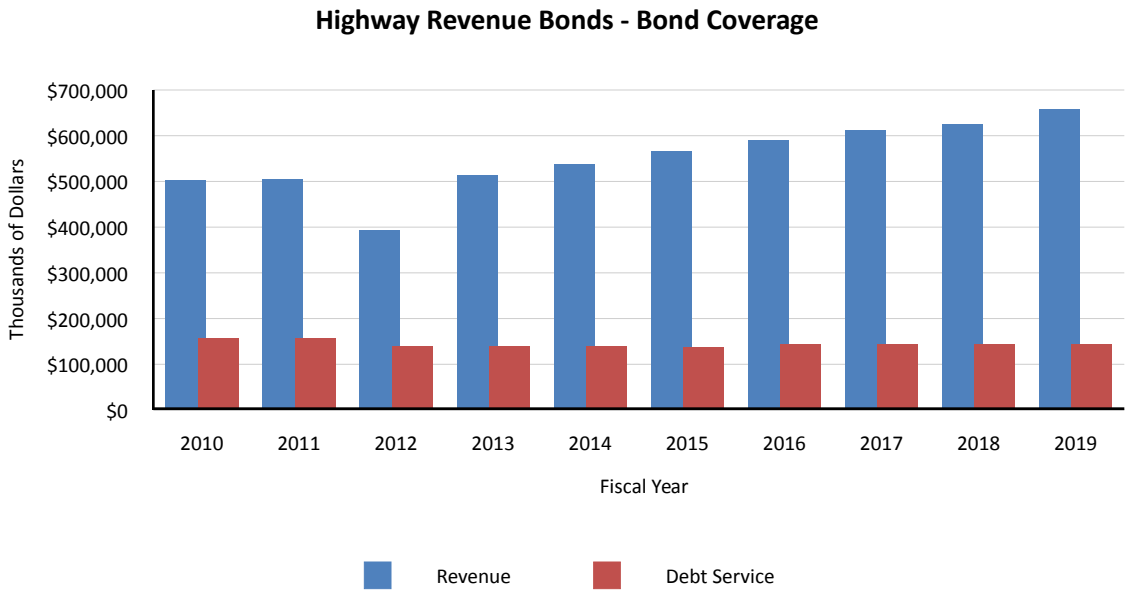
Highway Revenue Bonds
Bond Coverage
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

Fiscal Year	Principal	Interest	Total	Pledged Revenues[1,2]	Coverage
2019	$ 78,670	$ 65,562	$ 144,232	$ 656,751	4.6
2018	76,125	68,104	144,229	624,919	4.3
2017	74,855	68,419	143,274	610,998	4.3
2016	70,195	74,248	144,443	589,476	4.1
2023	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

SOURCES: Highway User Revenue Fund Schedule fiscal years 2010 through 2019, Debt Service Funds fiscal years 2010 through 2019.

NOTES: [1]Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2010 is net of $44 million and fiscal year 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.



Arizona Department of Transportation

Table C-3

Transportation Excise Tax Revenue Bonds
Bond Coverage
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands of Dollars)

Fiscal Year	Principal	Interest	Total	Pledged Revenues[1]	Coverage
2019	$ 104,685	$ 39,031	$ 143,716	$ 311,188	2.2
2018	68,270	31,411	99,681	290,949	2.9
2017	67,495	33,257	100,752	274,553	2.7
2016	65,585	38,001	103,586	262,971	2.5
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

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

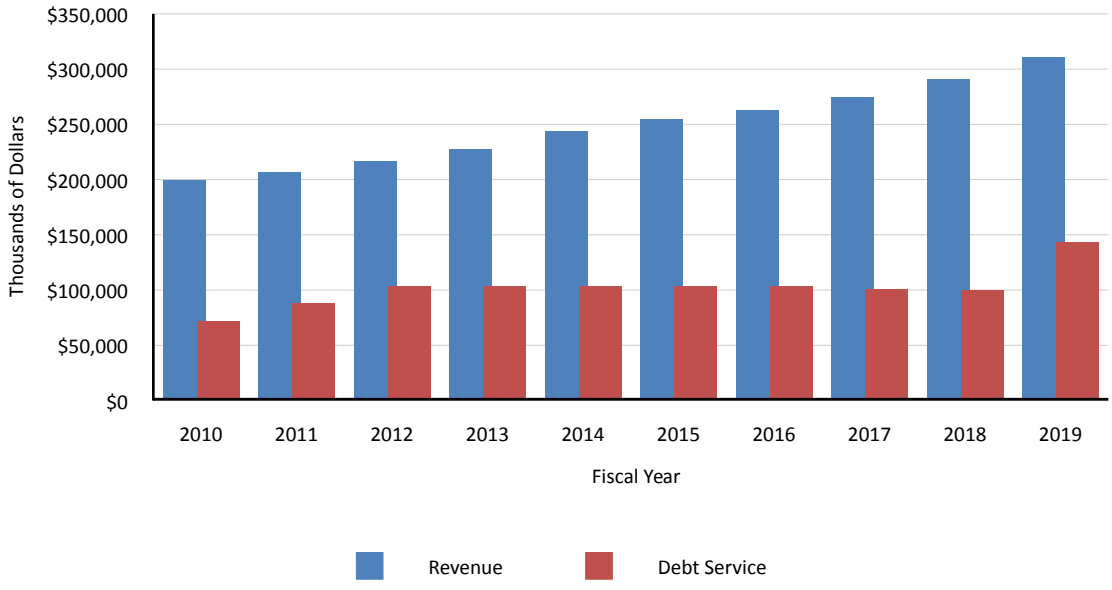


Table C-4

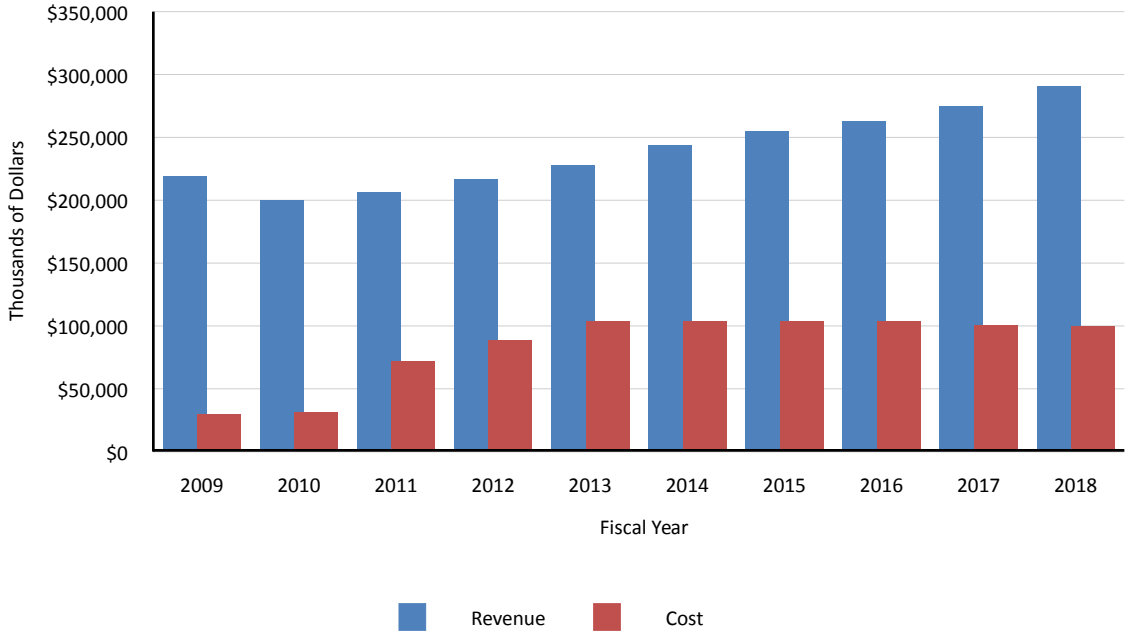
Arizona Department of Transportation
Transportation Excise Tax Revenue Bonds
Debt Service Revenue and Cost Per Capita
For the Last Ten Fiscal Years Ended June 30, 2018
(Thousands)

Fiscal Year	Principal	Interest	Total Cost	Revenues[1]	Maricopa County Population	Cost per Capita	Revenue per Capita
2018	$ 68,270	$ 31,411	$ 99,681	$ 290,949	4,411	23	66
2017	67,495	33,257	100,752	274,553	4,330	23	63
2016	65,585	38,001	103,586	262,971	4,259	24	62
2015	58,600	44,988	103,588	254,871	4,175	25	61
2014	55,870	47,721	103,591	243,786	4,096	25	60
2013	55,460	48,129	103,589	227,800	4,019	26	57
2012	45,970	42,496	88,466	216,281	3,948	22	55
2011	33,315	38,225	71,540	206,545	3,875	18	53
2010	13,825	17,193	31,018	199,672	3,825	8	52
2009	19,045	10,673	29,718	219,165	4,023	7	54

SOURCE: Maricopa County Regional Area Road Fund Report; population data from the U.S. Census Bureau available only through July 2018.

NOTE: [1]Based upon total Maricopa County Transportation Excise Tax collections.

Transportation Excise Tax Revenue and Cost Per Capita



Arizona Department of Transportation
Ratios of Outstanding Debt by Type
For the Last Ten Fiscal Years Ended June 30, 2018
(Thousands of Dollars)

	2009	2010	2011[1]	2012
Governmental Activities				
Highway Revenue Bonds	$ 1,740,765	$ 1,672,625	$ 1,600,855	$ 1,619,965
Transportation Excise Tax Revenue Bonds	777,130	743,815	877,845	981,845
Grant Anticipation Notes	329,650	304,480	392,495	335,230
Premium on bonds	173,313	158,601	180,225	248,892
Capital leases	4,326	1,304	4,910	10,729
Advances and notes payable	42,668	60,711	59,892	55,666
Net pension and OPEB liabilities	—	—	—	—
Other long-term liabilities	—	—	—	—
Total governmental activities	3,067,852	2,941,536	3,116,222	3,252,327
Total primary government	$ 3,067,852	$ 2,941,536	$ 3,116,222	$ 3,252,327
Debt as a Percentage of Personal Income	1.40%	1.31%	1.37%	1.38%
Amounts of Debt per Capita[1]	$ 465	$ 441	$ 481	$ 496

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 2016.

NOTE:

[1]The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Year 2007 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.

[2]Pension and OPEB liabilities were reported for the first time in fiscal year 2017 due to implementation of GASB 68 and allocation of OPEB from the Arizona Department of Administration beginning in fiscal year 2016.

Table C-5

2013	2014	2015	2016[2]	2017	2018
$ 1,733,285	$ 1,674,800	$ 1,589,965	$ 1,519,770	$ 1,435,625	$ 1,359,500
925,975	867,375	782,810	717,225	643,310	575,040
296,240	247,710	194,670	147,320	129,475	177,420
350,739	323,356	401,520	367,143	389,860	344,153
22,271	29,324	30,944	37,745	33,791	24,252
105,816	108,096	40,921	22,179	22,179	—
—	—	—	331,831	338,474	363,265
—	—	—	18,307	49,913	47,567
3,434,326	3,250,661	3,040,830	3,161,520	3,042,627	2,891,197
$ 3,434,326	$ 3,250,661	$ 3,040,830	$ 3,161,520	$ 3,042,627	$ 2,891,197
1.40%	1.27%	1.14%	1.01%	1.03%	0.91%
$ 518	$ 483	$ 445	$ 408	$ 434	$ 403

DEMOGRAPHIC AND ECONOMIC INFORMATION

Arizona Department of Transportation

Table D-1

Registrations, Temporary Registration Permits and Disability Placards Per Year
For the Last Ten Fiscal Years Ended June 30
(Thousands)

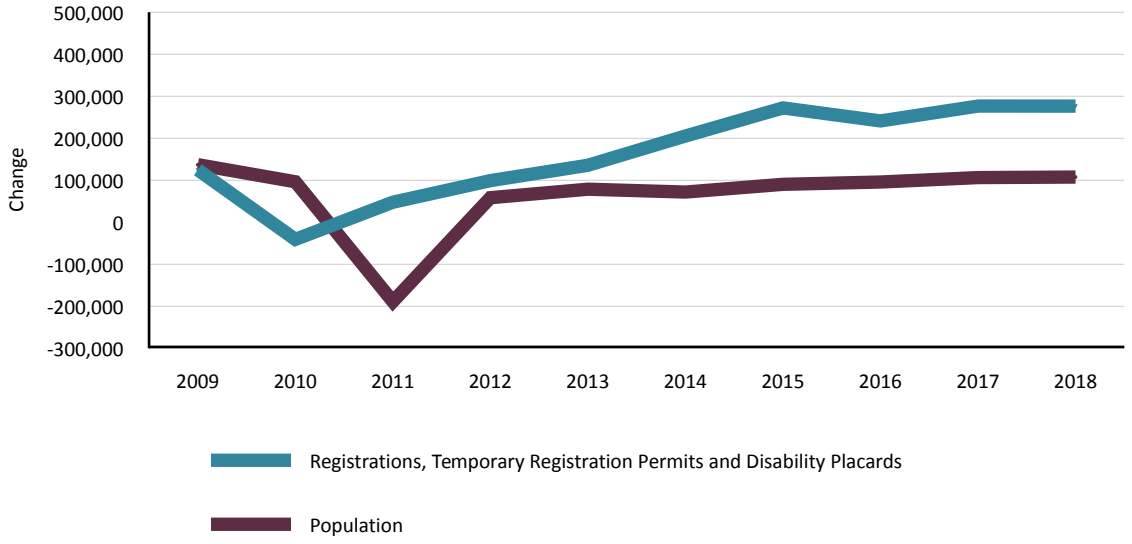
Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards[2]	Change in Number of Registered Vehicles	Arizona Population[1]	Change in Population	Vehicles per Person
2018	8,519	271	7,172	123	1.188
2017	8,248	277	7,049	103	1.170
2016	7,971	277	6,945	112	1.148
2015	7,694	241	6,834	100	1.126
2014	7,453	272	6,734	99	1.107
2013	7,181	205	6,635	78	1.082
2012	6,975	136	6,557	83	1.064
2011	6,840	99	6,473	66	1.057
2010	6,741	48	6,408	(188)	1.052
2009	6,693	(41)	6,596	96	1.015

SOURCE: Arizona Department of Transportation, Motor Vehicle Division website; Bureau of the Census, Population Division, release date December, 2018

NOTE 1: The Arizona population data are July 1, 2018 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 Registrations,Population data available only through fiscal year 2017. Registration Permits, and Disability Placards has been revised to reflect changes made by MVD.

NOTE 2: Not all of the items included in this total represent actual vehicles; disability placards issued to individuals are included in this total This is a point-in-time count and is not limited to items that renew annually.

Change in Registrations, Temporary Registration Permits and Disability Placards Compared to Population Change



Arizona Department of Transportation

Table D-2

Registrations, Temporary Registration Permits and Disability Placards Per Year Compared to Fuel Sales
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019
(Thousands)

Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards [2]	Percentage Change	Fuel Sales[1]	Percentage Change
2019	8,822	3.6 %	$ 3,920,663	2.5 %
2018	8,519	3.3 %	3,825,949	1.3 %
2017	8,248	3.5 %	3,776,512	3.4 %
2016	7,971	3.6 %	3,652,363	4.2 %
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)%

SOURCES: Registrations, Temporary Registration Permits and Disability Placards from Motor Vehicle Division website.
Fuel sales from Motor Vehicle Division data reported by fuel suppliers.

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

NOTE 2: Not all of the items included in this total represent actual vehicles; disability placards issued to individuals are included in this total. This is a point-in-time count and is not limited to items that renew annually.

Percentage Change in Registrations, Temporary Registration Permits, Disability Placards, and Fuel Sales

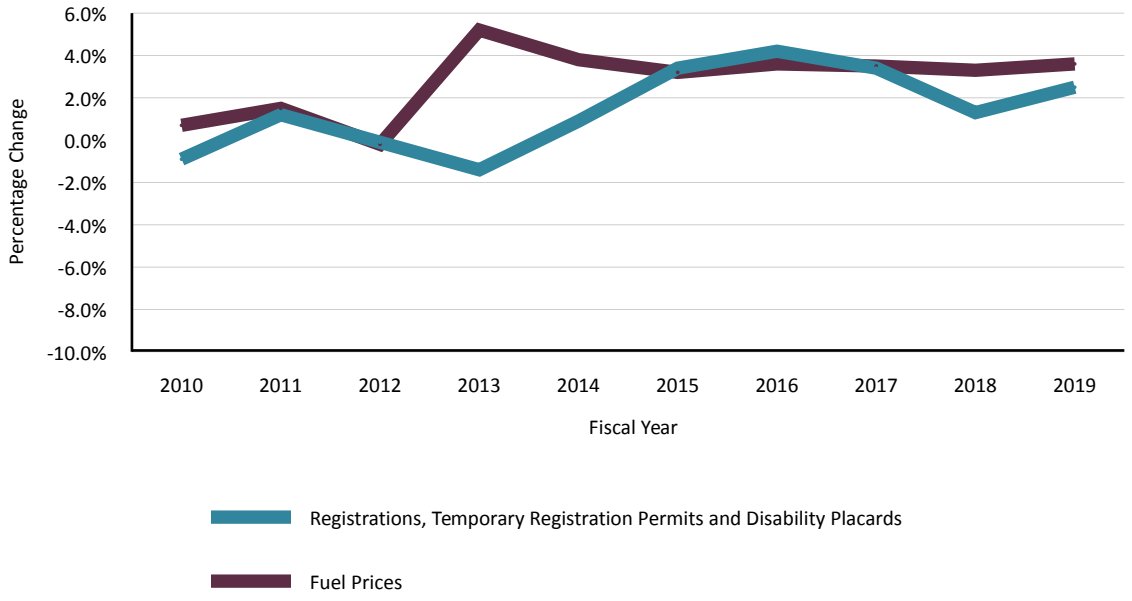


Table D-3

Arizona Department of Transportation
Demographic and Economic Statistics
For the Last Ten Calendar years

Calendar Year Ended December 31	Population[1]	Personal Income[2] (in thousands)	Per Capita Personal Income[3]	Unemployment Rate[4]
2018	7,171,646	$ 313,040,200	$ 43,650	4.8%
2017	7,016,270	292,108,028	41,633	4.9%
2016	6,931,071	278,924,877	40,243	5.3%
2015	6,828,065	267,361,132	39,156	6.1%
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%

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 Administration's website, www.workforce.az.gov (for unemployment rates).

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

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

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

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

Arizona Department of Transportation

Table D-4

Principal Employers
Current and Ten Years Ago

	Calendar Year Ended December 31, 2018			Calendar Year Ended December 31, 2008		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	37,655	1	1.09%	50,936	1	1.64%
Banner Health	36,213	2	1.05%	23,100	3	0.74%
Wal-Mart Stores Inc.	33,814	3	0.98%	32,814	2	1.06%
Well's Fargo & Co.	15,062	4	0.44%	14,000	6	0.45%
City of Phoenix	13,894	5	0.40%	17,068	4	0.55%
AZ State University	13,480	6	0.39%	13,005	7	0.42%
Raytheon Missile	12,000	7	0.35%	—		—%
Honor Health	11,308	8	0.33%	—		—%
Digital Health AZ	11,206	9	0.33%	—		—%
University of AZ	10,659	10	0.31%	—		—%
Maricopa County				14,014	5	0.45%
Honeywell Aerospace	0	0	—%	12,600	8	0.41%
U.S Postal Service	0	0	—%	10,545	9	0.34%
Bashas' Inc				10,460	10	0.34%
Total	195,291		5.68%	198,542		6.39%

SOURCES: Bizjournals.com for employers, Business Journal, Book of Lists 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.

OPERATING INFORMATION

Arizona Department of Transportation

Table E-1

Full-Time Equivalents (FTEs)
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2019

	Appropriated						Non-appropriated				
Fiscal Year	Admin.	Highways	Multimodal Planning Division	Motor Vehicle Division	Enforcement & Compliance Division1	Total Appropriated FTEs	Arizona Highways Magazine	HELP	Other	Total Non-Appropriated FTEs	Total All FTEs
2019	792	2,229	84	1,079	368	4,552	18	1	44	63	4,615
2018	792	2,229	84	1,079	368	4,552	18	1	44	63	4,615
2017	792	2,229	84	1,079	368	4,552	18	1	44	63	4,615
2016	792	2,235	78	1,075	368	4,548	18	1	44	63	4,611
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

NOTE: [1]ECD FTE total was included in the Motor Vehicle Division 2008-2010.

Table E-2

Arizona Department of Transportation
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity[1]
June 30, 2019
(Thousands of Dollars)

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
Administration	$ 4,151	$ 36,572	$ 6,796	$ 6,267	$ —	$ —	$ 53,786
Highway	3,498,275	88,809	15,957	14,714	16,450,542	2,921,983	22,990,280
Highway maintenance	4,469	45,969	7,318	6,747	—	—	64,503
Motor vehicle	4,707	45,725	7,707	7,106	—	65,225	130,470
Total governmental funds capital assets	$ 3,511,602	$ 217,075	$ 37,778	$ 34,834	$ 16,450,542	$ 2,987,208	$ 23,239,039

NOTE:

[1]This schedule presents only the cost of the capital assets 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 position.

Reconciliation of Governmental Funds Capital Assets – acquisition cost	
Capital assets not subject to depreciation – cost	$ 22,949,350
Capital assets subject to depreciation – cost	493,758
Subtotal	23,443,108
Less Equipment Services Revolving Fund – cost	(204,069)
Total	$ 23,239,039
Add: EQR asset cost	204,070
Less: Accumulated depreciation (Note 5A)	(308,413)
Total Capital Assets per Exhibit 1	$ 23,134,696

Arizona Department of Transportation

Table E-3

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity[1]
For the Year Ended June 30, 2019
(Thousands of Dollars)

Function and Activity	Governmental Funds Capital Assets July 1, 2018	Additions	Deductions	Governmental Funds Capital Assets June 30, 2019
Administration	$ 43,487	$ 10,651	$ (352)	$ 53,786
Highway	22,269,367	764,375	(43,462)	22,990,280
Highway maintenance	58,838	6,044	(379)	64,503
Motor vehicle	114,790	18,209	(2,529)	130,470
Total governmental funds capital assets	$ 22,486,482	$ 799,279	$ (46,722)	$ 23,239,039

NOTE: [1]This schedule presents only the capital assets 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 position.

Reconciliation of Governmental Funds Capital Assets – acquisition cost	
Capital assets not subject to depreciation – cost	$ 22,949,350
Capital assets subject to depreciation – cost	493,758
Subtotal	23,443,108
Less Equipment Services Revolving Fund – cost	(204,069)
Total	$ 23,239,039
Add: EQR asset cost	204,070
Less: Accumulated deprecitaion (Note 5A)	(308,413)
Total Capital Assets per Exhibit 1	$ 23,134,696

Arizona Department of Transportation

Table E-4

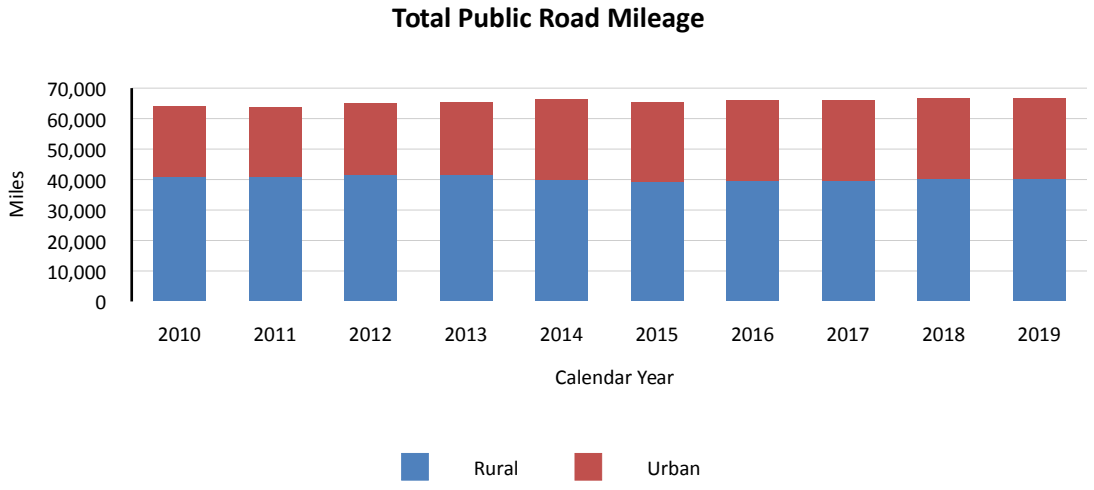
Total Public Road Mileage by Highway Class and Governmental Ownership
For the Last Ten Calendar Years Ended December 31
(In Center Line Miles)

Functional Classification	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rural										
Interstate Freeway	980	980	980	982	921	921	917	916	916	916
[1]Principal Arterial Freeways & Expressways	Additional categorization beginning 2011			43	18	18	18	18	18	18
Principal Arterial	1,167	1,259	1,267	—	1,174	1,207	1,210	1,210	1,210	1,211
Minor Arterial	1,378	1,276	1,328	1,267	1,173	1,200	1,284	1,284	1,281	1,281
Major Collector	4,342	4,338	4,413	1,308	4,179	4,127	4,204	4,205	4,206	4,208
Minor Collector	2,134	1,735	2,032	6,416	1,794	1,807	1,882	1,882	1,894	1,890
Local	30,845	31,157	31,548	31,370	30,870	30,104	30,285	30,170	30,675	30,876
Total Rural	40,846	40,745	41,593	41,386	40,129	39,384	39,800	39,685	40,200	40,400
Urban										
Interstate Freeway	188	188	188	187	248	248	252	252	252	253
[2]Principal Arterial Freeways & Expressways	176	175	178	181	208	215	214	214	215	215
Principal Arterial	1,400	1,390	1,435	1,437	1,491	846	843	844	844	849
Minor Arterial	1,808	1,752	1,788	1,786	1,957	2,633	2,635	2,636	2,638	2,631
Urban Collector	1,649	1,631	1,653	1,642	2,100	2,103	2,159	2,145	2,156	2,153
Local	17,817	17,806	18,256	18,645	20,308	20,165	20,219	20,258	20,253	20,281
Total Urban	23,038	22,942	23,498	23,878	26,312	26,210	26,322	26,349	26,358	26,382
Statewide composite										
Freeways and expressways	1,344	1,343	1,346	1,350	1,377	1,384	1,383	1,382	1,383	1,384
Arterials	5,753	5,677	5,843	4,533	5,813	5,904	5,990	5,992	5,991	5,990
Collectors	8,125	7,704	8,098	9,366	8,073	8,037	8,245	8,232	8,256	8,251
Locals	48,662	48,963	49,804	50,015	51,178	50,269	50,504	50,428	50,928	51,157
Total statewide composite	63,884	63,687	65,091	65,264	66,441	65,594	66,122	66,034	66,558	66,782

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

[1]Additional category created for 2011 reporting.

[2]Before 2012 this category was titled "Urban Expressway".



Arizona Department of Transportation

Table E-5

Vehicle Miles Traveled With Population Data
For the For the Last Ten Calendar Years Ended December 31
(Thousands)

Calendar[1] Year Ended December 31	Non-State[3] Highways	State[3] Highways	All Public Highways	Arizona[3] Population	Daily Miles per Capita
2019	—	—	181,218	7,172	25.3
2018	—	—	178,273	7,049	25.3
2017	—	—	179,742	6,945	25.9
2016	—	—	178,205	6,834	26.1
2015	—	—	171,591	6,834	25.1
2014	88,153	77,837	165,990	6,734	24.6
2013	85,285	79,003	164,288	6,635	24.8
2012	83,955	79,312	163,267	6,557	24.9
2011	84,427	79,699	164,126	6,473	25.4
2010	87,608	76,714	164,322	6,408	25.6

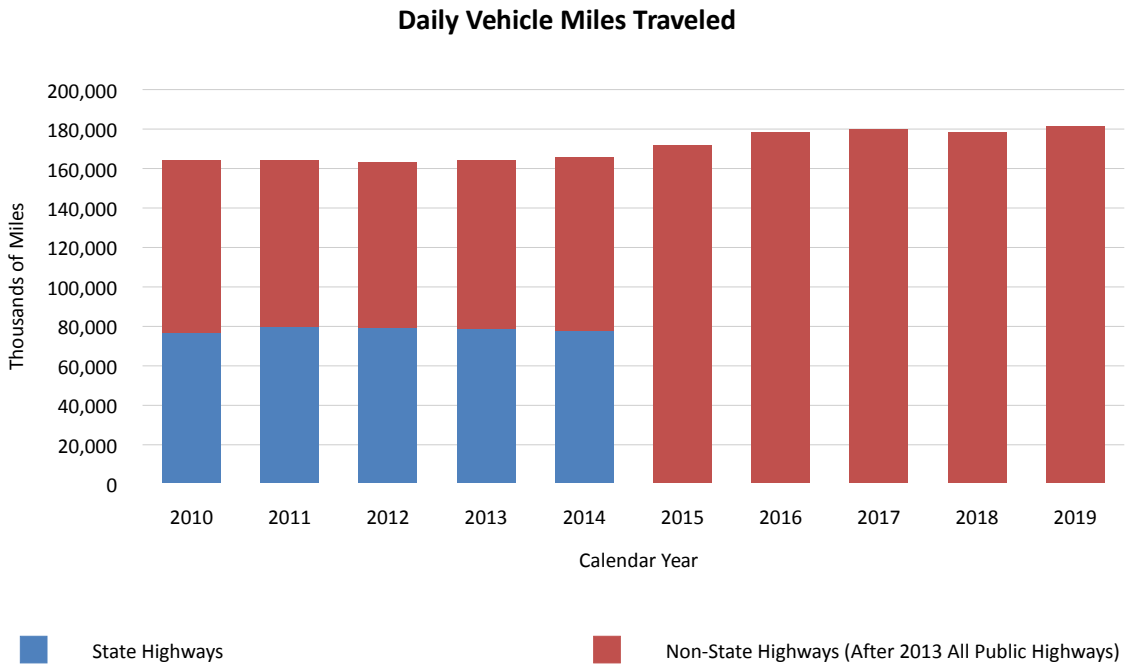
SOURCE: Arizona's Highway Performance Monitoring System (HPMS); ADOT Multimodal Planning Division office records. The Arizona population data are midyear population estimates of the U.S. Bureau of the Census.

NOTES: [1]Year 2018 is the latest population information available at the time of publication.

[2]Calendar year 2011 population information has been revised to reflect revisions made by the U.S. Bureau of the Census.

[3]The Non-state and State highways break out is not available after 2013

[4]All Public Highways (non-state highway + state highway) beginning 2014



ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by Financial Management Services, Fiscal Operations:

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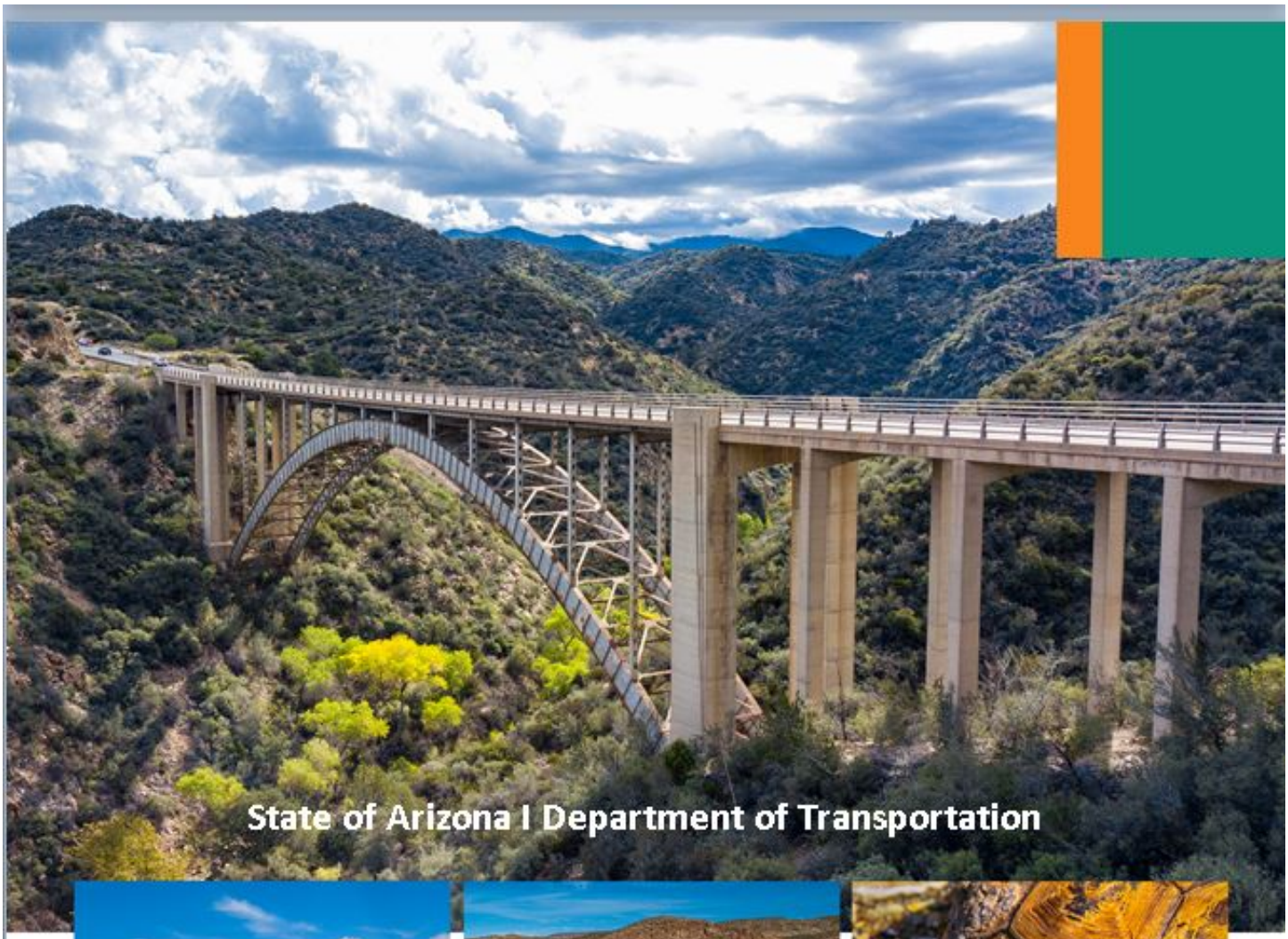
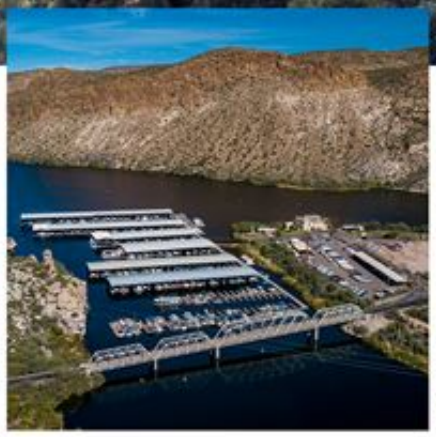
The staff of the Arizona Department of Administration, General Accounting Office, Financial Reporting Group for providing consultation on financial reporting issues and new accounting standards implementation.





206 South 17th Avenue, Phoenix, Arizona

ADOT