

FISCAL YEAR 2023

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year ended June 30, 2023



STATE OF ARIZONA | DEPARTMENT OF TRANSPORTATION

**ADOT**

**Arizona Department of Transportation**  
**Annual Comprehensive Financial Report**  
For the Fiscal Year Ended June 30, 2023

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

**Arizona Department of Transportation**  
**Annual Comprehensive Financial Report**  
**For the Fiscal Year Ended June 30, 2023**  
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# Introductory Section



December 8, 2023

The Honorable Katie Hobbs  
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 Annual Comprehensive Financial Report (ACFR) of the Department for the fiscal year ended June 30, 2023. The ACFR 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 ACFR, for the fiscal year ended June 30, 2023, 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, 2023, 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 the 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 ACFR includes all funds (some that 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. Since 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 "we provide highway infrastructure and transportation services", and the vision is "to safely connect people and empower our economy". 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, 2023, the Department had nine major operating divisions and several other groups. The nine major operating divisions include: Infrastructure Delivery and Operations (IDO), Transportation System Management and Operations (TSMO), Multimodal Planning Division (MPD), Alt Delivery / Major Projects, Motor Vehicle Division (MVD), Enforcement and Compliance Division (ECD), Financial Management Services (FMS), Information Technology Group (ITG), and Administrative Services Division (ASD).

- 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 TSMO is responsible for optimizing performance of existing infrastructure by implementing multimodal, intermodal, and cross-jurisdictional systems, services, and projects. The TSMO strategies are to 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, active traffic management, and new technologies that are rapidly occurring.
- 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 Alt Delivery / Major Projects is responsible for overseeing innovative approaches to fund transportation projects, including through non-traditional funding sources.
- 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 FMS is responsible for managing the financial foundation on which Arizona's highways and bridges are built and administered. This includes forecasting, budgeting, collecting, distributing, overseeing the administration of the debt and financing program, managing the financial life cycle of transportation projects and otherwise accounting for and reporting on of all the funds available to construct and maintain Arizona's highway system.
- The ITG supports the technology needs of the entire department. This includes providing a wide array of services ranging from personal computer support to application development and disaster recovery plans. The ITG also is involved in IT governance and strategic planning activities.
- 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, and the Mailroom and Print Services. The ASD also oversees operations of the Grand Canyon National Park Airport.

Overall, the Department employs approximately 3,660 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 typically as a lump-sum budget without identifying individual projects, but in some instances individual projects and amounts are identified. 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 State of Arizona's financial system AZ360 to control total expenditures by appropriation and to ensure budgetary compliance and management control. These features of AZ360 include: encumbrance and pre-encumbrance capabilities, appropriation allocation and control capabilities to the expense budget/organization unit level, and management control reports from the expense budget/organizational unit level, with summary reporting capabilities by program, division, or appropriation.

## **Factors Affecting Financial Condition**

**Arizona Economy** In FY 2023, Arizona experienced low unemployment rates and moderate job growth. Inflation remained elevated during FY 2023, and the Federal Reserve acted to increase short-term interest rates. According to the Arizona Office of Economic Opportunity, the Arizona unemployment rate decreased from 3.8 percent in June 2022 to 3.5 percent in June 2023. During this period, non-farm employment increased by approximately 71,900 jobs.

Apart from Federal funding, the Department's two main funding sources are the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax. The Highway User Revenue Fund (HURF) completed FY 2023 with a total of \$1,749.3 million in collections, an increase of 1.2 percent over FY 2022 and 0.0 percent from forecast. The Maricopa County Transportation Excise Tax performed slightly above the official forecast. Maricopa County Transportation Excise Tax collections totaled \$722.6 million, an increase of 8.7 percent over FY 2022 and 0.3 percent above forecast.

The United States is currently experiencing elevated rates of inflation, relatively high interest rates, dwindling pandemic savings, lower government spending, and the resumption of mandatory student loan repayments, which

are all headwinds that could lead to a slowing national economy. A slowing national economy would translate to slower growth in Arizona, though the rate of job growth in the state is expected to outpace the nation. The May 2023 University of Arizona Economic and Business Research Center forecast Arizona non-farm employment to grow 2.2 percent in calendar year (CY) 2023 and to grow 1.5 percent in CY 2024. According to the July 2023 Western Blue-Chip report, personal income in Arizona is forecasted to increase by 5.0 percent in CY 2023 and by 4.7 percent in CY 2024, and Arizona population is projected to grow by 1.4 percent in CY 2023 and 1.3 percent in CY 2024.

The Department's FY 2024 HURF revenue forecast is \$1,766.5 million, a 1.0 percent increase over FY 2023. The HURF ten-year compound growth rate for FY 2014 - FY 2023 was 3.8 percent. The Department forecasts the distribution of FY 2024 HURF revenue as follows: State Highway Fund \$885.3 million; Arizona cities and towns \$534.7 million; Arizona counties \$333.1 million; State Lake Improvement Fund and Off-Highway Vehicle Recreation Fund \$11.5 million; Economic Strength Project Fund \$1.0 million; and the ADOT for operating expenses/ the authorized third-party program \$0.9 million. An estimated \$12.8 million of the State Highway Fund share of HURF vehicle license tax revenues will be reallocated as follows: State General Fund \$8.4 million and the Department of Public Safety \$4.4 million.

The Maricopa County Transportation Excise Tax revenue forecast for FY 2024 totals \$745.8 million, an increase of 3.2 percent over FY 2023. The Maricopa County Transportation Excise Tax ten-year compound growth rate for FY 2014 - FY 2023 was 7.9 percent. The forecasted distribution of the Maricopa County Transportation Excise Tax revenue in FY 2024 is as follows: Maricopa County Regional Area Road Fund \$419.1 million for highways, \$78.3 million for arterial streets, and \$248.4 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 Maricopa County Regional Transportation Plan Freeway Program (RTPFP), two components of the Five-Year Transportation Facilities Construction Program (the other components being the Pima County Regional Transportation Authority Highway Program (RTAHP) and the Airport Capital Improvement 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** On June 17, 2022, the Transportation Board adopted the Five-year Transportation Facilities Construction Program for fiscal years 2023 through 2027. A total of \$6.8 billion of transportation facilities expenditures are planned during this time period. This includes \$4.8 billion for the statewide highway program, \$1.9 billion for the Regional Transportation Plan for Maricopa and Pima counties, and \$0.1 billion for airports. Further details of the Five-year Transportation Facilities Construction Program for fiscal years 2023 through 2027 can be found at:

<https://azdot.gov/sites/default/files/media/2022/06/2023-2027-Final-Five-Year-Program.pdf>

## **Legislative updates**

The major legislative updates taking effect in fiscal year 2023, which impacted the Department, include:

**Senate Bill 1239, Chapter 218** This bill appropriates \$400 million from the State Highway Fund, for I-10 widening between Chandler and Casa Grande, and is one appropriation tied to the Transaction Privilege Tax revenue received by the State Highway Fund in House Bill 2871.

**House Bill 2858, Chapter 309** This is the Capital Outlay Bill for FY 2023. The bill contains more than \$1.3 billion in appropriations for highway construction and development in FY 2023. The bill amends Laws 2022, Chapter 218 (SB 1239) to appropriate \$400 million from the State Highway Fund for I-10 Widening. It also appropriates \$50 million from the State Highway Fund to the new SMART Fund created in HB 2872 (tax; revisions; distributions; 2022-2023). The bill contains an additional \$935 million in FY 2023 appropriations from the State General Fund (\$40 million) and

State Highway Fund (\$894.8 million) for projects in the State Program (\$470.4 million) and individual projects (\$474.4 million).

House Bill 2862, Chapter 313 This bill is the General Appropriations Bill for FY 2023. It provides a total appropriation of \$562.8 million for ADOT which includes \$202.6 million for maintenance, \$36.1 million for Preventive Surface Treatments and \$223.6 million for operating lump sum appropriation. In addition, this bill also includes a statewide 10% salary increase which includes ADOT employees, effective July 8, 2022.

House Bill 2871, Chapter 321 This bill appropriates \$946 million in Transaction Privilege Tax (TPT) revenues to the State Highway Fund and the State Aviation Fund, while also making changes to aircraft license tax valuation, adding TPT exemptions for OHV vehicles, and reducing the amount available to distribute from the Marijuana Excise Tax to establish the Department of Revenue Integrated Tax System Project fund.

House Bill 2872, Chapter 322 This bill is the Transportation Omnibus Budget Bill for FY 2023, and establishes the State Match Advantage for Rural Transportation (SMART) Fund, to be administered by ADOT, with monies to be awarded by the State Transportation Board as grants to counties and municipalities for the reimbursement of federal grant development/submission expenses, design and engineering expenses, and to provide state match on federal grants.

## **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, 2023.

**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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This accomplishment was the thirty-third consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive 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 2023 Annual Comprehensive Financial Report.

Respectfully Submitted,

DocuSigned by:

*Jennifer Toth*

B62A62C2C737460...

Jennifer Toth, Director

Arizona Department of Transportation

DocuSigned by:

*Kristine Ward*

DDB00FD33A13425...

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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

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

**Jennifer Toth**

Director

**Greg Byres**

Deputy Director/ State Engineer

**Stacy Guillen**

Director of Law and Policy

**Floyd Roehrich, Jr.**

Deputy Director/ Business Enterprise

**Kristine Ward**

Deputy Director/ Chief Financial Officer

**Wayde Webb**

Deputy Director/ Motor Vehicle Division and Compliance

**Teresa Welborn**

Deputy Director/Chief Operating Officer

**Arizona Department of Transportation List of Senior Leadership**

**Steve Boschen**

Director, Infrastructure Delivery and Operations

**Brent Cain**

Director, Transportation Systems Management and Operations Division

**Eric Jorgensen**

Director, Motor Vehicle Division

**Teri Kennedy**

Director, Administrative Services Division

**Tim Newton**

Director, Financial Management Services Division

**Paul Patane**

Director, Multimodal Planning Division

**Rob Samour**

Director, Alt Delivery/Major Projects Division

**Steve West**

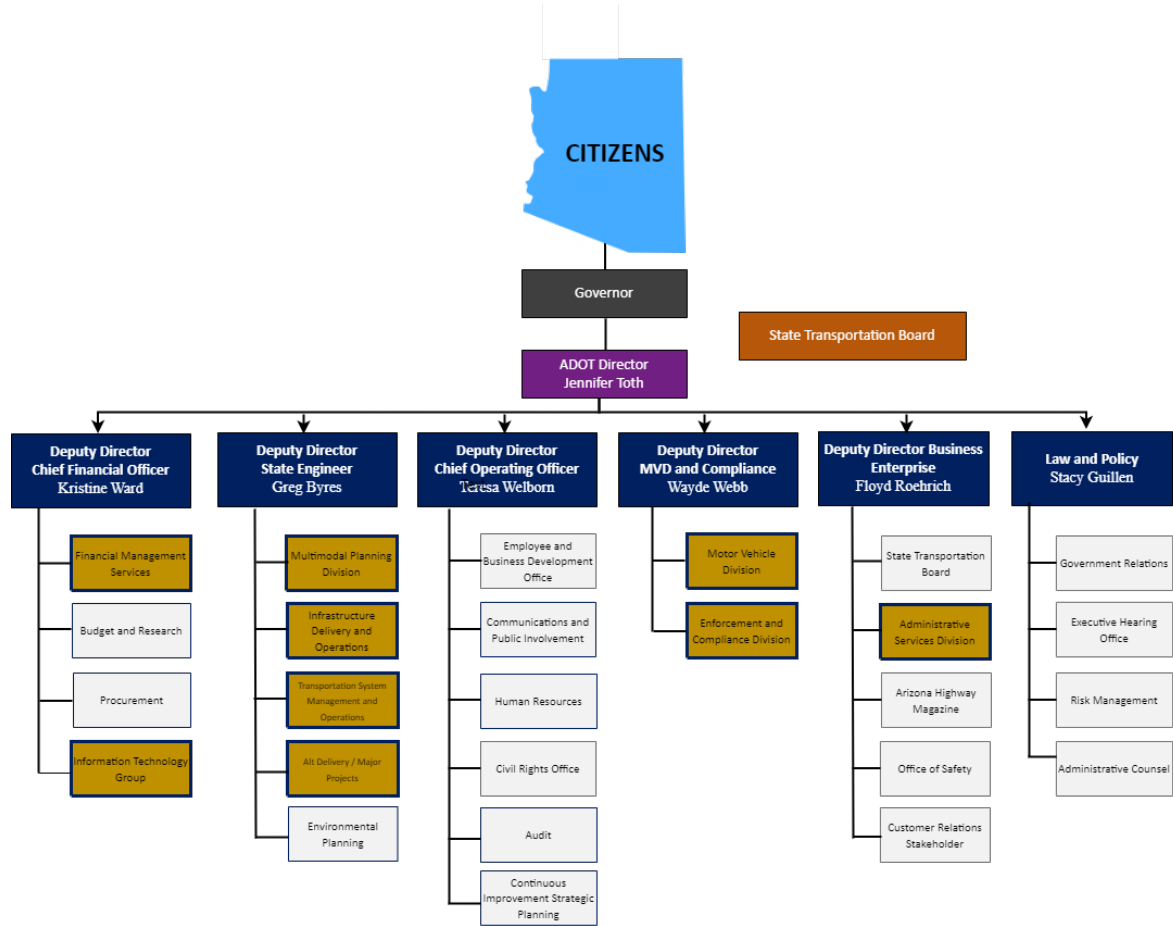
Chief Information Officer

**Arizona State Transportation Board**

<b>Member</b>	<b>Counties</b>	<b>Term Expires</b>
Jesse Thompson, Member	District 5 (Apache, Coconino, and Navajo Counties)	2023
Gary Knight, Vice Chairman	District 6 (Yavapai, Yuma, Mohave, and La Paz Counties)	2024
Jackie Meck, Member	District 1 (Maricopa County)	2024
Richard Searle, Vice Chairman	District 3 (Santa Cruz, Cochise, and Greenlee Counties)	2025
Jenn Daniels, Member	District 1 (Maricopa County)	2026
Ted Maxwell, Member	District 2 (Pima County)	2027
Jenny Howard, Member	District 4 (Gila, Graham, and Pinal Counties)	2028

# State of Arizona Department of Transportation Organization Chart

June 30, 2023



## Financial Section







## INDEPENDENT AUDITORS' REPORT

Honorable Katie Hobbs  
Governor of the State of Arizona

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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 Department, as of June 30, 2023, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matters***

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, 2023, 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 was not modified with respect to this matter.

Honorable Katie Hobbs  
Governor of the State of Arizona

Members of the Arizona State Legislature  
Arizona Department of Transportation

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honorable Katie Hobbs  
Governor of the State of Arizona

Members of the Arizona State Legislature  
Arizona Department of Transportation

***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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

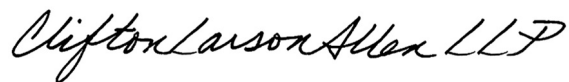
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Katie Hobbs  
Governor of the State of Arizona

Members of the Arizona State Legislature  
Arizona Department of Transportation

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, 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  
January 29, 2024

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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, 2023. 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 was \$26.3 billion. Of this amount, \$1.5 billion represents the *unrestricted* component, \$1.4 billion was *restricted*, and \$23.5 billion is *net investment in capital assets*.
- Total net position of the Department increased by \$2.0 billion. See [Note 6D](#) for further details.
- The Department's capital assets are \$25.1 billion, compared to \$24.6 billion for fiscal year 2022, an increase of 1.9%. This increase is attributable to the results of highway construction activity. The Department's *net investment in capital assets* is \$23.5 billion, compared to \$22.7 billion for fiscal year 2022, an increase of 3.3%.
- The Department's total liabilities are \$2.4 billion, compared to \$2.6 billion in 2022. The Department had \$245.5 million less in bonds outstanding in 2023 than in 2022.

### ***Fund Level***

- As of the close of the fiscal year, the governmental funds of the Department reported combined ending fund balances of \$3.1 billion, as compared to \$1.9 billion in 2022.
- The total restricted fund balance (governmental funds) is \$1.3 billion; the majority of this amount is restricted for capital projects. Inventories of \$475 thousand represent the nonspendable portion of fund balance while \$1.8 billion represents the committed fund balance portion.
- The enterprise fund reported net position at year-end of \$4 thousand, no change from prior year.

## **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.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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 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-

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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 thirteen 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.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

***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, 2023 and 2022.

The Department's combined net position increased by \$2.0 billion or 8.0%, over the course of this fiscal year's operations. The net position of the governmental activities increased by \$2.0 billion or 8.0%; and business-type activities increased by \$0.1 thousand, or 3.2% over the previous year. The overall increase in the Department's net position was due primarily to an increase in the Department's infrastructure, combined with a decrease in long-term debt due to retirement and refunding of the Department's revenue bonds.



**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

The following table reflects the condensed Statements of Net Position as of June 30, 2023 and 2022:

**Condensed Statements of Net Position  
As of June 30,**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 3,638,901,212	\$ 2,377,633,417	\$ 3,805	\$ 3,686	\$ 3,638,905,017	\$ 2,377,637,103
Capital Assets	25,096,117,362	24,639,346,264	—	—	25,096,117,362	24,639,346,264
Total Assets	<u>28,735,018,574</u>	<u>27,016,979,681</u>	<u>3,805</u>	<u>3,686</u>	<u>28,735,022,379</u>	<u>27,016,983,367</u>
<b>Deferred Outflows of Resources</b>						
	<u>95,658,099</u>	<u>122,360,216</u>	<u>—</u>	<u>—</u>	<u>95,658,099</u>	<u>122,360,216</u>
<b>Liabilities</b>						
Current liabilities	427,151,633	386,050,076	—	—	427,151,633	386,050,076
Noncurrent liabilities	1,938,041,694	2,190,400,891	—	—	1,938,041,694	2,190,400,891
Total liabilities	<u>2,365,193,327</u>	<u>2,576,450,967</u>	<u>—</u>	<u>—</u>	<u>2,365,193,327</u>	<u>2,576,450,967</u>
<b>Deferred Inflows of Resources</b>						
	<u>130,611,804</u>	<u>186,386,235</u>	<u>—</u>	<u>—</u>	<u>130,611,804</u>	<u>186,386,235</u>
<b>Net Position</b>						
Net investment in capital assets	23,476,160,649	22,728,369,729	—	—	23,476,160,649	22,728,369,729
Restricted	1,365,245,698	1,117,816,299	—	—	1,365,245,698	1,117,816,299
Unrestricted	1,493,465,195	530,316,667	3,805	3,686	1,493,469,000	530,320,353
Total net position	<u>\$26,334,871,542</u>	<u>\$24,376,502,695</u>	<u>\$ 3,805</u>	<u>\$ 3,686</u>	<u>\$26,334,875,347</u>	<u>\$24,376,506,381</u>

The total assets of the Department (excluding deferred outflows of resources) were \$28.7 billion, while total liabilities (excluding deferred inflows of resources) were \$2.4 billion, resulting in a net position balance of \$26.3 billion. The majority of the Department's net position, \$23.5 billion (89.1%), 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.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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,**

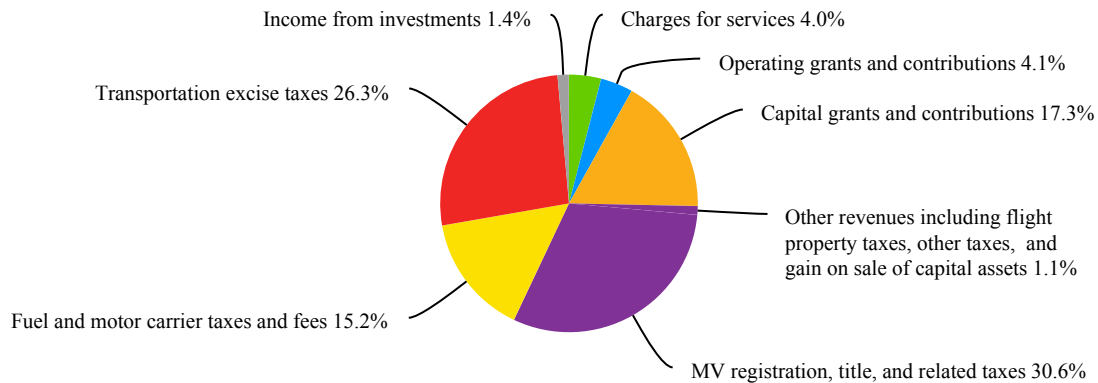
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 219,055,969	\$ 219,616,577	\$ —	\$ —	\$ 219,055,969	\$ 219,616,577
Operating grants and contributions	222,422,654	205,523,328	—	—	222,422,654	205,523,328
Capital grants and contributions	938,977,901	839,289,402	—	—	938,977,901	839,289,402
General revenues						
Motor vehicle registration, title, and related taxes	1,666,596,472	1,591,473,624	—	—	1,666,596,472	1,591,473,624
Fuel and motor carrier taxes and fees	828,526,340	855,964,720	—	—	828,526,340	855,964,720
Transportation excise taxes	1,433,455,985	448,236,772	—	—	1,433,455,985	448,236,772
Flight property taxes	12,836,865	14,027,137	—	—	12,836,865	14,027,137
Other taxes and fees	41,613,336	33,727,395	—	—	41,613,336	33,727,395
Income from investments	78,049,076	6,727,323	119	975	78,049,195	6,728,298
Other	5,594,660	10,641,825	—	—	5,594,660	10,641,825
Total revenues	5,447,129,258	4,225,228,103	119	975	5,447,129,377	4,225,229,078
<b>Expenses</b>						
Distributions to Arizona counties and cities	1,721,839,596	1,659,180,185	—	—	1,721,839,596	1,659,180,185
Noncapital, including asset preservation	766,654,945	476,232,412	—	—	766,654,945	476,232,412
Distributions to other state agencies	181,061,029	192,616,411	—	—	181,061,029	192,616,411
Highway	130,571,023	115,386,588	—	—	130,571,023	115,386,588
Highway maintenance	184,944,849	135,540,481	—	—	184,944,849	135,540,481
Local governmental assistance	116,362,493	116,712,120	—	—	116,362,493	116,712,120
Motor vehicle	210,366,021	170,137,957	—	—	210,366,021	170,137,957
Interest on long-term debt	34,092,076	35,108,869	—	—	34,092,076	35,108,869
Administration	141,034,728	155,467,650	—	—	141,034,728	155,467,650
Loss on sale of capital assets	1,833,651	14,297,717	—	—	1,833,651	14,297,717
Total expenses	3,488,760,411	3,070,680,390	—	—	3,488,760,411	3,070,680,390
Increase (decrease) in net position before transfers	1,958,368,847	1,154,547,713	119	975	1,958,368,966	1,154,548,688
Transfers	—	1,220,800	—	(1,220,800)	—	—
Changes in net position	1,958,368,847	1,155,768,513	119	(1,219,825)	1,958,368,966	1,154,548,688
Net position, beginning	24,376,502,695	23,220,734,182	3,686	1,223,511	24,376,506,381	23,221,957,693
<b>Net position, ending</b>	<b>\$ 26,334,871,542</b>	<b>\$ 24,376,502,695</b>	<b>\$ 3,805</b>	<b>\$ 3,686</b>	<b>\$ 26,334,875,347</b>	<b>\$ 24,376,506,381</b>

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**Governmental Activities**

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2023:

**Revenues – Governmental Activities  
\$5,447,129,258**



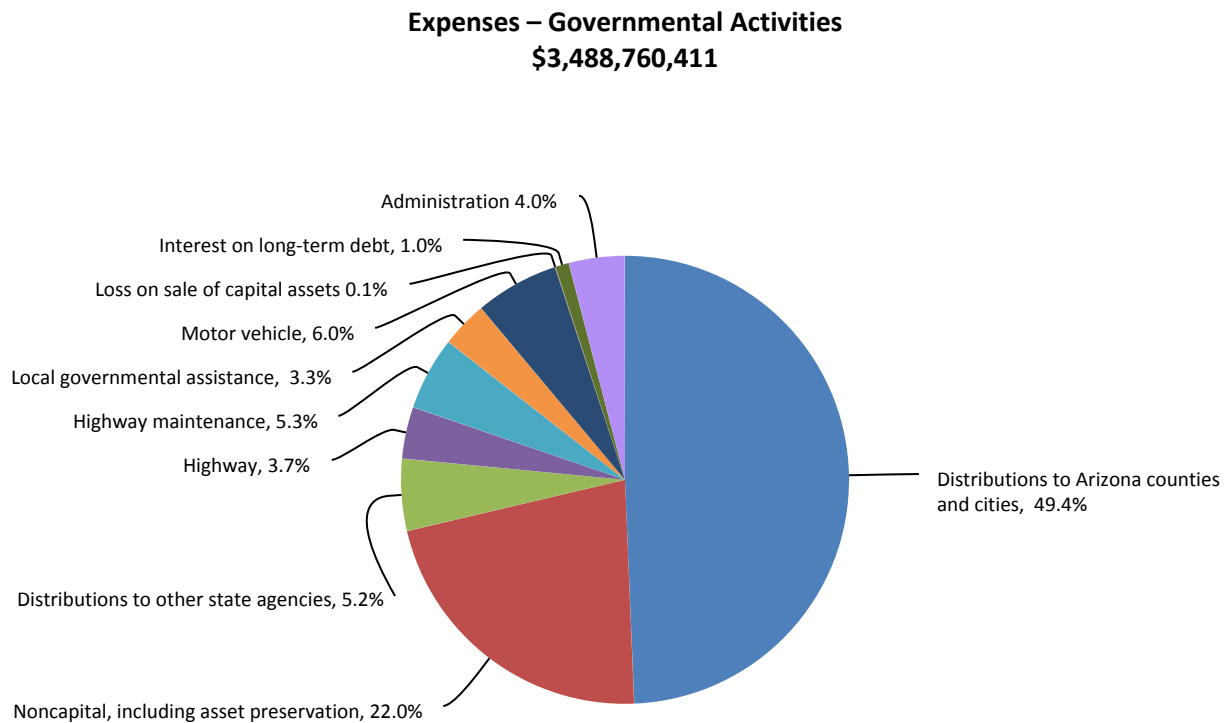
Of the Department's revenues, \$4.9 billion (or 89.4%) are from the following four revenue sources:

- Motor vehicle registration, title, license, and related taxes comprise the Department's largest revenue source of \$1.7 billion (30.6%).
- Transportation excise taxes represent the Department's second largest revenue source of \$1.4 billion (26.3%).
- Capital grants and contributions represent the Department's third largest revenue source of \$939.0 million (17.2%).
- Fuel and motor carrier taxes and fees represent the Department's fourth largest revenue source of \$828.5 million (15.2%).

**Arizona Department of Transportation  
Management's Discussion and Analysis  
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Apart from Federal funding, 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 2023. HURF collections totaled approximately \$1.7 billion, 1.2% above fiscal year 2022 and 0.0% above the *official* forecast. Maricopa County Transportation Excise Tax collections totaled \$722.2 million, an increase of 8.6% over fiscal year 2022 and 21.4% above the Department's *official* forecast. The Transportation Excise Tax distribution to the Department was \$1.4 billion compared to \$448.2 million for fiscal year 2022. The positive variances from forecast primarily resulted from less than expected revenue decreases from the Covid-19 pandemic.

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2023:



Of the Department's top three expenses, \$2.7 billion (or 77.4%) were for the following:

- Distributions to Arizona counties and cities comprise the Department's largest expense of \$1.7 billion (49.4%).
- Non-capital, including asset preservation, represents the Department's second largest expense of \$766.7 million (22.0%).
- Motor vehicle represent the Department's third largest expense of \$210.4 million (6.0%).

Distributions to Arizona counties and cities increased in fiscal year 2023 as compared to fiscal year 2022 due to an increase in vehicle license tax and registration and fuel tax revenue collections. The

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

distributions to other government entities (excluding distributions from the Local Agency Deposit Fund) equal \$1.9 billion (54.5%); making up more than half of the expenditures for fiscal year 2023.

***Business-type Activities***

Net position for business-type activities increased by \$0.0 million in fiscal year 2023. Total revenues were \$119 , all of which came from income from investments. There were no operating expenses for business type activities during the year.

The Highway Expansion and Extension Loan Program did not approve or disburse any loans in Fiscal Year 2023, and no future program loans are planned at this time. the Highway Expansion and Extension Loan Program Fund was closed through legislative action during the year and, therefore, will not be reported in the Department's ACFR in future fiscal years.

## 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 \$3.1 billion, an increase of \$1.2 billion over the previous fiscal year. The majority of fund balances are restricted for capital projects. See [Note 5F](#) for further information regarding components of fund balance.

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 \$475 thousand; the restricted fund balance was \$520.2 million; and the committed fund balance was \$1.7 billion. Fiscal year 2023 increased by 98% from fiscal year 2022 due to Laws 2022, Ch. 321, §20, which required the State Treasurer to distribute approximately \$925.4 million and \$20.6 million of transaction privilege tax revenues to the Department's State Highway Fund and State Aviation Fund, respectively.

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 increased by 3% in fiscal year 2023 from fiscal year 2022 at \$825.6 million; of which Transportation Excise Tax revenue of \$481.7 million (or 58.3%) was a significant revenue source. The remaining revenue was mainly federal revenue, reimbursements from local governments within Maricopa county, 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 \$307.0 million. Of this amount, \$135.5 million was transferred in from the General Fund (State Highway Fund), \$141.5 million was transferred in from Maricopa Regional Area Road Construction Fund, and \$30.0 million was transferred in from Grant Anticipation Notes Fund. Total debt service paid during fiscal year 2023 was \$310.7 million, including \$245.5 million of principal payments and \$65.2 million of interest payments. No bond issuance or refunding occurred in fiscal year 2023.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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. In fiscal year 2023, the Capital Projects Funds' expenditures were \$3.5 million. Non-capital, including asset preservation expenditures of \$3.5 million (100.0%) accounted for the majority of the expenditures in the Capital Projects Fund. Expenditures increased by 99% due to this past year with the snow storms there was significant damage to our roads which required immediate repair work to our existing roads that were not allocated in the 5 year program. This caused these funds to be redirected towards preservation efforts. Please see the [Capital Asset and Debt Administration](#) section in the MD&A for more information.

### Budget Variances

The Department's appropriated operating budget from the General Fund (State Highway Fund) increased by about \$0.0 million from fiscal year 2022 to fiscal year 2023. The difference was primarily due to increases for salaries, maintenance on additional lane miles, and other operating costs. These increases were offset somewhat by other decreases made for various statewide adjustments. In fiscal year 2022, the Department spent 89.9% of its budget and in fiscal year 2023 the Department spent 85.9% of its budget. Ultimately, the Department spent about \$71.3 million more in fiscal year 2023 than in fiscal year 2022 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, 2023, amounts to \$25.1 billion , a \$456.8 million increase net of accumulated depreciation over the previous fiscal year.

### Capital Assets June 30, 2023

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,722,894,496	\$ 3,636,607,872	\$ —	\$ —	\$ 3,722,894,496	\$ 3,636,607,872
Infrastructure	16,942,828,020	16,856,741,678	—	—	16,942,828,020	16,856,741,678
Construction in progress	4,181,561,520	3,896,531,155	—	—	4,181,561,520	3,896,531,155
Buildings and improvements	223,145,077	222,671,647	—	—	223,145,077	222,671,647
Improvements other than buildings	40,911,652	40,861,707	—	—	40,911,652	40,861,707
Computer software	80,622,704	80,622,704	—	—	80,622,704	80,622,704
Machinery and equipment	42,440,463	43,837,994	—	—	42,440,463	43,837,994
Mobile fleet and aircraft	242,044,167	218,549,547	—	—	242,044,167	218,549,547
Less: Accumulated depreciation	(380,330,737)	(357,078,040)	—	—	(380,330,737)	(357,078,040)
Total	<u>\$25,096,117,362</u>	<u>\$24,639,346,264</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$25,096,117,362</u>	<u>\$24,639,346,264</u>

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

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 9,435 center line miles of roads (22,472 travel lane miles) and 4,930 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 3.51 was achieved for fiscal year 2023.

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 0.6% of the bridges were so classified for fiscal year 2023.

**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, 2023, amount to \$1.9 billion, a decrease of \$252.4 million from the previous fiscal year.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

	2023		2022
Governmental Activities			
Bonds and notes			
Highway revenue bonds	\$ 943,450,000	\$	988,100,000
Transportation excise tax revenue bonds	253,085,000		377,485,000
Grant anticipation notes (GARVEE bonds)	141,905,000		163,705,000
Highway revenue bonds-direct placement	—		54,650,000
Transportation excise tax revenue bonds-direct placement	14,670,000		14,670,000
Unamortized Premium on bonds	209,473,595		243,927,358
Total bonds and notes	<u>1,562,583,595</u>		<u>1,842,537,358</u>
Compensated absences	21,992,390		20,306,811
Utility and railroad settlement accrual	—	\$	786,021
Accrued Relocation Costs	27,341,721		34,182,046
Total governmental activities	<u>\$ 1,611,917,706</u>	\$	<u>1,897,812,236</u>
	<b>2023</b>		<b>2022</b>
Net pension liability	\$ 267,359,611	\$	220,920,611
Net OPEB liability	\$ 58,764,377	\$	71,668,044

The Department did not issue any new bonds in 2023. All outstanding bonds as of June 30, 2023, 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; Standard & Poor's Ratings Services, and Moody's Investors Service have respectively rated Transportation Excise Tax Revenue Bonds as AA+/Aa1; and the Grant Anticipation Notes as AA+/Aa2/AA+ with the 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>.



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# 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

## Statement of Net Position

June 30, 2023

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Unrestricted cash on deposit with State Treasurer	\$ 1,701,350,191	\$ 3,805	\$ 1,701,353,996
Receivables			
Taxes and fees	76,820,731	—	76,820,731
Leases, notes, and loans	23,258,116	—	23,258,116
Other, net of allowance for doubtful accounts	12,500,150	—	12,500,150
Due from U.S. government	200,080,905	—	200,080,905
Due from other state agencies	41,683,781	—	41,683,781
Inventories	3,975,693	—	3,975,693
Restricted cash on deposit with State Treasurer	1,568,098,872	—	1,568,098,872
Restricted cash with fiscal agents	1,898,315	—	1,898,315
Net OPEB asset	9,234,458	—	9,234,458
Capital assets not subject to depreciation (Notes 5A)	24,847,284,036	—	24,847,284,036
Capital assets subject to depreciation, net of accumulated depreciation, (Notes 5A)	248,833,326	—	248,833,326
Total assets	<u>28,735,018,574</u>	<u>3,805</u>	<u>28,735,022,379</u>
<b>Deferred Outflows of Resources</b>			
Relating to pensions (Note 6C)	42,495,152	—	42,495,152
Relating to OPEB	17,385,356	—	17,385,356
Loss on debt refundings	35,777,591	—	35,777,591
Total deferred outflows of resources	<u>95,658,099</u>	<u>—</u>	<u>95,658,099</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	148,030,369	—	148,030,369
Accrued payroll and other accrued expenses	6,357,693	—	6,357,693
Due to other state agencies	21,177,883	—	21,177,883
Tax and refunds payable	8,555,425	—	8,555,425
Due to Arizona counties and cities	215,548,574	—	215,548,574
Unearned revenue	27,481,689	—	27,481,689
Non-current liabilities:			
Due within one year (bonds and other liabilities, Note 5E)	319,045,231	—	319,045,231
Due in more than one year:			
Bonds and other noncurrent liabilities (Note 5E)	1,292,872,475	—	1,292,872,475
Net OPEB liability	58,764,377	—	58,764,377
Net pension liability (Note 6C)	267,359,611	—	267,359,611
Total liabilities	<u>2,365,193,327</u>	<u>—</u>	<u>2,365,193,327</u>
<b>Deferred Inflows of Resources</b>			
Leases	22,286,827	—	22,286,827
Relating to pensions (Note 6C)	11,432,360	—	11,432,360
Relating to OPEB	57,637,654	—	57,637,654
Gain on debt refundings	39,254,963	—	39,254,963
Total deferred inflows of resources	<u>130,611,804</u>	<u>—</u>	<u>130,611,804</u>
<b>Net Position</b>			
Net investment in capital assets	23,476,160,649	—	23,476,160,649
Restricted:			
Loans and other financial assistance	168,904,631	—	168,904,631
Debt service	363,766,436	—	363,766,436
Capital projects	823,340,173	—	823,340,173
Net OPEB Assets	9,234,458	—	9,234,458
Unrestricted	1,493,465,195	3,805	1,493,469,000
Total net position	<u>\$ 26,334,871,542</u>	<u>\$ 3,805</u>	<u>\$ 26,334,875,347</u>

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

# Arizona Department of Transportation

## Statement of Activities

June 30, 2023

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Administration	\$ 141,034,728	\$ 18,796,788	\$ 23,577,067	\$ 472,218,192	\$ 373,557,319
Highway	130,571,023	2,775,444	47,849,149	466,468,814	386,522,384
Highway maintenance	184,944,849	10,930,345	—	—	(174,014,504)
Motor vehicle	210,366,021	166,356,593	1,115,266	290,895	(42,603,267)
Noncapital, including asset preservation	766,654,945	20,196,799	—	—	(746,458,146)
Distributions to other state agencies	181,061,029	—	—	—	(181,061,029)
Distributions to Arizona counties and cities	1,721,839,596	—	—	—	(1,721,839,596)
Local government assistance	116,362,493	—	149,881,172	—	33,518,679
Loss on sale of capital assets	1,833,651	—	—	—	(1,833,651)
Interest on long-term debt	34,092,076	—	—	—	(34,092,076)
Total governmental activities	<u>3,488,760,411</u>	<u>219,055,969</u>	<u>222,422,654</u>	<u>938,977,901</u>	<u>(2,108,303,887)</u>
Total primary government	<u>\$ 3,488,760,411</u>	<u>\$ 219,055,969</u>	<u>\$ 222,422,654</u>	<u>\$ 938,977,901</u>	<u>\$ (2,108,303,887)</u>
			Governmental Activities	Business-type Activities	Total
Net (expenses) revenues			\$ (2,108,303,887)	\$ —	\$ (2,108,303,887)
<b>General revenues</b>					
Transportation excise taxes			1,433,455,985	—	1,433,455,985
Motor vehicle registration, title, and related taxes			1,666,596,472	—	1,666,596,472
Fuel and motor carrier taxes and fees			828,526,340	—	828,526,340
Flight property taxes			12,836,865	—	12,836,865
Other taxes and fees			41,613,336	—	41,613,336
Income from investments			78,049,076	119	78,049,195
Other			5,594,660	—	5,594,660
Total general revenues			<u>4,066,672,734</u>	<u>119</u>	<u>4,066,672,853</u>
Changes in net position			1,958,368,847	119	1,958,368,966
Beginning net position			24,376,502,695	3,686	24,376,506,381
Ending net position June 30			<u>\$ 26,334,871,542</u>	<u>\$ 3,805</u>	<u>\$26,334,875,347</u>

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, 2023

Exhibit 3

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
<b>Assets</b>			
Unrestricted cash on deposit with the State Treasurer	\$ 1,572,800,019	\$ —	\$ —
<b>Receivables</b>			
Interfund	140,633,353	—	19,619,651
Taxes and fees	—	—	6,895,242
Leases, notes and loans	22,909,032	—	—
Due from other state agencies	—	41,367,083	—
Other, net	3,817,150	235,405	1,810,688
Amounts due from U.S. government	123,252,422	46,041,848	—
Inventories	474,851	—	—
Restricted cash held by fiscal agents	1,898,315	—	—
Restricted cash on deposit with the State Treasurer	518,295,018	727,732,521	110,887,494
Total assets	\$ 2,384,080,160	\$ 815,376,857	\$ 139,213,075
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 101,676,373	\$ 36,158,379	\$ —
Accrued payroll and other accrued expenditures	5,973,953	94,027	—
Tax and refunds payable	—	—	7,918,110
Interfund payables	2,387,614	—	54,198,964
<b>Amounts due to</b>			
Other state agencies	6,895,242	—	13,278,378
Arizona counties and cities	18,195,326	379,061	45,984,167
Unearned revenue	1,519,810	—	25,961,879
Total liabilities	136,648,318	36,631,467	147,341,498
<b>Deferred inflows of resources</b>			
Leases	22,286,827	—	—
Unavailable revenue	672,555	25,110,688	—
	22,959,382	25,110,688	—
<b>Fund balances</b>			
Unassigned	—	—	(8,128,423)
Nonspendable	474,851	—	—
Restricted	520,193,334	753,634,702	—
Committed	1,703,804,275	—	—
Total fund balances (deficits)	2,224,472,460	753,634,702	(8,128,423)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 2,384,080,160	\$ 815,376,857	\$ 139,213,075

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

**Exhibit 3 - Continued**

Special Revenue Funds					Total Nonmajor Governmental Funds (See Exhibit 8)	Total Governmental Funds
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund				
\$ —	\$ —	\$ —	\$ —	\$ 110,730,023	\$ 1,683,530,042	
43,816,446	—	—	—	623,083	204,692,533	
69,925,489	—	—	—	—	76,820,731	
—	—	—	—	349,084	23,258,116	
—	—	—	—	—	41,367,083	
1,590	—	—	—	4,791,487	10,656,320	
—	—	—	—	30,786,635	200,080,905	
—	—	—	—	—	474,851	
—	—	—	—	—	1,898,315	
164,253,757	832,053	89,728	—	46,008,301	1,568,098,872	
<u>\$ 277,997,282</u>	<u>\$ 832,053</u>	<u>\$ 89,728</u>	<u>\$ —</u>	<u>\$ 193,288,613</u>	<u>\$ 3,810,877,768</u>	
\$ —	\$ —	\$ —	\$ —	\$ 8,267,145	\$ 146,101,897	
—	—	—	—	73,031	6,141,011	
637,315	—	—	—	—	8,555,425	
148,080,732	—	—	—	25,223	204,692,533	
1,004,263	—	—	—	—	21,177,883	
128,274,972	—	—	—	22,715,048	215,548,574	
—	—	—	—	—	27,481,689	
<u>277,997,282</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,080,447</u>	<u>629,699,012</u>	
—	—	—	—	—	22,286,827	
—	—	—	—	—	25,783,243	
—	—	—	—	—	48,070,070	
—	—	—	—	—	(8,128,423)	
—	—	—	—	—	474,851	
—	832,053	89,728	—	55,967,440	1,330,717,257	
—	—	—	—	106,240,726	1,810,045,001	
—	832,053	89,728	—	162,208,166	3,133,108,686	
<u>\$ 277,997,282</u>	<u>\$ 832,053</u>	<u>\$ 89,728</u>	<u>\$ —</u>	<u>\$ 193,288,613</u>	<u>\$ 3,810,877,768</u>	

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



**Arizona Department of Transportation  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2023**

**Exhibit 3.1**

<b>Fund balances – total governmental funds (Exhibit 3)</b>	\$ 3,133,108,686
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).	25,020,164,157
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).	25,783,243
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).	81,154,765
Deferred outflows of resources are not reported in the funds (Notes 4 B2).	92,818,620
OPEB assets are not available to pay for current period expenditures and, therefore, are not reported in the funds (Note 4 B7).	8,745,955
OPEB liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B3).	(55,773,270)
Pension liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B4).	(255,139,561)
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).	(1,611,132,939)
Certain deferred inflows of resources are not reported in the funds (Note 4 B6).	(104,858,114)
<b>Net position of governmental activities (Exhibit 1)</b>	<u><u>\$ 26,334,871,542</u></u>

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, 2023**

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
<b>Revenues</b>			
Transportation excise taxes	\$ 925,447,500	\$ 481,725,929	\$ —
Vehicle registration, title, license, and related taxes and fees	532,210,229	—	831,356,726
Fuel and motor carrier taxes and fees	435,102,109	—	—
Flight property taxes	—	—	—
Other taxes and fees	21,134,526	—	—
Reimbursement of construction expenditures – federal aid	533,665,171	301,713,273	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	3,705,393	3,460,039	—
Distributions from other state agencies	142,935,390	—	—
Interest on leases/loans receivable	479,833	—	—
Income from investments	49,139,202	19,209,229	—
Sales and charges for services	12,724,396	18,538,490	—
Lease and rental income	8,783,655	973,305	97,617
Other	4,010,917	—	—
Total revenues	2,669,338,321	825,620,265	831,454,343
<b>Expenditures</b>			
<b>Current</b>			
Administration	123,412,123	1,699,893	2,648,435
Highway	124,363,404	2,785,400	—
Highway maintenance	175,225,885	9,348,434	—
Motor vehicle	175,277,212	—	21,780,534
Total current expenditures	598,278,624	13,833,727	24,428,969

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		
\$ —	\$ —	\$ —	\$ 26,282,556	\$ 1,433,455,985		
464,965,096	—	—	4,421,014	1,832,953,065		
392,093,305	—	—	1,330,926	828,526,340		
—	—	—	12,836,865	12,836,865		
20,478,810	—	—	—	41,613,336		
—	—	—	31,192,946	866,571,390		
—	—	—	137,757,188	137,757,188		
—	—	—	12,169,640	19,335,072		
—	—	—	—	142,935,390		
—	—	—	15,605	495,438		
2,344,841	4,359,468	—	4,175,289	79,228,029		
—	—	—	—	31,262,886		
—	—	—	253,747	10,010,707		
1,125,412	—	—	433,702	5,667,648		
<u>881,007,464</u>	<u>4,359,468</u>	<u>—</u>	<u>230,869,478</u>	<u>5,442,649,339</u>		
9,129,269	—	—	4,756,653	141,646,373		
—	—	—	74,762,102	201,910,906		
—	—	—	3,361	184,577,680		
728,445	—	—	4,313,293	202,099,484		
<u>9,857,714</u>	<u>—</u>	<u>—</u>	<u>83,835,409</u>	<u>730,234,443</u>		

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

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
<b>Expenditures - continued</b>			
Intergovernmental			
Distributions to other state agencies	\$ 52,623,687	\$ —	\$ 115,763,771
Distributions to Arizona counties and cities	105,403,189	38,356,769	691,261,603
Debt service			
Principal	—	—	—
Interest	—	—	—
Noncapital, including asset preservation	644,132,242	98,616,262	—
Capital outlay	64,106,978	432,570,830	—
Total expenditures	<u>1,464,544,720</u>	<u>583,377,588</u>	<u>831,454,343</u>
Revenues over (under) expenditures	<u>1,204,793,601</u>	<u>242,242,677</u>	<u>—</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	—	—	—
Transfers out	(135,486,112)	(141,497,698)	—
Proceeds from sale of capital assets	951,866	—	—
Insurance recovery	10,930,345	—	—
Total other financing sources (uses)	<u>(123,603,901)</u>	<u>(141,497,698)</u>	<u>—</u>
Net change in fund balances	1,081,189,700	100,744,979	—
Fund balances (deficits), beginning of year	1,143,282,760	652,889,723	(8,128,423)
<b>Fund balances (deficits), end of year</b>	<u>\$ 2,224,472,460</u>	<u>\$ 753,634,702</u>	<u>\$ (8,128,423)</u>

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		
\$ 11,388,806	\$ —	\$ —	\$ 1,284,765	\$ 181,061,029		
859,760,944	—	—	72,205,606	1,766,988,111		
—	245,500,000	—	—	245,500,000		
—	65,232,518	—	—	65,232,518		
—	—	3,480,815	—	746,229,319		
—	—	—	75,851	496,753,659		
<u>881,007,464</u>	<u>310,732,518</u>	<u>3,480,815</u>	<u>157,401,631</u>	<u>4,231,999,079</u>		
—	(306,373,050)	(3,480,815)	73,467,847	1,210,650,260		
—	306,969,060	—	350,000	307,319,060		
—	—	—	(30,335,250)	(307,319,060)		
—	—	—	—	951,866		
—	—	—	—	10,930,345		
—	<u>306,969,060</u>	—	<u>(29,985,250)</u>	<u>11,882,211</u>		
—	596,010	(3,480,815)	43,482,597	1,222,532,471		
—	236,043	3,570,543	118,725,569	1,910,576,215		
<u>\$ —</u>	<u>\$ 832,053</u>	<u>\$ 89,728</u>	<u>\$ 162,208,166</u>	<u>\$ 3,133,108,686</u>		

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

**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, 2023**

**Exhibit 4.1**

<b>Net change in fund balances – total governmental funds (Exhibit 4)</b>	<b>\$ 1,222,532,471</b>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Capital outlays are reported as expenditures in governmental funds (Note 4 C1).	452,142,097
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).	6,840,325
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).	283,267,084
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).	6,909,198
Pension contributions are reported as expenditures in the governmental funds, however, the change in net pension liability is reported in the Statement of Activities (Note 4 C4)	(3,063,569)
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)	(2,246,433)
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).	(8,012,207)
<b>Change in net position of governmental activities (Exhibit 2)</b>	<b><u>\$ 1,958,368,966</u></b>

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 a statewide fleet operation and replacement program, and repair and maintenance for vehicles and equipment.



**Arizona Department of Transportation  
Statement of Net Position  
Proprietary Funds  
June 30, 2023**

**Exhibit 5**

	Business-type Activities – Enterprise Fund		Governmental Activities- Internal Service Fund
	Highway Expansion and Extension Loan Program Fund		
<b>Assets</b>			
Current assets			
Unrestricted cash on deposit with the State Treasurer	\$ 3,805	\$	17,820,149
Receivables			
Other, net allowance for doubtful accounts	—		1,843,830
Due from other State agencies			316,698
Inventories	—		3,500,842
Total current assets	<u>3,805</u>		<u>23,481,519</u>
Noncurrent assets			
Net OPEB asset	—		488,503
Capital assets subject to depreciation, net of accumulated depreciation	—		75,953,205
Total noncurrent assets	<u>—</u>		<u>76,441,708</u>
Total assets	<u>3,805</u>		<u>99,923,227</u>
<b>Deferred Outflows of Resources</b>			
Relating to pensions (Note 6C)	—		1,954,424
Relating to OPEB	—		885,055
Total deferred outflows of resources	<u>—</u>		<u>2,839,479</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	—		1,928,472
Accrued payroll and other accrued expenses	—		216,682
Compensated absences	—		784,767
Total current liabilities	<u>—</u>		<u>2,929,921</u>
Noncurrent liabilities			
Net OPEB liability (Note 6C)	—		2,991,107
Net pension liability	—		12,220,050
Total noncurrent liabilities	<u>—</u>		<u>15,211,157</u>
Total liabilities	<u>—</u>		<u>18,141,078</u>
<b>Deferred Inflows of Resources</b>			
Relating to pensions (Note 6C)	—		522,532
Relating to OPEB	—		2,944,331
Total deferred inflows of resources	<u>—</u>		<u>3,466,863</u>
<b>Net Position</b>			
Net investment in capital assets	—		75,953,205
Restricted (Net OPEB Assets)	—		488,503
Unrestricted	3,805		4,713,057
Total net position	<u>\$ 3,805</u>	<u>\$</u>	<u>81,154,765</u>

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

**Arizona Department of Transportation**  
**Statement of Revenues, Expenses, and Changes in**  
**Fund Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2023**

**Exhibit 6**

	Business-type Activities - Enterprise Fund		Highway Expansion and Extension Loan Program Fund	Governmental Activities- Internal Service Fund
<b>Operating Revenues</b>				
Sales and charges for services	\$	—	\$	56,389,592
Other		—		1,311,164
Total operating revenues		—		57,700,756
<b>Operating Expenses</b>				
Publication and promotional cost		—		14,332
Repair and maintenance		—		6,743,826
Fuel and lubricants		—		19,849,549
Salaries and related benefits		—		15,728,774
Shipping and postage		—		19,806
Supplies		—		155,940
Equipment purchase and rental		—		185,537
Professional and outside services		—		2,860,071
Travel		—		67,307
Depreciation		—		14,423,273
Other		—		1,496,107
Total operating expenses		—		61,544,522
Operating loss		—		(3,843,766)
<b>Nonoperating Income (Expenses)</b>				
Income from investments		119		65,722
Loss on sale/disposal of capital assets		—		(756,601)
Distributions from other State agencies		—		2,392,694
Total nonoperating revenues (expenses)		119		1,701,815
Income (loss) Before Contributions and Transfers		119		(2,141,951)
Capital contributions		—		9,051,149
Change in net position		119		6,909,198
Net position, beginning of year		3,686		74,245,567
<b>Net position, end of year</b>	<b>\$</b>	<b>3,805</b>	<b>\$</b>	<b>81,154,765</b>

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, 2023**

**Exhibit 7**

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund		
<b>Cash flows from operating activities:</b>			
Receipts from other Funds	\$ —	\$	55,699,861
Payments to suppliers	—		(29,772,977)
Payments to employees	—		(15,583,664)
Other receipts	—		1,311,164
Net cash provided by operating activities	—		11,654,384
<b>Cash flows from non-capital financing activities</b>			
Distributions from other state agencies	—		2,392,694
Net cash provided by non-capital financing activities	—		2,392,694
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from sale of capital assets	—		2,049,376
Acquisition of capital assets	—		(13,440,498)
Net cash used by capital and related financing activities	—		(11,391,122)
<b>Cash flows from investing activities:</b>			
Income from investments	119		65,722
Net cash provided by investing activities	119		65,722
Net increase <decrease> in cash	119		2,721,678
Cash - July 1	3,686		15,098,471
Cash - June 30	\$ 3,805	\$	17,820,149

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, 2023**

**Exhibit 7  
- continued**

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund
	Highway Expansion and Extension Loan Program Fund		
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>			
Operating loss	\$	—	\$ (3,843,766)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		—	14,423,273
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
Other receivables		—	(293,951)
Interagency receivables		—	316,698
Inventories		—	10,844
Deferred outflows of resources		—	905,289
Accounts payable		—	1,541,347
Interfund payable		—	(712,478)
Accrued payroll and other accrued expenses		—	36,141
Compensated absences		—	8,344
Net OPEB asset		—	(67,244)
Net OPEB liability		—	(606,629)
Net pension liability		—	2,256,530
Deferred inflows of resources		—	(2,320,014)
Total adjustments		—	15,498,150
Net cash provided by operating activities	\$	—	\$ 11,654,384
<b>Non-cash capital and financing activities:</b>			
Certain vehicles were contributed to the Equipment Revolving Fund by the General Fund		—	9,051,149
Total Noncash Capital and Financing Activities	\$	—	\$ 9,051,149

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

# Notes to Financial Statements



**Arizona Department of Transportation**  
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**June 30, 2023**

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**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2023**

**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

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2023**

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 collected 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



**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
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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. Monies are collected under Prop 400, which is a 1/2 cents sales tax that was approved by voters in November 2004; set with an effective date of January 1, 2006 through December 31, 2025. 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 Freeway Program.

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 (HELP)* is an innovative financing mechanism to administer funds designated to provide loan and credit enhancement assistance to sponsors of local transportation projects. The program is inactive as of June 30, 2023. 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

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
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Revolving Fund to the other governmental functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services, 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 Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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, 2023, 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 1.03 years while for investment pool 3 was 1.28 years, and for investment pool 4 it was 1.78 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 pools and these investments are not shown in the Department's name. From the perspective of the Department,

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2023**

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, 2023, the carrying amount of the Department's cash on deposit with the State Treasurer (unrestricted and restricted) totaled \$3,269,452,868. Of this amount, \$3,099,293,070 was invested in the State Agency's pool numbers 2, 3 and 4. The remaining \$170,159,798 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. There are no Advances outstanding as of June 30, 2023.

Notes receivable represents loans made to parties purchasing assets previously owned by the Department for highway construction purposes. There are no Notes receivable outstanding as of June 30, 2023.

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.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
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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 acquisition 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/amortizes non-infrastructure capital assets/computer software 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
Computer software	10 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.

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets by the Department that applies to future periods, and therefore will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources increase net position, similar to assets. More detailed information regarding deferred outflows of resources can be found in the applicable footnotes to which such deferred outflows of resources applies.

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 not received during the period of availability.

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

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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 effective interest 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 to the Department for highway road construction projects and accrued relocation costs. No intergovernmental advances are outstanding as of June 30, 2023.

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to future periods, and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources decrease net position or fund balance, similar to liabilities. More detailed information regarding deferred inflows of resources can be found in the applicable footnotes to which such deferred inflows of resources applies.

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.

*Net investment in capital assets* – describes that portion that cannot be spent because of the illiquid nature of capital assets. This amount is presented net of all outstanding debt and deferred outflows/inflows of resources related to the acquisition and/or construction of capital assets. Although most items included in the calculation of *Net investment in capital assets* can be traced to specific line items in the financial statements and/or notes to the financial statements, accrued payables related to capital asset purchases are included in the line item "Accounts payable" in Exhibit 1, which also includes payables related to operating expenses. The amount of accrued payables related to capital purchases included in overall Accounts payable is \$28,857,285.

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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).

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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 non-operating 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 non-operating.

Other Financing Sources (Uses)

Other financing sources are additions to the governmental fund balances in the fund financial statements and include resources and financing provided by bond issuance, sale of capital assets, lease proceeds 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.



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**2) Funds by Classification**

**Funds**

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

<b>FUND TYPES</b>	
<b>MAJOR FUNDS</b>	<b>NONMAJOR FUNDS</b>
<i>Governmental Funds</i>	<i>Special Revenue Funds</i>
General Fund (State Highway Fund)	State Aviation Fund
Special Revenue Funds:	Motor Vehicle Liability Insurance
Maricopa Regional Area Road	Enforcement Fund
Construction Fund	Motor Vehicle Inspection and Title
Motor Vehicle Division Clearing Fund	Enforcement Fund
Highway User Revenue Fund	Motor Carrier Safety Revolving Fund
Debt Service Fund	Economic Strength Project Fund
Capital Projects Fund	Grant Anticipation Notes Fund
<i>Proprietary Funds</i>	Local Agency Deposits Fund
Enterprise Fund:	<i>Internal Service Fund:</i>
Highway Expansion and Extension	Equipment Revolving Fund
Loan Program 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.

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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, 2023, the Department implemented the provisions of the following GASB pronouncements:

- GASB Statement No. 91, Conduit Debt Obligations - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- GASB Statement No. 99, Omnibus 2022 - The requirements of this Statement address a number of topic areas, such as, clarification of provisions of Statement No. 87 on Leases, clarification of provisions in Statement No. 94 on Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and clarification of provisions in Statement No. 96 on Subscription-Based Information Technology Arrangements. These clarifications are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

This Statement also extended the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate, and addressed accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, and provided clarification of certain provisions in Statement 34, and provided terminology updates related to Statements 53 and 63 (Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position). These updates are effective upon the issuance by GASB.

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Statement No. 99 also addressed the classification and reporting of derivative instruments within the scope of Statement No. 53. This update will be effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- Implementation Guide No. 2020-1, This implementation guidance update included questions for Statement No. 87 on Leases, and Statement No. 91 on Conduit Debt, which became effective for fiscal years beginning after December 15, 2021, and all reporting periods thereafter.
- Implementation Guide No. 2021-1, This implementation guidance update for 2021 is effective at various times depending on the question. All questions are effective by ADOT’s fiscal year 2023, except for question 5.1 on a government’s capitalization policy.

The implementation of the above GASB Statements and other authoritative guidance 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	\$	24,847,284,036
Capital assets subject to depreciation		248,833,326
		25,096,117,362
Less: Internal Service Fund (Equipment Revolving Fund) capital assets		(75,953,205)
	\$	25,020,164,157

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2. Deferred outflows of resources are not reported in the governmental funds, but are reported in the government-wide Statement of Net Position. The detail for the difference is as follows:

Deferred outflows of resources related to pensions	\$	42,495,152
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to pensions		(1,954,424)
		40,540,728
Deferred outflows of resources-loss on debt refunding		35,777,591
Deferred outflows of resources relating to OPEB		17,385,356
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to OPEB		(885,055)
		16,500,301
	\$	92,818,620

3. OPEB liabilities are as follows:

Net OPEB liability	\$	(58,764,377)
Less: Internal Service Fund (Equipment Revolving Fund) net OPEB liability		2,991,107
		\$ (55,773,270)

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	\$	(267,359,611)
Less: Internal Service Fund (Equipment Revolving Fund) net pension liability		12,220,050
		\$ (255,139,561)

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)	\$	(1,562,583,595)
Compensated absences		(21,207,623)
Accrued Relocation Costs		(27,341,721)
	\$	(1,611,132,939)

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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	\$	(11,432,360)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to pensions		522,532
		(10,909,828)
Deferred inflows of resources related to OPEB		(57,637,654)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to OPEB		2,944,331
		(54,693,323)
Deferred inflows of resources gain on debt refunding		(39,254,963)
	\$	(104,858,114)

7. Net OPEB assets are not reported in the funds:

Net OPEB assets	\$	9,234,458
Less: Internal Service Fund (Equipment Revolving Fund) Net OPEB asset		(488,503)
	\$	8,745,955

**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:

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Capital outlay	\$	496,753,659
Assets removed from service, net of accumulated depreciation		(24,916,356)
Capitalized relocation costs for the South Mountain Project accrued as a long term liability		27,341,721
AP Settlement Accrual FY22		(669,000)
Less: depreciation expense - governmental funds		(13,776,004)
Less: Prior Year Relocation Costs and Condemnation Judgment - government wide		(34,182,046)
Miscellaneous		1,590,123
	<u>\$</u>	<u>452,142,097</u>

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

Debt issued or incurred:

Net Change in accrued relocation costs	\$	6,840,325
	<u>\$</u>	<u>6,840,325</u>

Principal repayments

Highway Revenue Bonds	\$	99,300,000
Transportation Excise Tax Revenue Bonds		124,400,000
Grant Anticipation Notes		21,800,000
Amortization of premium and discount		34,453,763
Amortization of net deferred losses on refunding		3,313,321
	<u>\$</u>	<u>283,267,084</u>

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

Internal Service Fund (Equipment Services Revolving Fund)

Changes in net position	\$	6,909,198
	<u>\$</u>	<u>6,909,198</u>

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 Liability 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 liability adjusted for changes in

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

Pension contributions	\$	24,037,322
Pension expense		(27,100,891)
		<u>(3,063,569)</u>
OPEB expense, net of Internal Service Fund	\$	<u>(2,246,433)</u>

5. Some items reported in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported in the governmental funds. The details are as follows:

Certain noncurrent liabilities do not require the use of current financial resources, and, therefore, are not reported in the funds	\$	115,454
Net change in accrued relocation/condemnation reimbursement revenue does not provide current financial resources, and, therefore, is not reported in the funds		(6,450,426)
Compensated absences		<u>(1,677,235)</u>
		<u>(8,012,207)</u>

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**5) Detailed Notes on All Funds and Activities**

**A. Capital Assets**

Capital assets activity for the year ended June 30, 2023, was as follows:

	July 1, 2022			June 30, 2023	
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Governmental Activities</i>					
Capital assets, not being depreciated					
Land	\$ 3,636,607,872	\$ 106,808,149	\$ (20,521,525)	\$ —	\$ 3,722,894,496
Infrastructure	16,856,741,678	—	—	86,086,342	16,942,828,020
Construction in progress	3,896,531,155	371,116,707	—	(86,086,342)	4,181,561,520
Total capital assets, not being depreciated	<u>24,389,880,705</u>	<u>477,924,856</u>	<u>(20,521,525)</u>	<u>—</u>	<u>24,847,284,036</u>
Capital assets, being depreciated/ amortized					
Buildings and improvements	222,671,647	473,430	—	—	223,145,077
Improvements other than buildings	40,861,707	49,945	—	—	40,911,652
Computer software	80,622,704	—	—	—	80,622,704
Machinery and equipment	43,837,994	1,663,612	(3,061,143)	—	42,440,463
Mobile fleet and aircraft	218,549,547	30,247,714	(6,753,094)	—	242,044,167
Total capital assets, being depreciated	<u>606,543,599</u>	<u>32,434,701</u>	<u>(9,814,237)</u>	<u>—</u>	<u>629,164,063</u>
Less accumulated depreciation/ amortization for					
Buildings and improvements	(138,962,574)	(3,842,085)	—	—	(142,804,659)
Improvements other than buildings	(24,021,598)	(738,094)	—	—	(24,759,692)
Computer software	(10,050,227)	(8,062,270)	—	—	(18,112,497)
Machinery and equipment	(35,980,598)	(2,338,030)	1,391,941	—	(36,926,687)
Mobile fleet and aircraft	(148,063,043)	(13,218,798)	3,554,639	—	(157,727,202)
Total accumulated depreciation	<u>(357,078,040)</u>	<u>(28,199,277)</u>	<u>4,946,580</u>	<u>—</u>	<u>(380,330,737)</u>
Total capital assets, being depreciated, net	<u>249,465,559</u>	<u>4,235,424</u>	<u>(4,867,657)</u>	<u>—</u>	<u>248,833,326</u>
Governmental activities capital assets, net	<u>\$ 24,639,346,264</u>	<u>\$ 482,160,280</u>	<u>\$ (25,389,182)</u>	<u>\$ —</u>	<u>\$ 25,096,117,362</u>



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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	\$ 477,924,856
Capital asset additions subject to depreciation	32,434,701
	510,359,557
Add: Accrued relocation costs (long-term liability) added in prior fiscal year	34,182,046
Less: Internal Service Fund (Equipment Services Fund) asset additions	(19,525,100)
Accrued relocation costs (long-term liability)	(27,341,721)
Accrued AP Project Settlement recorded directly to capital assets	669,000
Adjustments related to capital outlay and capital asset additions timing differences	(1,590,123)
	\$ 496,753,659

Depreciation expense was charged to functions/programs as follows:

<i>Governmental activities</i>	
Administration	\$ 1,377,010
Highway	984,476
Highway maintenance	1,600,417
Motor vehicle	9,814,101
	13,776,004
Capital assets held by the Department's internal service fund are charged to the various functions based on their usage of the assets	14,423,273
	\$ 28,199,277

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**B. Construction Commitments**

The Department's outstanding commitments for contracts at June 30, 2023, were \$3.4 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	\$ 223,341,346
State highways	
Construction	1,744,767,798
Design	347,265,551
Right of way	521,393,465
Utilities	41,109,117
Planning and research	139,976,176
Other	339,063,899
	\$ 3,356,917,352

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

The balances of current interfund receivables and payables as of June 30, 2023, were:

Receivables	Payables		Amount
Governmental activities			
General Fund (State Highway Fund)	Highway User Revenue Fund	\$	130,873,918
	Motor Vehicle Division Clearing Fund		9,759,435
Motor Vehicle Division Clearing Fund	General Fund (State Highway Fund)		2,387,614
	Highway User Revenue Fund		17,206,814
	Non-major governmental Funds		25,223
Highway User Revenue Fund	Motor Vehicle Division Clearing Fund		43,816,446
Non-major governmental Funds	Motor Vehicle Division Clearing Fund		623,083
			\$ 204,692,533

The General Fund (State Highway Fund) receivable of \$130.9 million is an accrual for fuel taxes and vehicle license tax imposed in fiscal year 2023 from the Highway User Revenue Fund that will be collected in fiscal year 2024.

The Motor Vehicle Division Clearing Fund receivable of \$17.2 million is an accrual for vehicle license taxes due in fiscal year 2023 from the Highway User Revenue Fund that will be collected in fiscal year 2024.

The Highway User Revenue Fund receivable of \$43.8 million is an accrual for vehicle license taxes due in fiscal year 2023 from the Motor Vehicle Division Clearing Fund that will be collected in fiscal year 2024.

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Interfund transfers for the year ended June 30, 2023, consisted of the following:

	Transfers To		
	Debt Service Fund	Motor Vehicle Inspection and Title Enforcement Fund	Total
<u>Transfers from</u>			
General Fund (State Highway Fund)	\$ 135,486,112	\$ —	\$ 135,486,112
Maricopa Regional Area Road Fund	141,497,698	—	141,497,698
Non-major Governmental Funds	29,985,250	350,000	30,335,250
Total Debt Service Fund	\$ 306,969,060	\$ 350,000	\$ 307,319,060

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/Financed Purchases**

**Leases - Department as Lessor**

ADOT is the Lessor of Cell tower site leases that convey control of the right to use the land on which the tower is placed or the connection point to which the antenna is affixed. A Master Lease agreement for limited access right of way for cell towers is entered into by the parties pursuant to A.R.S. 28-7382.B and is approved by the State Transportation Board. The Site Agreements fully describe the lease of each Site. The Site Agreement is incorporated into the Master Lease, unless otherwise set forth in the individual Site Agreement.

Most agreements are for a five (5) year term and automatically renew every five (5) years for a total of twenty (20) years. Lease rates are calculated using the annual rate for the last five (5) year period increased by an amount equal to the change in Consumer Price Index (CPI), or increased by a fixed percentage.

At the commencement of a lease, ADOT initially measures the lease receivable at the present value of payments expected to be received during the initial lease term. Present Value is calculated using the State of Arizona incremental borrowing rate provided by GAO.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis.

ADOT recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

**Arizona Department of Transportation**  
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The Department recognized lease revenue during the year as follows:

Lease revenue	\$	2,038,727
Interest revenue		543,280
Total lease revenue	\$	<u>2,582,007</u>

Future lease payments included in the lease receivable are as follows:

Fiscal Year	Principal	Interest	Total Payment
2024	\$ 1,163,579	\$ 518,239	\$ 1,681,818
2025	1,255,483	491,831	1,747,314
2026	1,317,183	463,330	1,780,513
2027	1,278,269	433,445	1,711,714
2028	1,204,343	404,457	1,608,800
2029-2033	7,192,215	1,580,259	8,772,474
2034-2038	7,858,193	702,188	8,560,381
2039-2043	1,599,219	68,569	1,667,788
2044	40,548	924	41,472
Totals	<u>\$ 22,909,032</u>	<u>\$ 4,663,242</u>	<u>\$ 27,572,274</u>

**Leases - Department as Lessee**

The Department has entered into lease agreements as lessee for financing the acquisition of various vehicles, equipment, and modular buildings. These agreements transfer ownership of the underlying assets upon execution, and, therefore, are not subject to the requirements of GASB Statement No. 87, *Leases*. Such lease agreements, if material, are accounted for as financed purchases subject to the requirements of authoritative GAAP existing prior to GASB 87. Leases are not material to the Department's financial statements, and, therefore, are not reported herein.

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**E. Noncurrent Liabilities**

**Arizona Transportation Board Highway Revenue Bonds-Public Offerings**

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 \$988.1 million.

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.

**Arizona Department of Transportation**  
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Highway Revenue Bonds currently outstanding are as follows:

**Outstanding Highway Revenue Bonds**  
**As of June 30, 2023**

Maturity (7/1)	Series 2015		Series 2016		Series 2020	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
2024	\$ 25,985,000	5.000%			\$ 76,370,000	1.958%
2025	27,280,000	5.000%			67,860,000	2.058%
2026	28,650,000	5.000%	\$ 6,605,000	5.000%	53,435,000	2.174%
2027	30,085,000	5.000%	18,615,000	5.000%	34,785,000	2.224%
2028	31,585,000	5.000%	19,545,000	5.000%	35,555,000	2.362%
2029	33,160,000	5.000%	20,530,000	5.000%	36,400,000	2.412%
2030	34,820,000	5.000%	21,550,000	5.000%	37,280,000	2.462%
2031	36,565,000	5.000%	22,625,000	5.000%		
2032	38,385,000	5.000%	19,535,000	5.000%	3,045,000	2.662%
2033	40,305,000	5.000%	24,905,000	5.000%		
2034			26,150,000	5.000%		
2035			10,205,000	5.000%	16,940,000	2.912%
2036			10,715,000	5.000%		
2037						
2038					53,980,000	3.166%
<b>Totals</b>	<b>\$ 326,820,000</b>		<b>\$ 200,980,000</b>		<b>\$ 415,650,000</b>	

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

Fiscal year ending June 30,	Highway Revenue Bonds		
	Principal	Interest	Total
2024	\$ 102,355,000	\$ 36,136,147	\$ 138,491,147
2025	95,140,000	33,341,572	128,481,572
2026	88,690,000	30,581,014	119,271,014
2027	83,485,000	27,656,587	111,141,587
2028	86,685,000	24,447,968	111,132,968
2029-2033	369,105,000	70,903,365	440,008,365
2034-2038	117,990,000	11,793,639	129,783,639
	<b>\$ 943,450,000</b>	<b>\$ 234,860,292</b>	<b>\$ 1,178,310,292</b>

The Department has pledged future motor vehicle and related fuel fees and taxes to repay \$943.5 million in outstanding Highway Revenue Bonds issued since 2015. 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 \$1.2 billion. Principal and interest paid for the current year and total pledged revenues were \$137.4 million and \$829.7 million respectively. The annual principal and interest payments on the bonds required 16.6% of the pledged revenues.

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**Bond Issuance**

ADOT has not issued any bonds during fiscal year 2023.

**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 \$377.5 million.

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

Maturity (7/1)	2014 Series		2016 Series		2018 Series		2021 Series (Direct Placement)	
	Principal	Coupon	Principal	Coupon	Principal	Coupon	Principal	Coupon
2024	\$ 76,800,000	4.00 %	\$ 13,015,000	5.00 %	\$ 40,805,000	5.00 %		
2025	63,675,000	5.00 %	15,660,000	5.00 %	43,130,000	5.00 %	\$ 14,670,000	0.78 %
Totals	<u>\$140,475,000</u>		<u>\$ 28,675,000</u>		<u>\$ 83,935,000</u>		<u>\$ 14,670,000</u>	

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

Fiscal year ending June 30,	Transportation Excise Tax Revenue Bonds		
	Principal	Interest	Total
2024	\$ 130,620,000	\$ 12,768,676	\$ 143,388,676
2025	137,135,000	6,237,676	143,372,676
	<u>\$ 267,755,000</u>	<u>\$ 19,006,352</u>	<u>\$ 286,761,352</u>

The Department has pledged future transportation excise taxes to repay \$267.8 million in outstanding Transportation Excise Tax Revenue Bonds and direct placements issued since 2014. 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 \$286.8 million. Principal and interest paid for the current year and total pledged revenues were \$143.4 million and \$481.7 million, respectively. The annual principal and interest payments on the bonds required 29.8% of the pledged revenues.

**Arizona Transportation Board Transportation Excise Tax Revenue Bond-Direct Placement**

The Transportation Board negotiated a direct placement with Wells Fargo Bank, National Association, on July 8, 2021 to mature in 2025 as described above.

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**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 \$163.7 million.

Grant Anticipation Notes currently outstanding are as follows:

Maturity (7/1)	Series 2016		Series 2017A		Series 2019A	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
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	<u>\$ 48,650,000</u>		<u>\$ 43,275,000</u>		<u>\$ 49,980,000</u>	

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

Fiscal year ending June 30,	Grant Anticipation Notes		
	Principal	Interest	Total
2024	\$ 22,875,000	\$ 7,095,250	\$ 29,970,250
2025	24,020,000	5,951,500	29,971,500
2026	25,220,000	4,750,500	29,970,500
2027	8,610,000	3,489,500	12,099,500
2028	9,040,000	3,059,000	12,099,000
2029-2033	46,405,000	8,040,500	54,445,500
2034	5,735,000	286,750	6,021,750
	<u>\$ 141,905,000</u>	<u>\$ 32,673,000</u>	<u>\$ 174,578,000</u>

The Department has pledged federal revenues to repay \$141.9 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 \$174.6 million. Principal and interest paid for the current year and total



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pledged revenues were \$30.0 million and \$909.3 million, respectively. The annual principal and interest payments on the bonds required 3.3% of the pledged revenues.

**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.

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**Changes in Noncurrent Liabilities**

The activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023	Due Within One Year
<i>Governmental activities</i>					
Bonds and notes					
Highway Revenue bonds	\$ 988,100,000	\$ —	\$ (44,650,000)	\$ 943,450,000	\$ 102,355,000
Transportation Excise Tax Revenue bonds	377,485,000	—	(124,400,000)	253,085,000	130,620,000
Grant Anticipation notes	163,705,000	—	(21,800,000)	141,905,000	22,875,000
Highway Revenue Bonds Direct Placement	54,650,000	—	(54,650,000)	—	—
Transportation Excise Tax Revenue Bonds Direct Placement	14,670,000	—	—	14,670,000	—
Unamortized premium on bonds	243,927,358	—	(34,453,763)	209,473,595	38,507,628
Total bonds and notes	<u>1,842,537,358</u>	<u>—</u>	<u>(279,953,763)</u>	<u>1,562,583,595</u>	<u>294,357,628</u>
Compensated absences	20,306,811	15,291,451	(13,605,872)	21,992,390	13,605,872
Utility and railroad settlement accrual	786,021	—	(786,021)	—	—
Accrued relocation costs	\$ 34,182,046	\$ 41,357,010	\$ (48,197,335)	\$ 27,341,721	\$ 11,081,731
Total governmental activities	<u>\$ 1,897,812,236</u>	<u>\$ 56,648,461</u>	<u>\$ (342,542,991)</u>	<u>\$ 1,611,917,706</u>	<u>\$ 319,045,231</u>

Utility and railroad settlement accruals represent estimates of unpaid amounts due to vendors in which the Department has agreed to settle disputed amounts for work performed on road construction projects.

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, \$785 thousand of the Internal Service Fund's compensated absences is included in the above amounts.

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.

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**F. Fund Balances**

The fund balance classifications of the governmental funds as of June 30, 2023, 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
<b>Fund Balances</b>							
<b>Nonspendable</b>							
Inventories	\$ 474,851	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 474,851
Total nonspendable	<u>474,851</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>474,851</u>
<b>Restricted for</b>							
Highway	231,456,307	563,794,120	—	—	89,728	—	795,340,155
Debt Service	217,335,213	146,431,223	—	832,053	—	—	364,598,489
Aid to local governments	69,503,499	43,409,359	—	—	—	55,967,440	168,880,298
Motor vehicle	1,898,315	—	—	—	—	—	1,898,315
Total restricted	<u>520,193,334</u>	<u>753,634,702</u>	<u>—</u>	<u>832,053</u>	<u>89,728</u>	<u>55,967,440</u>	<u>1,330,717,257</u>
<b>Committed to</b>							
Administration	—	—	—	—	—	102,765,937	102,765,937
Highway	707,249,155	—	—	—	—	—	707,249,155
Highway maintenance	996,555,120	—	—	—	—	—	996,555,120
Motor vehicle	—	—	—	—	—	3,474,789	3,474,789
Total committed	<u>1,703,804,275</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>106,240,726</u>	<u>1,810,045,001</u>
<b>Unassigned</b>							
	<u>—</u>	<u>—</u>	<u>(8,128,423)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,128,423)</u>
Total fund balances	<u>\$2,224,472,460</u>	<u>\$ 753,634,702</u>	<u>\$ (8,128,423)</u>	<u>\$ 832,053</u>	<u>\$ 89,728</u>	<u>\$ 162,208,166</u>	<u>\$ 3,133,108,686</u>

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

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**6) Other Information**

**A. Interstate 10 Broadway Curve Project and South Mountain Freeway Maintenance Contract**

**Interstate 10 Broadway Curve Project**

On January 5, 2021 the Department entered into a design-build contract totaling \$615.6 million with Pulice Construction, Inc. FNF Construction, Inc., and Flatiron Constructors, Inc. (PFF) Joint Venture for the design and construction of the I-10 Broadway Curve: I-17 (Split) to SR202 Freeway widening project. Although supplemental agreements totaling \$6.9 million have since been added, the total developer contract has been reduced due to utility expenses to be paid directly to Salt River Project by the Department instead of the through the developer.

The I-10 Broadway Curve Project is mainly located on I-10 between milepost (MP) 149.5 and MP 160.5 in Maricopa County, Arizona within the cities of Phoenix, Tempe, Chandler, and the town of Guadalupe. I-10 is a key component of the National Highway System and a major element of the MAG-adopted Regional Transportation Plan Freeway Program. The Project also includes segments of 48th Street/SR 143, from Broadway Road to the south bank of the Salt River and US 60 from I-10 to Hardy Drive. Pre-construction activities and preparation began early 2021. Construction began in the fall 2021 and the anticipated project completion date is late fall 2024.

**Cost and Funding Sources**

The anticipated cost of this project is approximately \$843.3 million, including capital asset replacement and routine maintenance costs, but not including financing costs as shown in the schedule below. 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	\$	604,543,619
Construction Management, Other Utilities & Contingency		84,871,503
SRP - Utilities paid by ADOT (from contingency)		17,261,573
SRP - Utilities paid by ADOT (now separate from developer costs)		18,000,000
Local construction funding		1,032,620
Preliminary engineering and right of way		117,601,747
Total anticipated cost of project	<u>\$</u>	<u>843,311,062</u>

Actual cost incurred by the Department through June 30, 2023 for this project is \$462.5 million.

Anticipated funding for the I-10 Broadway Curve Freeway widening Project will be provided from the following sources (in millions):

Regional Area Road Fund (1/2 - cent sales tax)	\$	326
Federal Funds		516
Local JPAs		1
Total funding by source	<u>\$</u>	<u>843</u>

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**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 Annual Comprehensive 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.

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**C. Pension - Retirement 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](http://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 Eligibility for full retirement benefits	
	Before July 1, 2011	On or after July 1, 2011
Years of service plus age required to receive full Retirement benefits	Sum of credited service years plus age equals 80 10 years of credited service, at age 62 Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 Any years, age 65
Early Retirement	5 years of service, at age 50*	5 years of service, at age 50*
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 Permanent Benefit Increases (PBI) 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 PBI is paid. As of June 30, 2021, there is a \$125.0 million balance in the reserve for future PBIs, however, this amount will not create PBIs in the current year per the above statute. Pursuant to A.R.S. § 38-767, retired members with at least 10 years of service who have been retired five or more years are eligible for an enhanced permanent benefit increase. For each complete five-year period the member has been retired, an incremental benefit is paid if monies to pay the benefit are available. This benefit is funded by an interest credit of 8% of the reserve for future PBIs.

Members with a membership date on or after September 13, 2013, are not eligible for PBIs. Survivor benefits are payable upon a member's death. For retired members, the retirement

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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, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% for retirement and 0.14% 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 12.17% (11.92% for retirement, 0.11% for the health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll. In addition, the Department was required by statute to contribute at the actuarially determined rate of 9.68% (9.62% for retirement, 0.00% 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, 2023, were \$25,201,306.

During the fiscal year ended June 30, 2023, the Department paid for ASRS pension contributions as follows: 91% from the General Fund (State Highway Fund), 3% from major funds, and 6% from other non-major funds.

The Department's total covered payroll for fiscal year 2023 was \$211,420,349. 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 2023 was \$25,201,306 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.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2023**

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, 2023, 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	\$ 267,359,611
Deferred outflows of resources	17,293,846
Deferred inflows of resources	(11,432,360)
Pension expense	27,424,466

Changes in the Department's net pension liability during the fiscal year ended June 30, 2023, were as follows:

	Governmental Activities
Beginning balance	\$ 220,920,611
Increases	164,480,634
Decreases	(118,041,634)
Ending balance	<u>\$ 267,359,611</u>

*Pension Liability* – At June 30, 2023, the Department reported a liability of \$267.4 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022 using generally accepted actuarial procedures.

The Department's reported liability at June 30, 2023, increased by \$46.4 million from the prior year liability of \$220.9 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, 2022. The Department's proportion measured as of June 30, 2022, was 1.63801, which was an decrease of 0.04% from its proportion measured as of June 30, 2021.

The actuarial assumptions presented herein pertain to assumptions utilized for financial reporting requirements and differ from the assumptions utilized for funding purposes. The principal differences between the actuarial assumptions for financial reporting purposes and those utilized for funding purposes are the amortization methodology and valuation of assets. The actuarial assumptions were selected on the basis of an experience study which was performed for the five-year period ending June 30, 2020. The ASRS Board adopted the experience study which recommended changes, and those changes were effective as of the June 30, 2021 actuarial valuation. An experience study adopted in July of 2021 was utilized in the roll forward of the actuarial valuation.



**Arizona Department of Transportation**  
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*Pension Expense and Deferred Outflows/Inflows of Resources* – For the year ended June 30, 2023, the Department recognized pension expense from ASRS of \$27.4 million. This amount excludes current year contribution deferrals and the Department's internal change in proportion. At June 30, 2023, 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	\$ 2,278,063	\$ —
Change in Assumptions	13,269,574	—
Difference between projected and actual earnings on pension plan investment earnings		(7,042,511)
Changes in proportion and differences between State contributions and proportionate share of contributions	1,746,209	(4,389,849)
Contributions subsequent to the measurement date	25,201,306	—
Total	<u>\$ 42,495,152</u>	<u>\$ (11,432,360)</u>

The \$25,201,306 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, 2024 (measurement date June). 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
2024	\$ 12,099,898
2025	(5,282,828)
2026	(12,227,454)
2027	11,271,870

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

Actuarial valuation date	6/30/2021
Actuarial roll forward date	6/30/2022
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Investment rate of return (Discount Rate)	7.0%
Projected salary increases	2.9 - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2022, valuation was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures to June 30, 2022.

The long-term expected real return on ASRS pension plan investments was determined to be 4.19% using a building block method in which best-estimate ranges of expected future real

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2023**

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	Real Return Geometric Basis	Long-Term Contribution to Expected Real Return
Equity	50%	3.90%	1.95%
Credit	20%	5.30%	1.06%
Interest Rate Sensitive Bonds	10%	(0.20)%	(0.02)%
Real estate	20%	6.00%	1.20%
Total	<u>100%</u>		<u>4.19%</u>

*Discount Rate* – As of June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB 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 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$394,481,159	\$267,359,611	\$161,360,102

*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](http://www.azasrs.gov/content/annual-reports).

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2023**

**D. Subsequent Events**

**Bond Issuances**

On September 20, 2023, the Transportation Board issued \$351.4 million of Highway Revenue Refunding Bonds Series 2023 (Series 2023 bonds), with an interest rate of 5% and serial maturities ranging from 2024 to 2033. Net proceeds totaled \$302.6 million, after receipt of original issue premium of \$31.5 million, less underwriters' discount of \$603 thousand and payment of \$1.4 million of issuance costs. Net proceeds are intended to be used to finance portions of the Arizona Transportation Board's Five-Year Capital Program and to repurchase, in a tender offer, certain outstanding Series 2020 Highway Revenue Bonds that totaled \$78.3 million. The 2023 Series Bonds are not subject to redemption prior to maturity.

**Other Events**

Senate Bill 1102, Chapter 203, extends the transportation excise tax by adding statute 42-6105.01. The tax is extended at the same rate of .005 cents with the same term (20 years) that it is currently levied under Prop 400 and would take effect beginning on January 1, 2026 if Maricopa County voters approve it.

# 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, 2023**

**Budgetary Comparison Schedule  
General Fund (State Highway Fund) – Budgetary Basis  
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Actual
	Original	Final	Amounts	Positive (Negative)
Expenditures appropriated by State legislature in 2023 budget				
Department of Transportation	\$ 482,905,100	\$ 516,951,300	\$ 444,206,036	\$ 72,745,264
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			53,665,767	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			(3,124,803)	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			55,417,302	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			708,239,220	
Distributions to Arizona counties and cities			105,403,189	
Distributions to other state agencies			52,623,687	
3rd Party MVD fees			<u>48,114,322</u>	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (General Fund) - Exhibit 4			<u>\$ 1,464,544,720</u>	

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

**Arizona Department of Transportation**  
**Required Supplementary Information**  
**June 30, 2023**

**Note to Required Supplementary Information**

**1. Budgets and Budgetary Accounting**

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

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

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

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

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

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2023**

**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 9,435 center line miles (22,472 travel lane miles) of roads and 4,930 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 2023 and beyond was adopted by the Transportation Board on June 17, 2022.

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.

**Arizona Department of Transportation**  
**Required Supplementary Information**  
**June 30, 2023**

**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:

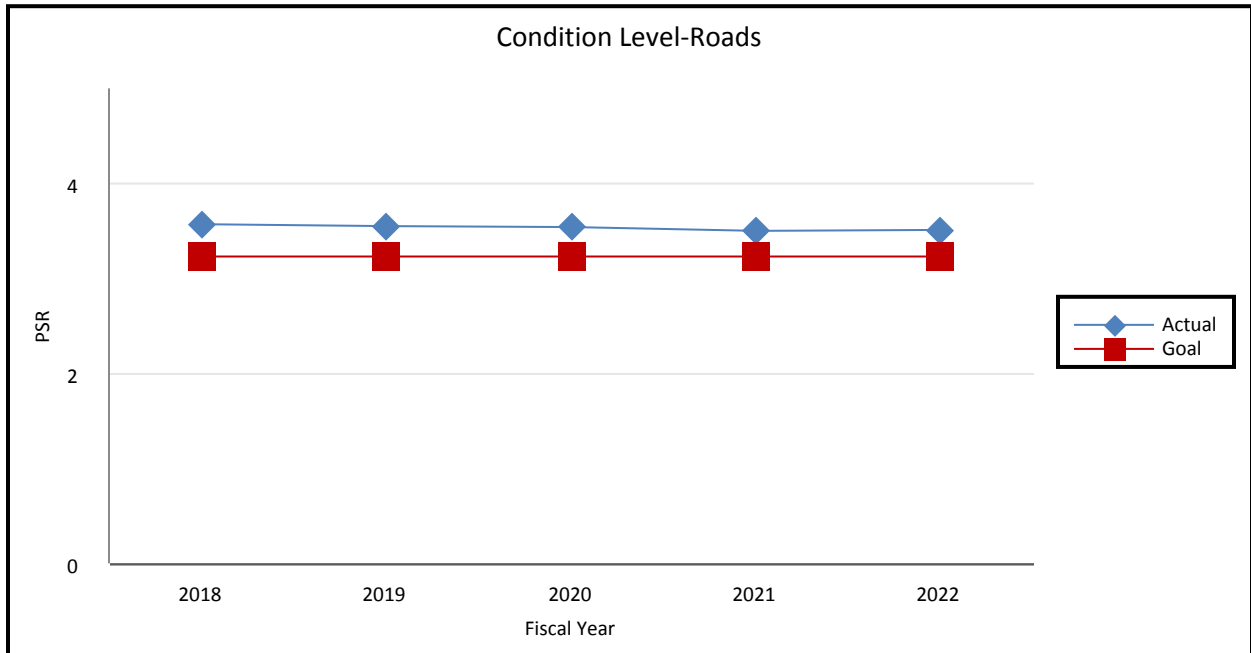
Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

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 2023, an overall rating of 3.51 was achieved, as shown in the following graph:



**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2023**

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 2019 through 2023 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2019	\$364.6	\$231.0
2020	\$509.0	\$294.0
2021	\$371.2	\$209.4
2022	\$845.8	\$374.4
2023	\$1,317.3	\$691.5

**Arizona Department of Transportation**  
**Required Supplementary Information**  
**June 30, 2023**

**Bridges**

The Department's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2023, the Department owned and maintained 4,930 bridges with an approximate total deck area of 46,576,316 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).

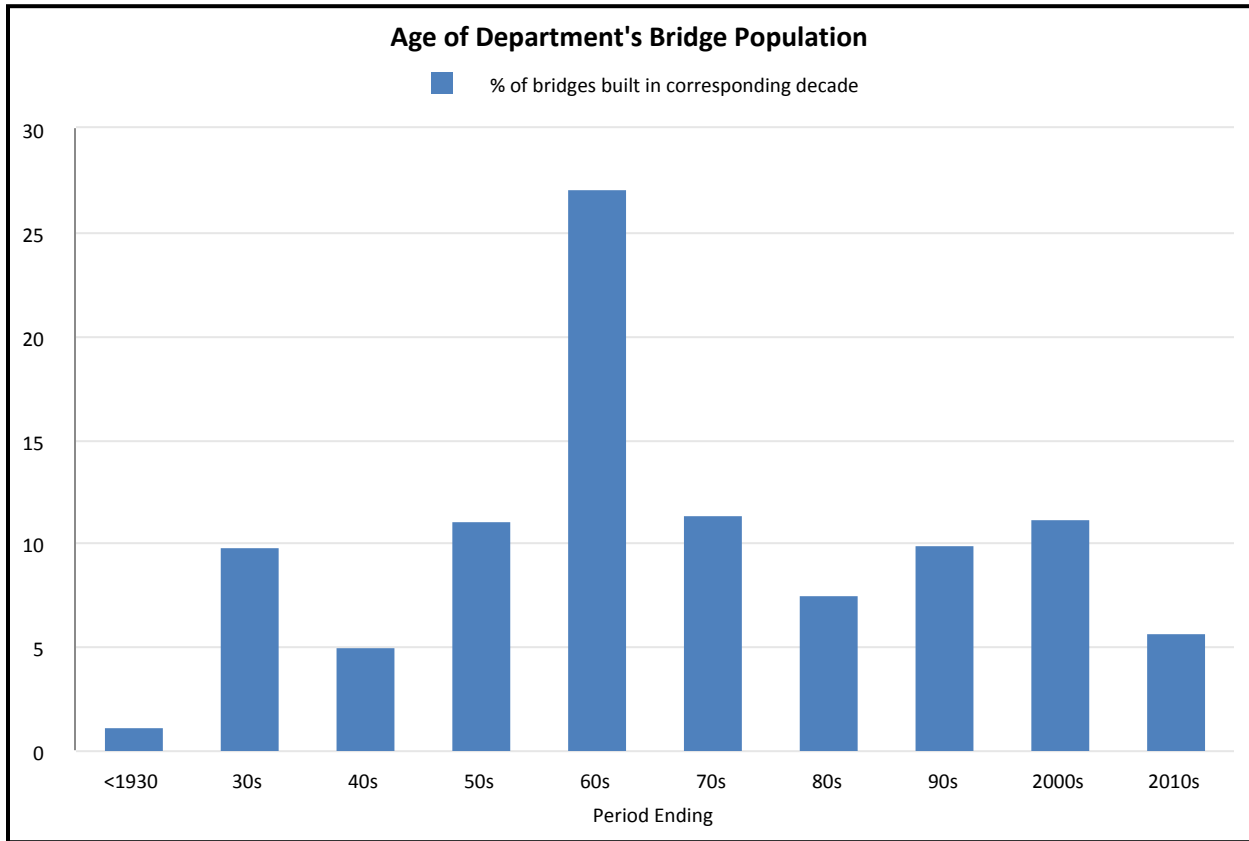
Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn were based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of 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 2023, 0.6% 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 72% of the bridges in the state were constructed in 1980 and prior while only 28% have been constructed after 1980.

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2023**

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 2019 through 2023 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2019	\$28.1	\$17.8
2020	\$20.1	\$11.6
2021	\$358.2	\$202.0
2022	\$228.3	\$101.1
2023	\$104.2	\$54.7

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2023**

**Pension Liability and Pension Contributions**

Schedule of the Proportionate Share of the Net Pension Liability

For the last eight fiscal years ended<sup>(1)</sup>

	Fiscal Year (Measurement Date)							
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability	1.64%	1.68%	1.64%	1.70%	1.78%	1.91%	1.99%	2.07%
Proportion share of the net pension liability	\$267,359,611	\$220,920,611	\$284,995,265	\$246,681,510	\$248,089,762	\$296,900,511	\$321,346,418	\$322,028,132
Covered payroll	\$191,699,109	\$192,927,433	\$176,319,415	\$178,584,660	\$176,727,743	\$178,648,729	\$186,117,539	\$190,570,110
Proportion share of the net pension liability as a percentage of its covered payroll	139.47%	114.51%	161.64%	138.13%	140.38%	166.19%	172.66%	168.98%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.4%	69.92%	67.06%	68.35%

Schedule of Pension Contributions

For the last eight fiscal years ended<sup>(1)</sup>

	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$25,201,306	\$23,023,063	\$22,476,046	\$20,188,573	\$19,965,765	\$19,263,324	\$19,258,333	\$20,193,753
Contributions in relation to the statutorily required contribution	25,201,306	23,023,063	22,476,046	20,188,573	19,965,765	19,263,324	19,258,333	20,193,753
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$211,420,349	\$191,699,109	\$192,927,433	\$176,319,415	\$178,584,660	\$176,727,743	\$178,648,729	\$186,117,539
Contributions as a percentage of covered payroll	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%

(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 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**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2023**

**Exhibit 8**

	State Aviation Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
<b>Assets</b>			
Unrestricted cash on deposit with State Treasurer	\$ 103,559,871	\$ 2,702,653	\$ 650,113
Receivables:			
Interfund (Note 5D)	351,858	234,565	36,660
Notes and loans	349,084	—	—
Other (net)	1,562,949	—	—
Amounts due from U.S. Government	—	—	—
Restricted cash on deposit with the State Treasurer	—	—	—
<b>Total assets</b>	<b>\$ 105,823,762</b>	<b>\$ 2,937,218</b>	<b>\$ 686,773</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 631,727	\$ 119,000	\$ —
Accrued payroll and other accrued expenditures	18,718	19,279	10,930
Interfund payables (Note 5D)	25,223	—	—
Amounts due to			
Arizona counties and cities	6,199,536	—	—
<b>Total liabilities</b>	<b>6,875,204</b>	<b>138,279</b>	<b>10,930</b>
<b>Fund balances</b>			
Restricted	—	—	—
Committed	98,948,558	2,798,939	675,843
<b>Total fund balances</b>	<b>98,948,558</b>	<b>2,798,939</b>	<b>675,843</b>
<b>Total liabilities and fund balances</b>	<b>\$ 105,823,762</b>	<b>\$ 2,937,218</b>	<b>\$ 686,773</b>

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
\$ 7	\$ 3,817,379	\$ —	\$ —	\$ 110,730,023
—	—	—	—	623,083
—	—	—	—	349,084
—	—	—	3,228,538	4,791,487
—	—	—	30,786,635	30,786,635
—	—	—	46,008,301	46,008,301
<u>\$ 7</u>	<u>\$ 3,817,379</u>	<u>\$ —</u>	<u>\$ 80,023,474</u>	<u>\$ 193,288,613</u>
—	—	—	7,516,418	8,267,145
—	—	—	24,104	73,031
—	—	—	—	25,223
—	—	—	16,515,512	22,715,048
—	—	—	24,056,034	31,080,447
—	—	—	55,967,440	55,967,440
7	3,817,379	—	—	106,240,726
<u>7</u>	<u>3,817,379</u>	<u>—</u>	<u>55,967,440</u>	<u>162,208,166</u>
<u>\$ 7</u>	<u>\$ 3,817,379</u>	<u>\$ —</u>	<u>\$ 80,023,474</u>	<u>\$ 193,288,613</u>



**Arizona Department of Transportation**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances — Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2023**

	State Aviation Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
<b>Revenues</b>			
Transportation excise taxes	\$ 26,282,556	\$ —	\$ —
Vehicle registration, title, license, and related taxes and fees	363,136	2,676,384	1,381,494
Fuel and motor carrier taxes and fees	330,926	—	—
Flight property taxes	12,836,865	—	—
Reimbursement of construction expenditures - federal aid	1,207,696	—	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	1,297,597	—	—
Interest on loans receivable	15,605	—	—
Income from investments	2,884,663	—	—
Rental income	253,747	—	—
Other	355,888	—	4,826
Total revenues	<u>45,828,679</u>	<u>2,676,384</u>	<u>1,386,320</u>
<b>Expenditures</b>			
<b>Current</b>			
Administration	3,415,551	935,121	799
Highway	3,956,667	—	—
Highway maintenance	—	—	—
Motor vehicle	—	3,020,308	1,292,488
Total current expenditures	<u>7,372,218</u>	<u>3,955,429</u>	<u>1,293,287</u>
<b>Intergovernmental</b>			
Distributions to other state agencies	—	1,282,000	—
Distributions to Arizona counties and cities	26,558,403	—	—
Capital outlay	75,851	—	—
Total expenditures	<u>34,006,472</u>	<u>5,237,429</u>	<u>1,293,287</u>
Revenues over (under) expenditures	<u>11,822,207</u>	<u>(2,561,045)</u>	<u>93,033</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	—	—	350,000
Transfers out	—	(350,000)	—
Total other financing sources (uses)	<u>—</u>	<u>(350,000)</u>	<u>350,000</u>
Net change in fund balances	11,822,207	(2,911,045)	443,033
Fund balances, beginning of year	87,126,351	5,709,984	232,810
<b>Fund balances, end of year</b>	<u><u>\$ 98,948,558</u></u>	<u><u>\$ 2,798,939</u></u>	<u><u>\$ 675,843</u></u>

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ 26,282,556
—	—	—	—	4,421,014
—	1,000,000	—	—	1,330,926
—	—	—	—	12,836,865
—	—	29,985,250	—	31,192,946
—	—	—	137,757,188	137,757,188
—	—	—	10,872,043	12,169,640
—	—	—	—	15,605
—	111,673	—	1,178,953	4,175,289
—	—	—	—	253,747
—	—	—	72,988	433,702
<u>—</u>	<u>1,111,673</u>	<u>29,985,250</u>	<u>149,881,172</u>	<u>230,869,478</u>
—	—	—	405,182	4,756,653
—	—	—	70,805,435	74,762,102
—	—	—	3,361	3,361
497	—	—	—	4,313,293
<u>497</u>	<u>—</u>	<u>—</u>	<u>71,213,978</u>	<u>83,835,409</u>
—	—	—	2,765	1,284,765
—	498,688	—	45,148,515	72,205,606
—	—	—	—	75,851
<u>497</u>	<u>498,688</u>	<u>—</u>	<u>116,365,258</u>	<u>157,401,631</u>
<u>(497)</u>	<u>612,985</u>	<u>29,985,250</u>	<u>33,515,914</u>	<u>73,467,847</u>
—	—	—	—	350,000
—	—	(29,985,250)	—	(30,335,250)
—	—	(29,985,250)	—	(29,985,250)
<u>(497)</u>	<u>612,985</u>	<u>—</u>	<u>33,515,914</u>	<u>43,482,597</u>
<u>504</u>	<u>3,204,394</u>	<u>—</u>	<u>22,451,526</u>	<u>118,725,569</u>
<u>\$ 7</u>	<u>\$ 3,817,379</u>	<u>\$ —</u>	<u>\$ 55,967,440</u>	<u>\$ 162,208,166</u>



**Arizona Department of Transportation  
Overview — Statistical Section  
For the Year Ended June 30, 2023**

This part of the Arizona Department of Transportation’s (the “Department”) Annual Comprehensive 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 Annual Comprehensive Financial Reports for the years shown.*

**Arizona Department of Transportation  
Index — Statistical Section  
For the Year Ended June 30, 2023**

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# FINANCIAL TRENDS

**Arizona Department of Transportation**  
**Changes in Net Position**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

	2014	2015	2016	2017	2018
<b>Expenses</b>					
<b>Governmental activities</b>					
Administration	\$ 106,200	\$ 98,855	\$ 88,899	\$ 74,516	\$ 77,547
Highway	51,074	41,836	122,025	138,400	133,915
Highway maintenance	122,977	137,473	116,067	102,173	97,197
Motor vehicle	111,397	92,520	113,029	112,119	110,516
Non-capital, including asset preservation	312,519	315,349	373,006	253,205	319,870
Distributions to other state agencies	216,675	189,517	232,905	210,333	224,221
Distributions to Arizona counties and cities	1,065,798	1,155,651	1,260,019	1,276,427	1,307,530
Local government assistance	90,376	98,371	114,650	127,028	127,400
Other expenses	13,554	—	—	—	—
Interest on long-term debt	114,406	94,956	93,840	78,481	58,874
Total governmental activities expenses	<u>2,204,976</u>	<u>2,224,528</u>	<u>2,514,440</u>	<u>2,372,682</u>	<u>2,457,070</u>
<b>Business-Type activities</b>					
Arizona Highways Magazine	4,821	4,739	—	—	—
Highway Expansion and Extension Loan Program	46	43	20,037	—	30,000
Total business-type activities expenses	<u>4,867</u>	<u>4,782</u>	<u>20,037</u>	<u>—</u>	<u>30,000</u>
Total primary government expenses	<u>\$ 2,209,843</u>	<u>\$ 2,229,310</u>	<u>\$ 2,534,477</u>	<u>\$ 2,372,682</u>	<u>\$ 2,487,070</u>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
Charges for services					
Administration	\$ 12,400	\$ 8,145	\$ 13,185	\$ 13,636	\$ 12,679
Highway	864	2,157	2,597	2,658	2,640
Highway maintenance	2,418	2,676	6,302	3,544	6,530
Motor vehicle	122,042	132,837	145,899	145,035	146,720
Non-capital, including asset preservation	—	—	—	—	13,650
Operating grants and contributions	157,705	172,279	134,446	158,156	149,779
Capital grants and contributions	546,680	696,877	856,434	714,608	744,854
Total governmental activities program revenues	<u>842,109</u>	<u>1,014,971</u>	<u>1,158,863</u>	<u>1,037,637</u>	<u>1,076,852</u>
<b>Business-Type activities</b>					
Charges for services					
Arizona Highways Magazine	5,164	5,073	—	—	—
Highway Expansion and Extension Loan Program	—	—	—	—	—
Total business-type activities program revenues	<u>5,164</u>	<u>5,073</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total primary government program revenues	<u>\$ 847,273</u>	<u>\$ 1,020,044</u>	<u>\$ 1,158,863</u>	<u>\$ 1,037,637</u>	<u>\$ 1,076,852</u>
<b>Net (expenses)/revenues</b>					
Governmental activities	\$ (1,362,867)	\$ (1,209,557)	\$ (1,355,577)	\$ (1,335,045)	\$ (1,380,218)
Business-type activities	297	291	(20,037)	—	(30,000)
Total primary government net expense	<u>\$ (1,362,570)</u>	<u>\$ (1,209,266)</u>	<u>\$ (1,375,614)</u>	<u>\$ (1,335,045)</u>	<u>\$ (1,410,218)</u>

**Table A-1**

	2019	2020	2021	2022	2023
\$	77,469	\$ 152,885	\$ 146,991	155,468	\$ 141,035
	164,752	83,497	84,955	115,387	130,571
	112,939	147,508	152,740	135,540	184,945
	116,727	166,968	222,308	170,138	210,366
	279,298	346,941	436,306	476,232	766,655
	306,615	385,134	380,698	192,616	181,061
	1,427,636	1,443,761	1,636,707	1,659,180	1,721,840
	121,971	113,486	85,789	116,712	116,362
	—	—	41	14,298	1,834
	87,783	81,939	53,122	35,109	34,092
	<u>2,695,190</u>	<u>2,922,119</u>	<u>\$ 3,199,656</u>	<u>3,070,680</u>	<u>3,488,760</u>
	—	—	—	—	—
	30,000	—	—	—	—
	30,000	—	—	—	—
\$	<u>2,725,190</u>	<u>\$ 2,922,119</u>	<u>\$ 3,199,656</u>	<u>\$ 3,070,680</u>	<u>\$ 3,488,760</u>
\$	8,049	\$ 19,194	\$ 46,889	\$ 19,832	\$ 18,797
	1,849	2,654	3,033	901	2,775
	6,369	6,186	5,851	9,211	10,930
	180,162	200,755	217,057	163,377	166,357
	34,195	—	—	26,297	20,197
	188,020	197,910	179,562	205,523	222,423
	532,678	554,633	667,686	839,289	938,978
	<u>951,323</u>	<u>981,332</u>	<u>1,120,077</u>	<u>1,264,429</u>	<u>1,380,457</u>
	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
\$	<u>951,323</u>	<u>\$ 981,332</u>	<u>\$ 1,120,077</u>	<u>\$ 1,264,429</u>	<u>\$ 1,380,457</u>
\$	(1,743,867)	\$ (1,940,787)	\$ (2,079,579)	\$ (1,806,251)	\$ (2,108,304)
	(30,000)	—	—	—	—
\$	<u>(1,773,867)</u>	<u>\$ (1,940,787)</u>	<u>\$ (2,079,579)</u>	<u>\$ (1,806,251)</u>	<u>\$ (2,108,304)</u>



**Arizona Department of Transportation**  
**Changes in Net Position**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities					
Transportation excise taxes	\$ 243,786	\$ 254,871	\$ 262,971	\$ 274,553	\$ 295,100
Motor vehicle registration, title, and related taxes	963,221	1,036,502	1,134,913	1,135,060	1,142,561
Fuel and motor carrier taxes and fees	714,852	686,042	735,928	777,315	838,823
Flight property taxes	12,975	8,595	9,620	10,365	13,012
Other taxes and fees	—	—	—	—	—
Income from investments	11,634	9,989	9,064	10,512	17,264
Other	13,931	10,415	7,050	5,884	8,618
Transfers	—	—	—	—	—
Governmental activities before accounting	<u>1,960,399</u>	<u>2,006,414</u>	<u>2,159,546</u>	<u>2,213,689</u>	<u>2,315,378</u>
Business-Type activities					
Income from investments	735	613	560	657	570
Transfers	—	—	—	—	—
Total business-type activities	<u>735</u>	<u>613</u>	<u>560</u>	<u>657</u>	<u>570</u>
Total primary government	<u>\$ 1,961,134</u>	<u>\$ 2,007,027</u>	<u>\$ 2,160,106</u>	<u>\$ 2,214,346</u>	<u>\$ 2,315,948</u>
<b>Changes in Net Position</b>					
Governmental activities	\$ 597,532	\$ 796,857	\$ 803,969	\$ 878,644	\$ 935,160
Business-Type activities	<u>1,032</u>	<u>904</u>	<u>(19,477)</u>	<u>657</u>	<u>(29,430)</u>
Total primary government	<u>\$ 598,564</u>	<u>\$ 797,761</u>	<u>\$ 784,492</u>	<u>\$ 879,301</u>	<u>\$ 905,730</u>

Table A-1 - Continued

	2019	2020	2021	2022	2023
\$	316,144	\$ 331,044	\$ 376,901	\$ 448,237	\$ 1,433,456
	1,400,749	1,563,351	1,692,766	1,591,474	1,666,596
	846,289	749,567	868,074	855,965	828,526
	10,297	16,895	17,311	14,027	12,837
	—	—	—	33,727	41,613
	26,135	26,097	7,540	6,727	78,049
	6,151	21,403	4,486	10,642	5,595
	—	—	—	1,221	—
	<u>2,605,765</u>	<u>2,708,357</u>	<u>2,967,079</u>	<u>2,962,020</u>	<u>4,066,673</u>
	677	22	6	1	—
	—	—	—	(1,221)	—
	<u>677</u>	<u>22</u>	<u>6</u>	<u>(1,220)</u>	<u>—</u>
\$	<u>2,606,442</u>	<u>2,708,379</u>	<u>2,967,084</u>	<u>2,960,800</u>	<u>4,066,673</u>
\$	861,898	\$ 767,570	\$ 2,964,999	\$ 1,155,769	\$ 1,958,369
	(29,323)	22	6	(1,220)	—
\$	<u>832,575</u>	<u>767,592</u>	<u>2,965,005</u>	<u>1,154,549</u>	<u>1,958,369</u>

**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, 2023**  
**(Thousands of Dollars)**

	2014	2015	2016
<b>Revenues</b>			
Transportation excise taxes	\$ 243,786	\$ 254,871	\$ 262,971
Vehicle registration, title, license, and related taxes and fees	1,085,166	1,169,339	1,280,812
Fuel and motor carrier taxes and fees	714,852	686,042	735,928
Flight property taxes	12,975	8,595	9,620
Other taxes and fees	—	—	—
Reimbursement of construction expenditures – federal aid	536,192	685,823	859,985
Other federal grants and reimbursements	148,902	162,701	106,660
Reimbursements from Arizona counties and cities	19,314	20,632	24,235
Distributions from other state agencies	915	1,338	744
Interest on loans receivable	228	179	207
Income from investments	11,500	9,989	9,064
Sales and charges for services	—	—	9,189
Grand Canyon National Park Airport	1,170	1,295	344
Rental income	6,025	6,671	5,556
Other	11,959	10,264	6,990
Total revenues	\$ 2,792,984	\$ 3,017,739	\$ 3,312,305
<b>Expenditures</b>			
<b>Current</b>			
Transportation			
Administration	\$ 92,966	\$ 93,309	\$ 81,191
Highway	128,196	136,527	163,011
Highway maintenance	133,572	130,599	108,882
Motor vehicle	109,553	87,296	106,030
Total transportation	464,287	447,731	459,114
<b>Intergovernmental</b>			
Distributions to other state agencies	216,482	189,517	232,990
Distributions to Arizona counties and cities	1,065,798	1,155,651	1,320,949
<b>Debt service</b>			
Principal	216,879	272,053	194,308
Interest	140,259	121,404	122,449
Bond issuance costs	—	3,026	—
Non-capital, including asset preservation	223,572	251,953	356,753
Capital outlay	563,428	634,303	689,613
Total expenditures	\$ 2,890,705	\$ 3,075,638	\$ 3,376,176
Excess (deficiency) of revenues over (under) expenditures	\$ (97,721)	\$ (57,899)	\$ (63,871)

**Table A-2**

	2017	2018	2019	2020	2021	2022	2023
\$	274,553	\$ 295,100	\$ 316,144	\$ 331,044	\$ 376,901	\$ 448,237	\$ 1,433,456
	1,280,095	1,289,281	1,580,911	1,764,106	1,909,824	1,754,850	1,832,953
	777,315	838,823	846,290	749,567	868,074	855,965	828,526
	10,365	13,012	10,297	16,895	17,311	14,027	12,837
	—	—	—	—	—	33,727	41,613
	638,098	750,540	542,212	579,266	712,031	784,520	866,571
	138,168	106,304	128,045	106,449	91,330	95,754	137,757
	55,828	24,307	50,991	14,854	10,607	39,220	19,335
	963	27,573	15,009	52,444	40,741	97,272	142,935
	194	112	127	76	13	84	495
	10,512	17,264	26,135	26,298	7,603	6,812	79,228
	10,832	23,279	41,705	17,501	40,081	36,866	31,263
	647	1,015	—	—	—	—	—
	3,931	3,346	2,262	4,271	9,827	10,079	10,011
	5,880	5,954	5,926	19,917	4,489	10,697	5,668
<u>\$</u>	<u>3,207,381</u>	<u>\$ 3,395,910</u>	<u>\$ 3,566,054</u>	<u>\$ 3,682,688</u>	<u>\$ 4,088,832</u>	<u>4,188,110</u>	<u>\$ 5,442,648</u>
\$	71,638	\$ 79,475	\$ 107,970	\$ 152,251	\$ 145,720	\$ 160,117	\$ 141,646
	218,959	235,195	257,117	156,409	139,969	202,314	201,911
	96,396	94,996	116,226	145,727	150,688	137,891	184,578
	106,461	109,592	122,395	165,680	211,529	173,205	202,099
	493,454	519,258	603,708	620,067	647,906	673,528	730,234
	211,145	224,221	306,616	385,134	380,698	192,616	181,061
	1,312,206	1,334,573	1,465,877	1,484,276	1,666,878	1,694,345	1,766,988
	174,448	204,161	199,355	214,765	225,595	238,655	245,500
	108,230	108,976	114,125	102,482	88,283	74,186	65,233
	2,125	425	1,688	1,753	—	501	—
	209,802	233,316	248,782	305,636	411,376	475,531	746,229
	741,658	793,955	798,722	724,048	400,686	473,638	496,754
<u>\$</u>	<u>3,253,068</u>	<u>\$ 3,418,885</u>	<u>\$ 3,738,873</u>	<u>\$ 3,838,161</u>	<u>\$ 3,821,422</u>	<u>\$ 3,823,001</u>	<u>\$ 4,231,999</u>
<u>\$</u>	<u>(45,687)</u>	<u>\$ (22,975)</u>	<u>\$ (172,819)</u>	<u>\$ (155,473)</u>	<u>\$ 267,410</u>	<u>\$ 365,110</u>	<u>\$ 1,210,649</u>

**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, 2023**  
**(Thousands of Dollars)**

	2014	2015	2016
Other Financing Sources (Uses)			
Transfers in	\$ 303,030	\$ 305,410	\$ 304,311
Transfers out for debt service	(303,030)	(305,410)	(304,311)
Sale of capital assets	900	259	60
Insurance recovery	2,328	2,676	6,302
Debt issuance	42,366	783	—
Debt issuance – refunding bond	—	754,285	—
Premium from debt issuance	—	149,554	—
Payment to refunded bond escrow agent	—	(900,813)	—
Total other financing sources (uses)	<u>45,594</u>	<u>6,744</u>	<u>6,362</u>
Net change in fund balances before accounting change	(52,127)	(51,155)	(57,509)
Special item – State appropriation for Statewide Transportation Acceleration Needs (STAN)	—	—	—
Net change in fund balances	<u>(52,127)</u>	<u>(51,155)</u>	<u>(57,509)</u>
Fund balances, beginning of year	<u>1,341,636</u>	<u>1,289,508</u>	<u>1,240,753</u>
Fund balances, end of year	<u>\$ 1,289,509</u>	<u>\$ 1,238,353</u>	<u>\$ 1,183,244</u>
Debt service as a percentage of noncapital expenditures	15.3 %	16.1 %	11.8 %
Debt service as a percentage of total revenues	12.8 %	13.0 %	9.6 %

**Table A-2 Continued**

	2017	2018	2019	2020	2021	2022	2023
\$	274,990	\$ 252,974	\$ 310,894	\$ 314,255	\$ 313,209	\$ 314,902	\$ 307,319
	(274,990)	(252,974)	(310,894)	(314,255)	(313,209)	(313,681,603)	(307,319)
	1,294	3,524	343	1,591	52	42,075	952
	3,544	6,530	6,369	6,186	5,851	9,210,968	10,930
	—	62,595	324,475	—	—	—	—
	403,310	—	—	510,275	—	84,520,000	—
	100,305	12,840	41,448	—	—	—	—
	(501,478)	—	—	(508,278)	—	(84,004,588)	—
	6,975	85,489	372,635	9,774	5,903	10,989,255	11,882
	(38,712)	62,514	199,816	(145,699)	273,313	376,099	1,222,531
	—	—	—	—	—	—	—
	(38,712)	62,514	199,816	(145,699)	273,313	376,099	1,222,531
	1,183,244	1,144,532	1,207,046	1,406,862	1,261,165	1,534,477	1,910,576
\$	1,144,532	\$ 1,207,046	\$ 1,406,862	\$ 1,261,163	\$ 1,534,478	\$ 1,910,576	\$ 3,133,107
	11.3 %	11.9 %	10.7 %	10.2 %	9.2 %	9.3 %	8.3 %
	8.8 %	9.2 %	8.8 %	8.6 %	7.7 %	7.5 %	5.7 %

**Arizona Department of Transportation**  
**Fund Balances of Governmental Funds**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

	2014	2015	2016	2017	2018
General Fund(State Highway Fund)					
Nonspendable	\$ 6,833	\$ 6,341	\$ 6,179	\$ 40	\$ 53
Restricted	295,361	344,347	337,534	428,369	430,204
Committed	129,115	177,384	282,312	273,063	312,823
Total general fund	<u>431,309</u>	<u>528,072</u>	<u>626,025</u>	<u>701,472</u>	<u>743,080</u>
All other governmental funds					
Unassigned	(8,128)	(8,128)	(8,128)	(8,128)	(14,194)
Nonspendable	—	6,341	—	—	—
Restricted	816,591	490,664	548,082	437,071	448,026
Committed	49,737	221,404	17,265	14,117	30,134
Total all other governmental funds	<u>858,200</u>	<u>710,281</u>	<u>557,219</u>	<u>443,060</u>	<u>463,966</u>
Total general and other governmental funds	<u>\$ 1,289,509</u>	<u>\$ 1,238,353</u>	<u>\$ 1,183,244</u>	<u>\$ 1,144,532</u>	<u>\$ 1,207,046</u>

**Table A-3**

2019	2020	2021	2022	2023
\$ 212	\$ 437	\$ 271	\$ 402	\$ 475
464,087	301,046	345,711	410,241	520,193
364,198	443,733	574,443	732,639	1,703,804
<u>828,497</u>	<u>745,216</u>	<u>920,425</u>	<u>1,143,283</u>	<u>2,224,472</u>
(8,128)	(8,128)	(8,128)	(8,128)	(8,128)
—	—	—	—	—
545,081	460,778	531,620	679,148	810,524
41,414	63,299	90,561	96,274	106,241
<u>578,366</u>	<u>515,949</u>	<u>614,052</u>	<u>767,293</u>	<u>908,636</u>
<u>\$ 1,406,862</u>	<u>\$ 1,261,165</u>	<u>\$ 1,534,477</u>	<u>\$ 1,910,576</u>	<u>\$ 3,133,109</u>



**Arizona Department of Transportation**  
**Expenditures of Federal Awards<sup>1</sup>**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

**Table A-4**

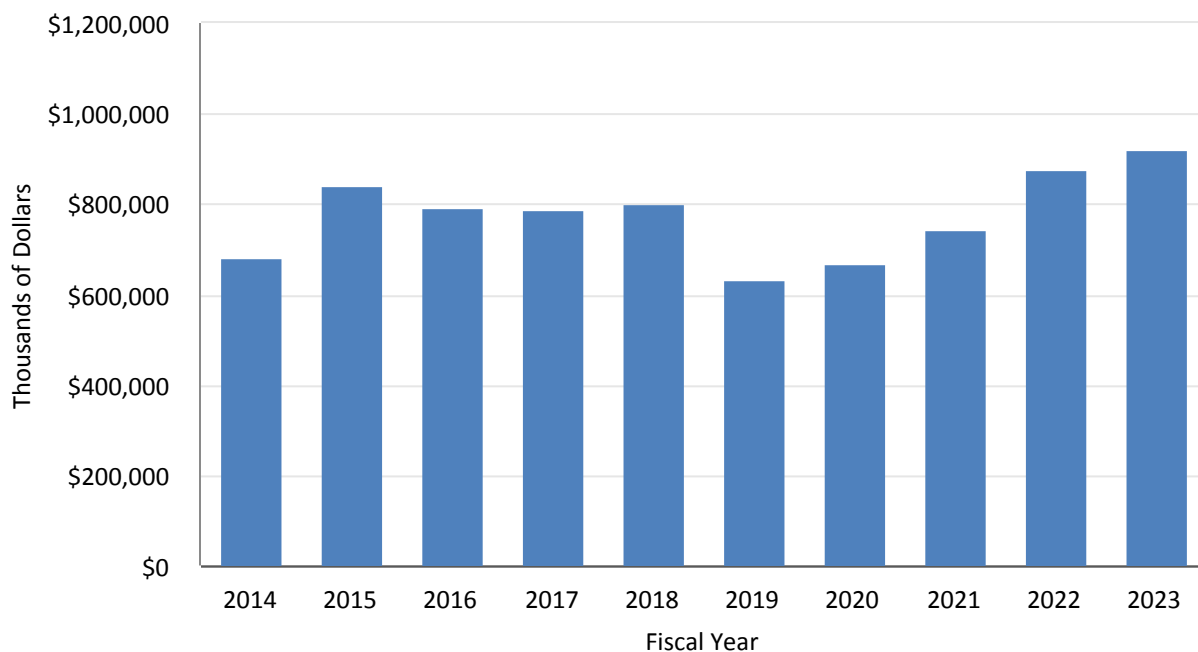
Federal Agencies <sup>1</sup>	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FAA	\$ 454	\$ 428	\$ 3,292	\$ 4,313	\$ 1,220	\$ 1,151	\$ 512	\$ 5,804	\$ 5,853	\$ 1,574
FHWA	660,644	807,573	763,879	764,482	778,021	590,592	631,025	685,265	812,923	880,588
FMCSA	2,204	2,122	827	502	274	791	427	277	749	1,474
FRA	65	48	53	120	6	—	—	—	—	—
FTA	18,107	18,644	14,923	19,830	20,966	28,577	22,856	30,475	24,247	19,295
GSA	234	—	—	—	—	—	—	—	—	—
NHTSA	112	103	193	117	100	100	116	—	105	103
OST	1,512	10,417	8,916	117	2,808	12,192	5,963	19,037	—	—
CARES	—	—	—	—	—	—	6,140	2,877	\$ —	\$ —
AZGF	—	—	—	—	—	—	—	—	\$ —	\$ 125
USDT	—	—	—	—	—	—	—	—	\$ 32,301	\$ 20,059
DOE	—	—	—	—	—	—	—	\$ 725	\$ —	\$ —
<b>Total Federal Expenditures</b>	<b>\$ 683,332</b>	<b>\$839,335</b>	<b>\$792,083</b>	<b>\$789,481</b>	<b>\$803,395</b>	<b>\$633,403</b>	<b>\$667,039</b>	<b>\$744,460</b>	<b>\$876,177</b>	<b>\$ 923,218</b>

SOURCE: Arizona Department of Transportation Schedule of Expenditures of Federal Awards – fiscal years 2014 through 2023

NOTES: <sup>1</sup>Bureau of Justice Assistance (BJA); 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; Coronavirus Aid Relief and Economic Security (CARES) Act; Arizona Game and Fish (AZGF); United States Department of Treasury (USDT); Department of Education (DOE).

<sup>2</sup>The 2016 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, 2023**  
**(Thousands of Dollars)**

Fiscal Year	2014	2015	2016	2017
Administration	\$ 106,200	\$ 98,855	\$ 88,899	\$ 74,516
Highway	51,074	41,836	122,025	138,400
Highway Maintenance <sup>1</sup>	122,977	137,473	116,067	102,173
Motor Vehicle	111,397	92,520	113,029	112,119
Distributions to Arizona Counties, Cities and Other State Agencies	1,282,473	1,345,168	1,492,924	1,486,760
Local Governmental Assistance	90,376	98,371	114,650	127,028
Interest on Long-Term Debt	114,406	94,956	93,840	78,481
Other	326,073	315,349	373,006	253,205
Arizona Highways Magazine <sup>2</sup>	4,821	4,739	—	—
Highway Expansion and Extension Loan Program	46	43	20,037	—
<b>Total</b>	<b>\$2,209,843</b>	<b>\$2,229,310</b>	<b>\$2,534,477</b>	<b>\$2,372,682</b>

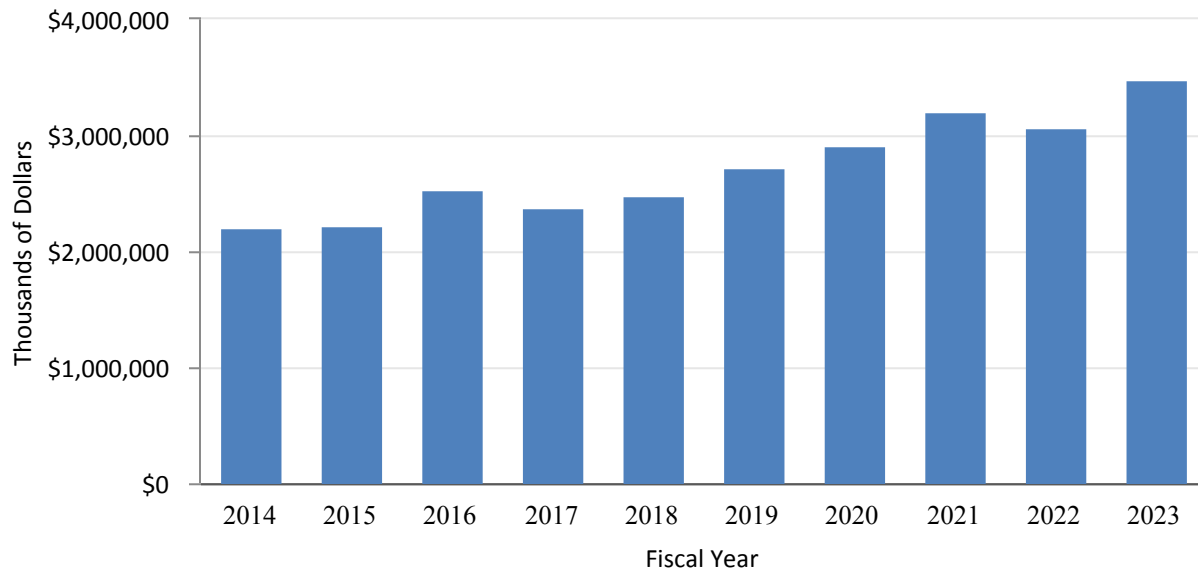
NOTES: <sup>1</sup>Includes non-capital, including asset preservation.

<sup>2</sup>Arizona Highways Magazine was included in the general fund starting in 2016.

**Table A-5**

	2018	2019	2020	2021	2022	2023
\$	77,547	\$ 77,469	\$ 152,885	\$ 146,991	\$ 155,468	\$ 141,035
	133,915	164,752	83,497	84,955	115,387	130,571
	97,197	1,129,392	147,508	152,740	135,540	184,945
	110,516	1,167,272	166,968	222,308	170,138	210,366
	1,531,750	1,734,250	1,828,895	2,017,404	1,851,797	1,902,901
	127,400	121,971	113,486	85,789	116,712	116,362
	58,874	87,784	81,939	53,122	35,109	34,092
	319,870	279,298	346,941	436,306	490,530	768,489
	—	—	—	—	—	—
	30,000	30,000	—	—	—	—
<b>\$</b>	<b>2,487,069</b>	<b>\$ 2,725,190</b>	<b>\$ 2,922,119</b>	<b>\$ 3,199,614</b>	<b>\$ 3,070,680</b>	<b>\$ 3,488,760</b>

### Government-Wide Expenses



**Arizona Department of Transportation  
Government-Wide Revenues  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2023  
(Thousands of Dollars)**

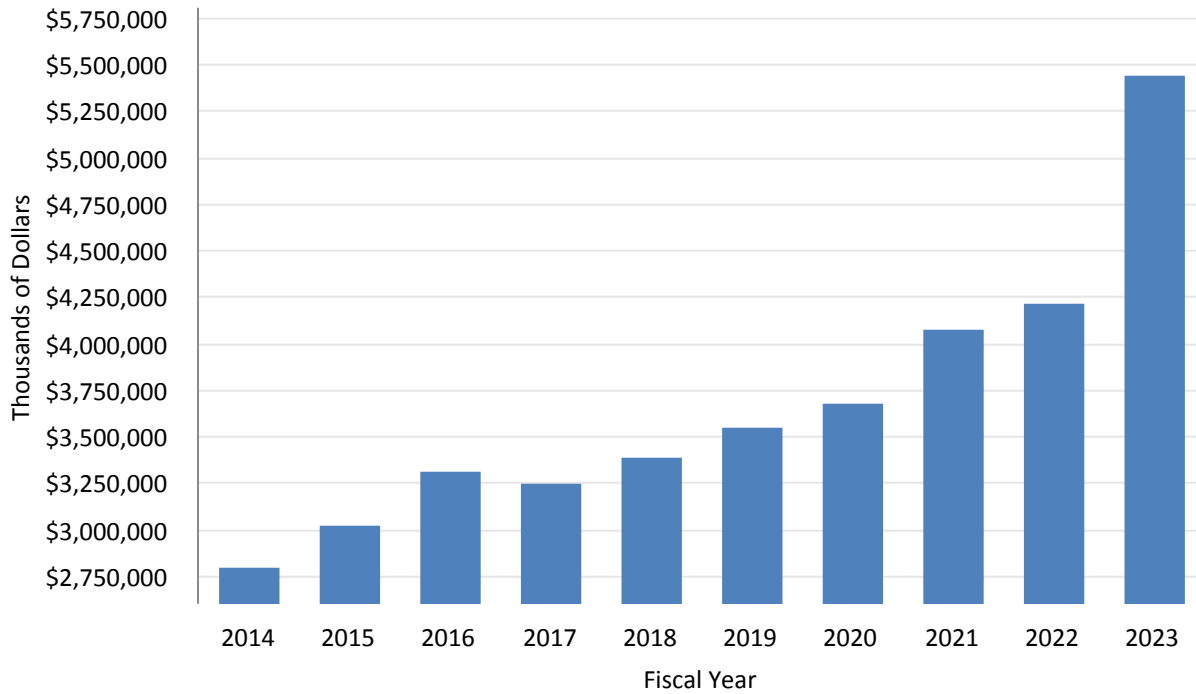
Fiscal Year	Program Revenues			
	Governmental			Business-Type
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services
2023	\$ 219,056	\$ 222,423	\$ 938,978	\$ —
2022	219,617	205,523	839,289	—
2021	272,829	179,562	667,686	—
2020	228,790	197,910	554,633	—
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

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

**Table A-6**

		General Revenues				Total
		Governmental		Business-Type		Government-Wide Revenues
	Taxes	Other Revenues <sup>1</sup>	Income from Investments	Other Revenues <sup>1</sup>	Income from Investments	
\$	3,983,029	\$ 5,595	\$ 78,049	\$ —	\$ —	\$ 5,447,130
	2,943,430	10,642	6,727	—	1	4,225,229
	2,955,053	4,444	7,540	—	6	4,087,120
	2,660,856	21,403	26,097	—	22	3,689,711
	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

**Government-Wide Revenues**



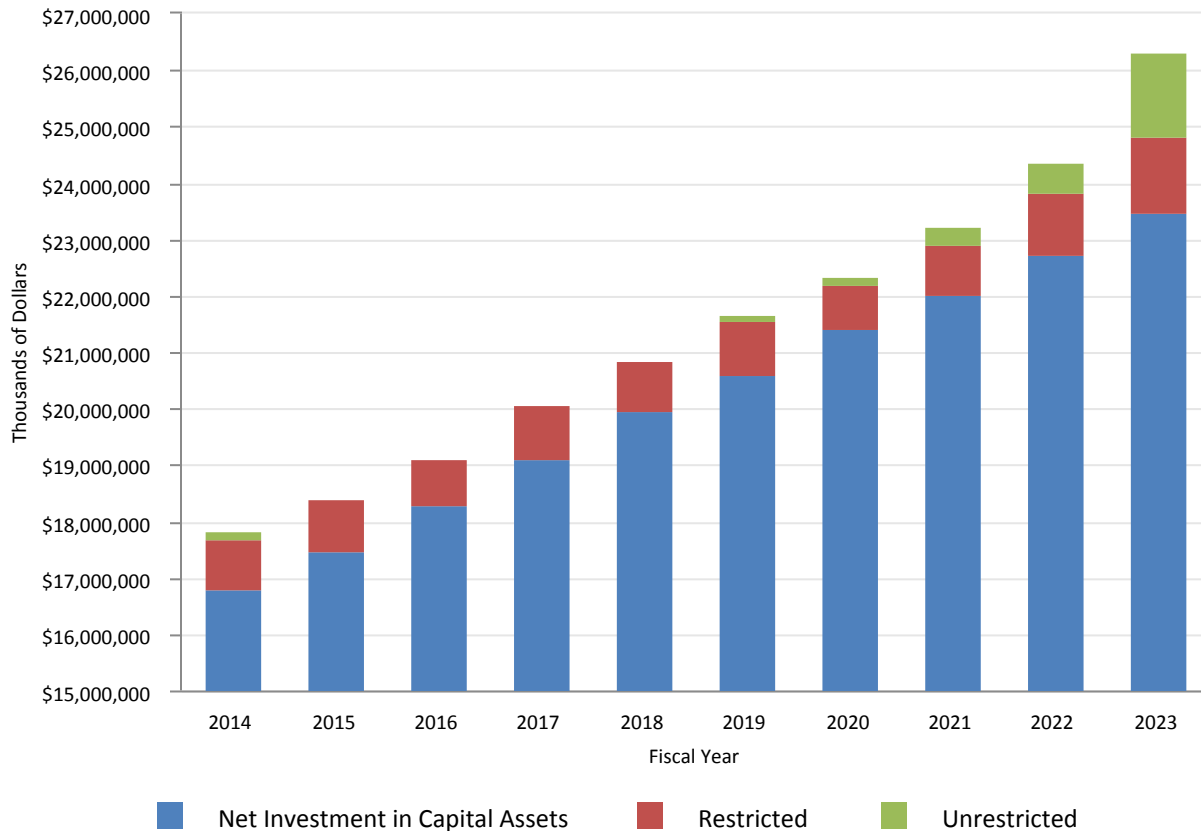
**Arizona Department of Transportation**  
**Net Position by Component**  
**As of the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

Fiscal Year	Governmental Activities				Business-Type	
	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Net Investment in Capital Assets	Restricted
2023	\$ 23,476,161	\$ 1,365,246	\$ 1,493,465	\$ 26,334,872	\$ —	—
2022	22,728,370	1,117,816	530,317	24,376,503	—	—
2021	22,040,147	877,980	314,898	23,233,025	—	—
2020	21,417,624	775,343	152,558	22,345,525	—	—
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)	19,941,049	—	59,951
2016	18,305,646	746,099	10,659	19,062,404	—	59,293
2015	17,496,122	819,446	(57,534)	18,258,034	18	78,770
2014	16,812,808	805,893	159,127	17,777,828	24	78,226

**Table A-7**

Business-Type			Primary Government		
Unrestricted	Total	Net Investment in Capital Assets	Restricted	Unrestricted	Total
\$ 4	\$ 4	\$ 23,476,161	\$ 1,365,246	\$ 1,493,469	\$ 26,334,876
4	4	22,728,370	1,117,816	530,320	24,376,506
1,224	1,224	22,040,147	877,980	316,122	23,234,249
1,218	1,218	21,417,624	775,343	153,776	22,346,743
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
—	59,951	19,118,586	950,155	(67,741)	20,001,000
—	59,293	18,305,646	805,392	10,659	19,121,697
383	79,171	17,496,140	898,216	(57,151)	18,337,205
1,790	80,040	16,812,832	884,119	160,917	17,857,868

**Primary Government Net Assets by Component**





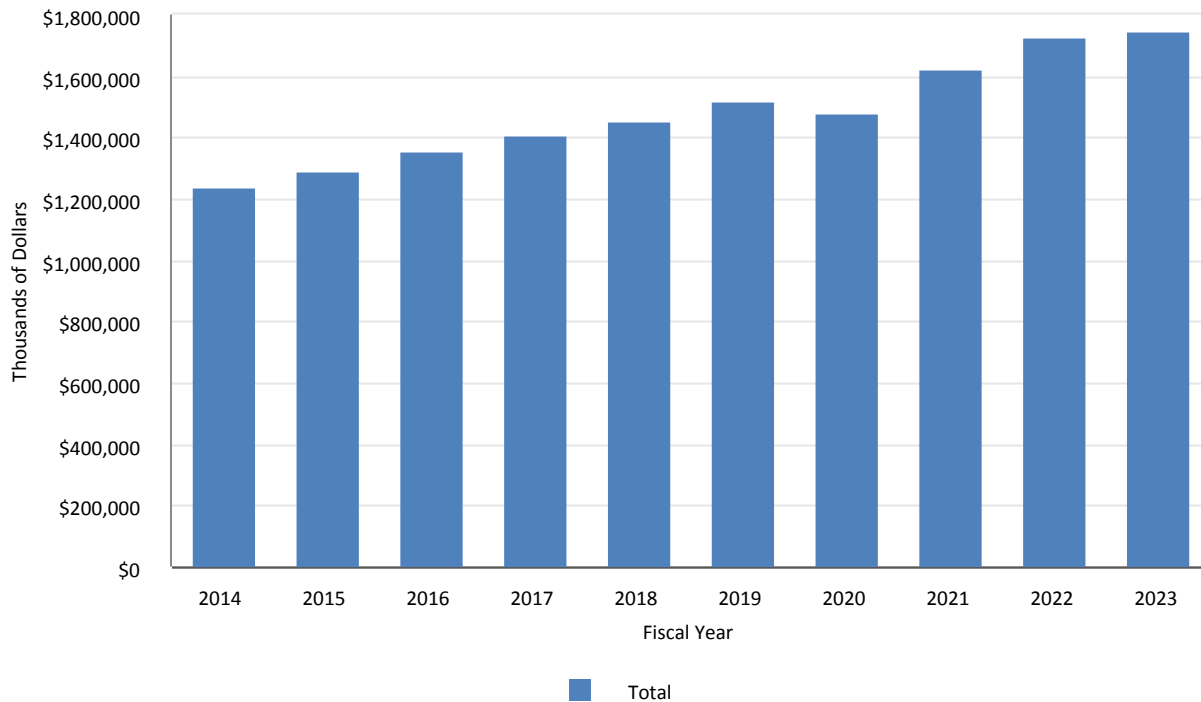
# REVENUE CAPACITY

**Arizona Department of Transportation**  
**Highway User Revenue Fund Collections**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

**Table B-1**

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	Smart & Safe AZ Act	Total Deposited to Arizona HURF
2023	\$ 784,698	\$ 242,960	\$ 58,486	\$ 54,234	\$ 567,304	\$ 41,613	\$ 1,749,295
2022	794,737	236,121	56,698	55,578	542,835	43,167	1,729,136
2021	755,063	220,075	52,129	48,762	551,141	—	1,627,170
2020	733,406	191,464	45,472	37,236	473,258	—	1,480,836
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	177,868	42,091	57,813	421,939	—	1,405,448
2016	688,105	173,693	41,058	57,943	395,952	—	1,356,751
2015	655,403	168,589	40,227	56,502	369,719	—	1,290,440
2014	633,783	163,715	38,842	56,484	348,509	—	1,241,333

**Highway User Revenue Fund Collections**



**Arizona Department of Transportation**  
**Highway User Revenue Fund Distributions**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

**Table B-2**

Fiscal Year	State Highway Fund	Cities and Towns	Counties	Department of Public Safety <sup>2</sup>	Economic Strength Project Fund	Other	Total
2023	\$ 876,661	\$ 529,468	\$ 329,833	\$ —	\$ 1,000	\$ 12,333	\$ 1,749,295
2022	866,515	523,341	326,016	—	1,000	12,266	1,729,138
2021	815,387	492,462	306,780	—	1,000	11,541	1,627,170
2020	726,339	454,683	287,273	—	1,000	11,541	1,480,836
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

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.

<sup>2</sup>Legislation passed in April 2018 (Chapter 265, HB2166), created a new funding source for the Department of Public Safety (DPS) to be started after December 31, 2018. This new funding source, called the Highway Safety Fee, created an additional \$32 fee to be added to new plate registrations and renewals (\$5 for motorcycles) in order to fully fund the DPS budget. Therefore, the distributions through the HURF fund were eliminated and this separate source implemented beginning in January, 2019.

SOURCE: Cash Basis HURF Distribution summary Report

**Arizona Department of Transportation  
Fuel Tax Rates  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2023  
(Cents per Gallon)**

**Table B-3**

Fiscal Year	Gasoline Tax	Use Fuel Tax 1
2023	0.18	0.26
2022	0.18	0.26
2021	0.18	0.26
2020	0.18	0.26
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

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

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

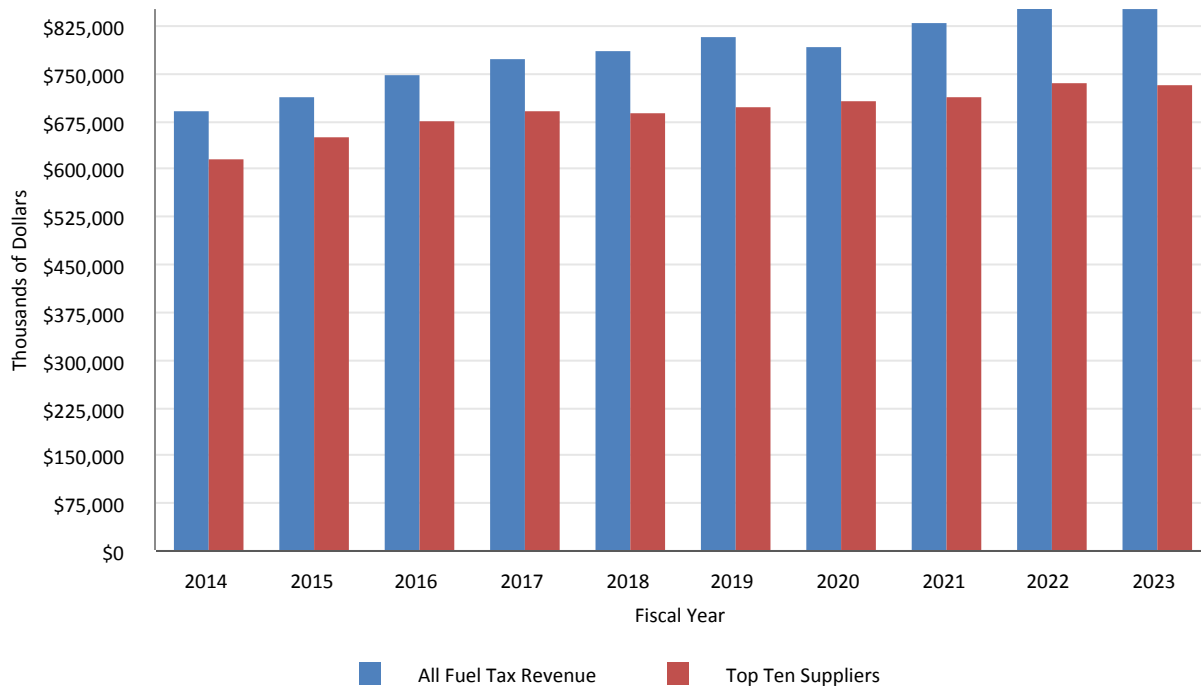
1 Light class motor vehicles with a declared vehicle weight < 26,001 pounds and have less than three axles pay \$.18 per gallon.

**Arizona Department of Transportation**  
**Motor Vehicle Fuel Tax – Top Ten Suppliers**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands)**

**Table B-4**

Fiscal Year	Gallons from Top Ten Suppliers	Revenue from Top Ten Suppliers	All Motor Vehicle Fuel Tax Revenue	Revenue Percentage from Top Ten Suppliers
2023	\$ 3,684,788	\$ 734,434	\$ 853,021	86.1 %
2022	3,691,127	736,116	876,790	84.0 %
2021	3,567,811	715,603	830,389	86.2 %
2020	3,558,043	707,947	793,639	89.2 %
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 %

**Motor Vehicle Fuel Tax Sources**



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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, 2023**

	2014		2015		2016		2017		2018	
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	4.8 %	13	3.9 %	16	3.5 %	15	3.4 %	14	4.1 %
26–50	2	2.0 %	3	3.4 %	0	— %	1	1.0 %	1	1.2 %
50–100	2	4.2 %	1	1.6 %	2	4.9 %	2	4.9 %	3	7.0 %
101–200	3	15.0 %	2	9.1 %	2	9.8 %	2	8.6 %	2	8.8 %
201–300	1	6.2 %	2	13.7 %	1	9.0 %	1	9.5 %	1	9.2 %
>300	4	65.0 %	4	66.1 %	4	72.4 %	4	72.5 %	4	69.6 %
	25	97.2 %	25	97.8 %	25	99.6 %	25	99.9 %	25	99.9 %

Total Gallons of										
Gasoline (Thousands)	2,618,944		2,730,156		2,871,627		2,911,255		2,965,365	
Gasoline % of Total	79.1 %		79.3 %		78.2 %		77.9 %		77.4 %	
Total Gallons of Use Fuel										
(Diesel) (Thousands)	693,514		714,035		800,914		825,432		865,445	
Diesel % of Total	20.9 %		20.7 %		21.8 %		22.1 %		22.6 %	

**Table B-5**

	2019		2020		2021		2022		2023	
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	3.2 %	16	6.3 %	13	4.2 %	12	3.9 %	15	5.5 %
26–50	3	3.6 %	1	1.1 %	3	3.7 %	3	3.4 %	2	2.2 %
50–100	1	2.8 %	1	3.1 %	2	5.2 %	1	1.7 %	0	— %
101–200	2	8.8 %	2	8.6 %	2	11.6 %	1	5.3 %	2	11.0 %
201–300	2	18.6 %	2	19.5 %	2	19.0 %	5	38.4 %	2	16.6 %
>300	4	63.0 %	3	61.4 %	3	56.3 %	3	47.3 %	4	64.7 %
	25	100.0 %	25	100.0 %	25	100.0 %	25	100.0 %	25	100.0 %
<hr/>										
Total Gallons of Gasoline (Thousands)	2,990,890		2,879,733		2,873,657		3,030,543		2,988,289	
Gasoline % of Total	76.7 %		75.9 %		74.1 %		75.3 %		74.9 %	
Total Gallons of Use Fuel (Diesel) (Thousands)	906,498		913,216		1,003,352		994,441		1,003,728	
Diesel % of Total	23.3 %		24.1 %		25.9 %		24.7 %		25.1 %	

Source: Data provided by the Revenue & Fuel Tax Administration



# DEBT CAPACITY

**Arizona Department of Transportation**  
**Highway Revenue Bonds**  
**Bond Coverage**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

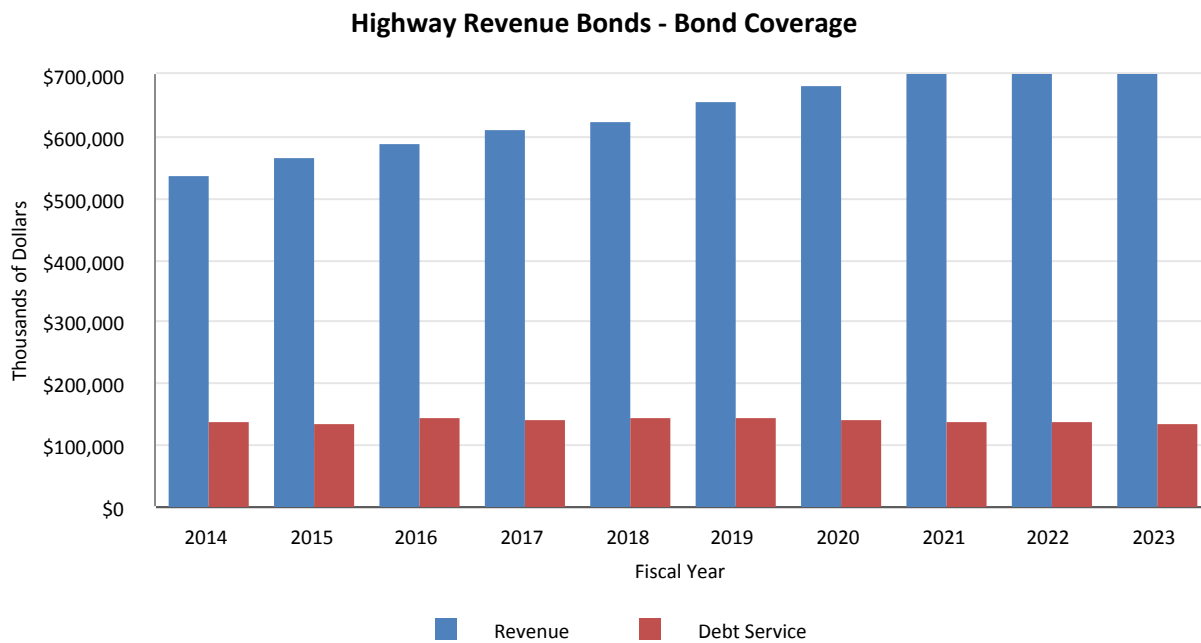
**Table C-1**

Fiscal Year	Principal	Interest	Total	Pledged Revenues <sup>1,2</sup>	Coverage
2023	\$ 99,300	\$ 38,059	\$ 137,359	\$ 829,723	6.0
2022	98,660	40,825	139,485	820,170	5.9
2021	92,545	47,652	140,197	749,986	5.3
2020	87,150	55,529	142,679	682,308	4.8
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
2015	61,660	75,937	137,597	566,352	4.1
2014	58,485	80,495	138,980	537,768	3.9

SOURCES: Highway User Revenue Fund Schedule fiscal years 2014 through 2023, Debt Service Funds fiscal years 2014 through 2023.

NOTES: <sup>1</sup>Includes vehicle license tax revenues distributed directly to the State Highway Fund.

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



**Arizona Department of Transportation**  
**Transportation Excise Tax Revenue Bonds**  
**Bond Coverage**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**  
**(Thousands of Dollars)**

**Table C-2**

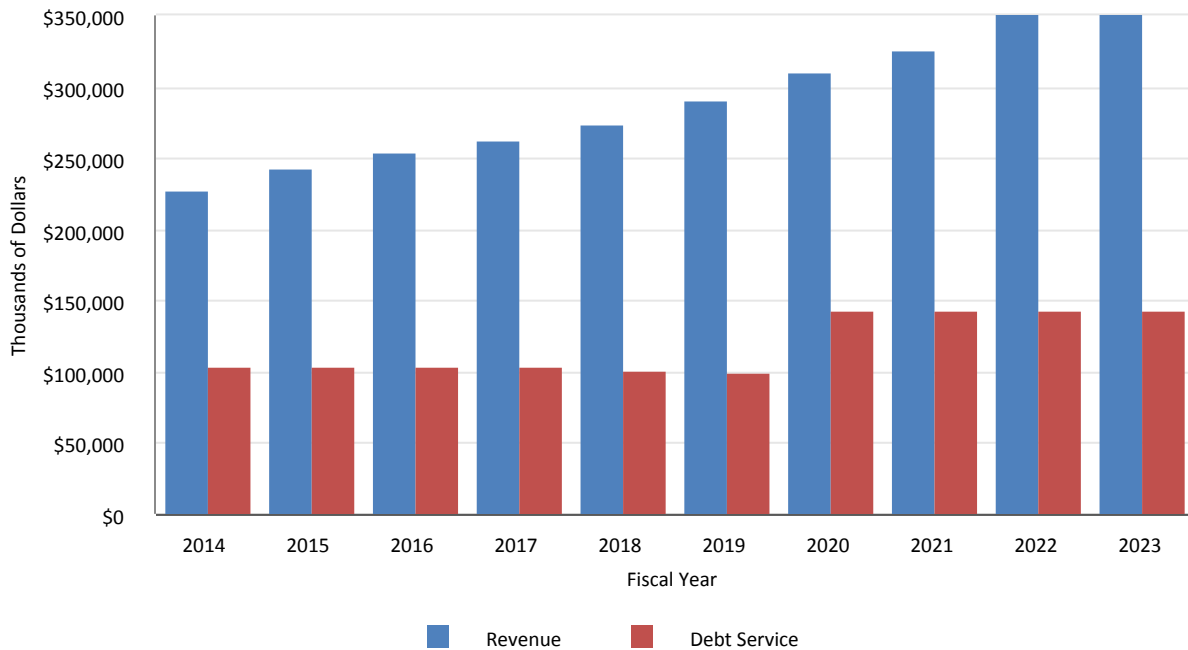
Fiscal Year	Principal	Interest	Total	Pledged Revenues <sup>1</sup>	Coverage
2023	\$ 124,400	\$ 18,989	\$ 143,389	\$ 481,726	3.4
2022	119,240	24,138	143,378	443,462	3.1
2021	113,290	30,423	143,713	371,847	2.6
2020	107,950	35,763	143,713	326,546	2.3
2019	104,685	39,031	143,716	311,188	2.2
2018	68,270	31,411	99,681	290,949	2.9
2017	67,495	33,257	100,752	274,553	2.7
2016	65,585	38,001	103,586	262,969	2.5
2015	70,940	32,652	103,592	254,921	2.5
2014	58,600	44,988	103,588	243,829	2.4

SOURCE: Maricopa County Regional Area Road Fund Report

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

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

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



**Arizona Department of Transportation  
 Transportation Excise Tax Revenue Bonds  
 Debt Service Revenue and Cost Per Capita  
 For the Last Ten Fiscal Years Ended June 30, 2023 (Thousands)**

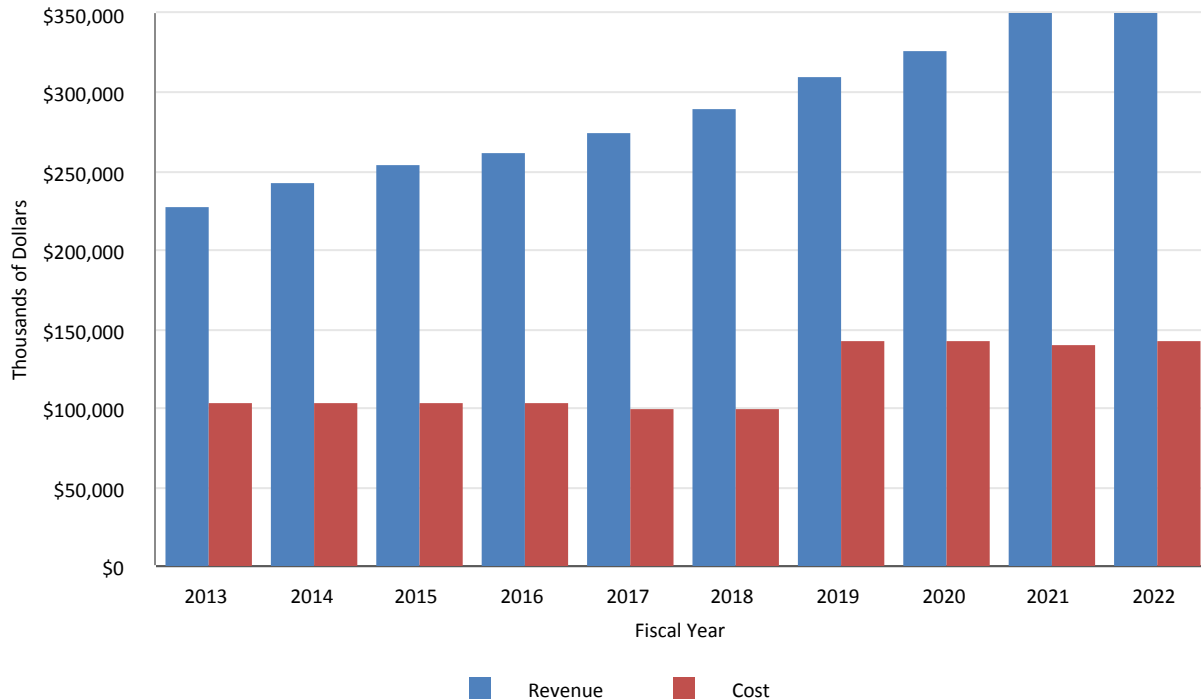
**Table C-3**

Fiscal Year	Principal	Interest	Total Cost	Revenues <sup>1</sup>	Maricopa County Population	Cost per Capita	Revenue per Capita
2023	<b>2022 is the most current population data available. The latest 10 years are displayed below.</b>						
2022	\$ 119,240	\$ 24,138	\$ 143,378	\$ 443,462	4,552	\$ 31	\$ 97
2021	92,545	47,652	140,197	371,847	4,497	31	83
2020	107,950	35,763	143,713	326,546	4,421	33	74
2019	104,685	39,030	143,715	311,188	4,485	32	69
2018	68,270	31,411	99,681	290,949	4,402	23	66
2017	67,495	33,257	100,752	274,553	4,327	23	63
2016	65,585	38,001	103,586	262,971	4,256	24	62
2015	58,600	44,988	103,588	254,871	4,173	25	61
2014	55,870	47,721	103,591	243,786	4,094	25	60
2013	55,460	48,129	103,589	227,800	4,018	26	57

NOTE 1: Based upon total 66.7% of Maricopa County Transportation Excise Tax collections.

Note 2: Maricopa County Regional Area Road Fund Report; population data from the U.S. Census Bureau available only through July 2022.

**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, 2023**  
**(Thousands of Dollars)**

	2013	2014	2015	2016
Governmental Activities				
Highway Revenue Bonds	\$ 1,733,285	\$ 1,674,800	\$ 1,589,965	\$ 1,519,770
Transportation Excise Tax Revenue Bonds	925,975	867,375	782,810	717,225
Grant Anticipation Notes	296,240	247,710	194,670	147,320
Premium on bonds	350,739	323,356	401,520	367,143
Capital leases	22,271	29,324	30,945	37,745
Advances and notes payable	105,816	108,096	22,178	40,486
Net pension and OPEB liabilities	—	—	307,848	331,831
Other long-term liabilities	16,780	153	18,900	—
Total governmental activities	3,451,106	3,250,814	3,348,836	3,161,520
Total primary government	\$ 3,451,106	\$ 3,250,814	\$ 3,348,836	\$ 3,161,520
Debt as a Percentage of Personal Income	1.40%	1.27%	1.14%	1.01%
Amounts of Debt per Capita <sup>1</sup>	\$518	\$483	\$445	\$408

Note:

2021 is the most current population data available. The latest 10 years are displayed in this table.

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 2021.

NOTE:

<sup>1</sup>The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Years 2012 through 2020 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.

<sup>2</sup>Pension liabilities were reported for the first time in FY 2015 due to implementation of GASB 68. OPEB liabilities were reported for the first time in FY 2016 due to implementation of GASB 75.

**Table C-4**

	2017	2018	2019	2020	2021	2022
\$	1,435,625	\$ 1,359,500	\$ 1,280,830	\$ 1,231,000	\$ 1,138,455	\$ 988,100
	643,310	575,040	732,365	624,415	511,125	377,485
	129,475	177,420	223,885	204,220	184,460	163,705
	389,860	344,153	349,554	329,736	289,528	243,927
	33,791	24,252	—	—	—	
	22,179	—	—	—	—	
	338,474	363,265	316,081	322,271	378,801	298,589
	49,913	47,567	33,837	36,455	35,837	55,275
	<u>3,042,627</u>	<u>2,891,197</u>	<u>2,936,552</u>	<u>2,748,097</u>	<u>2,538,206</u>	<u>2,127,081</u>
\$	<u>3,042,627</u>	\$ <u>2,891,197</u>	\$ <u>2,936,552</u>	\$ <u>2,748,097</u>	\$ <u>2,538,206</u>	\$ <u>2,127,081</u>
	1.03 %	0.91 %	0.90 %	0.71 %	0.63 %	0.53 %
\$	434	\$ 403	\$ 416	\$ 371	\$ 349	\$ 298

# DEMOGRAPHIC AND ECONOMIC INFORMATION

**Arizona Department of Transportation**  
**Registrations, Temporary Registration Permits and Disability Placards Per Year**  
**For the Last Ten Fiscal Years Ended June 30, 2023**  
**(Thousands)**

**Table D-1**

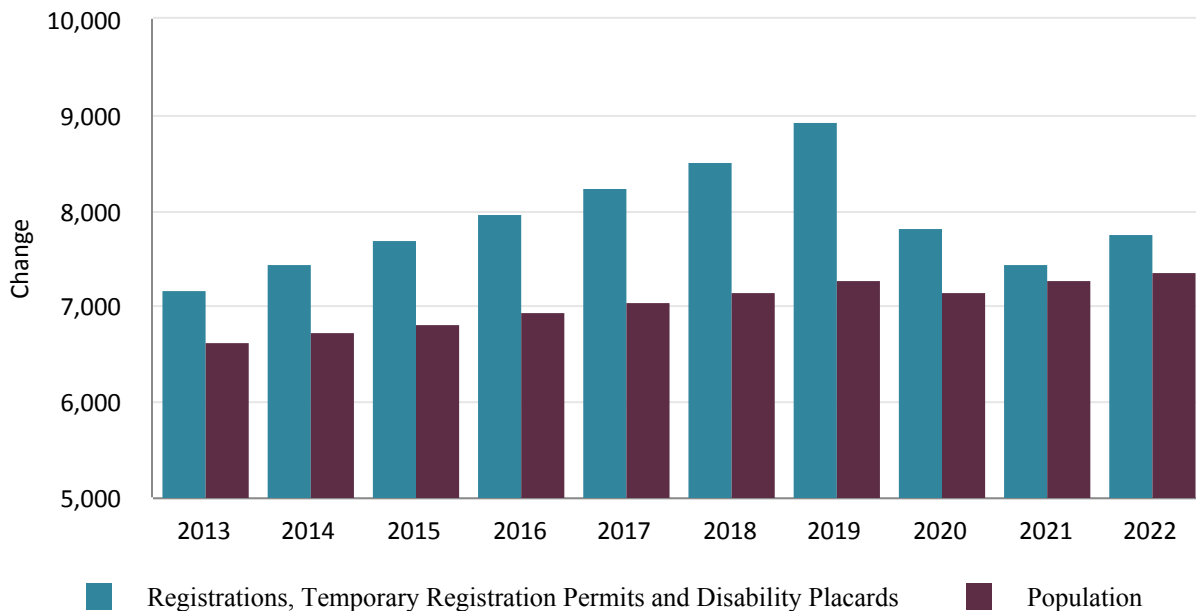
Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards <sup>2</sup>	Change in Number of Registered Vehicles	Arizona Population <sup>1</sup>	Change in Population	Vehicles per Person
2022	7,764	320	7,359	83	1.055
2021	7,444	(384)	7,276	125	1.023
2020	7,828	(1,095)	7,152	(127)	1.095
2019	8,923	404	7,279	121	1.226
2018	8,519	271	7,158	114	1.190
2017	8,248	277	7,044	103	1.171
2016	7,971	277	6,941	111	1.148
2015	7,694	241	6,830	99	1.127
2014	7,453	272	6,730	98	1.107
2013	7,181	205	6,633	78	1.083

SOURCE: Arizona Department of Transportation, Motor Vehicle Division website; United States Census Bureau, data.census.gov

NOTE 1: The Arizona population data for 2019 and prior are July 1, 2019 population estimates of the U.S. Bureau of the Census. Year 2020 was not available. 2020 Arizona population estimate was from April 1, 2020 of the U.S. Census Bureau QuickFacts.

NOTE 2: 2011 - 2019 registrations are not total representation of actual vehicles; disability placards issued to individuals are included in this total. These were a point-in-time count and is not limited to items that renew annually. AS of 2020, data was pulled from ADOT website, About ADOT, Fast Facts from ADOT.

**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, 2023**  
**(Thousands)**

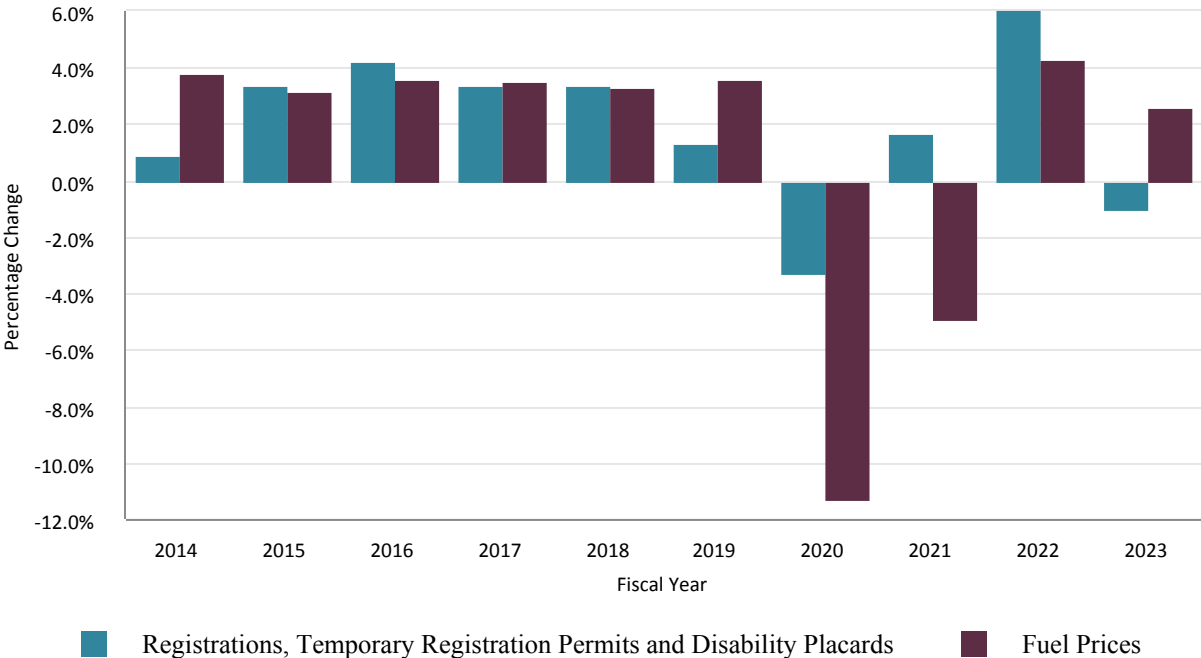
Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards <sup>2</sup>	Percentage Change	Fuel Sales <sup>1</sup>	Percentage Change
2023	7,970	2.6 %	\$ 4,047,168	(1.0)%
2022	7,764	4.3 %	4,086,829	6.0 %
2021	7,444	(4.9)%	3,853,858	1.7 %
2020	7,828	(11.3)%	3,790,920	(3.3)%
2019	8,822	3.6 %	3,920,898	1.3 %
2018	8,519	3.3 %	3,828,459	3.4 %
2017	8,248	3.5 %	3,776,517	3.4 %
2016	7,971	3.6 %	3,658,017	4.2 %
2015	7,694	3.2 %	3,505,603	3.4 %
2014	7,453	3.8 %	3,389,891	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.

NOTE 2: Prior to 2020, not all of the items included in this total represent actual vehicles; disability placards issued to individuals are included in this total. Starting in 2020, this total includes only registered Vehicles. 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**



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

**Table D-3**

Calendar Year Ended December 31	Population <sup>1</sup>	Personal Income <sup>2</sup> (in thousands)	Per Capita Personal Income <sup>3</sup>	Unemployment Rate <sup>4</sup>
2022	7,359,197	\$ 417,020,800	\$ 56,667	3.8 %
2021	7,276,316	395,110,700	54,301	5.0 %
2020	7,151,502	368,458,600	51,522	7.9 %
2019	7,278,717	334,024,900	45,808	4.9 %
2018	7,158,024	313,040,200	43,733	4.8 %
2017	7,044,008	292,108,028	41,469	4.9 %
2016	6,941,072	278,924,877	40,185	5.3 %
2015	6,829,676	267,361,132	39,147	6.1 %
2014	6,730,413	255,092,928	37,902	6.9 %
2013	6,632,764	245,070,457	36,948	7.8 %

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](http://www.workforce.az.gov) (for unemployment rates).

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

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

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

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

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

**Table D-4**

Employer	Calendar Year Ended December 31, 2022			Calendar Year Ended December 31, 2013		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
Banner Health	41,435	1	1.15 %	25,270	3	0.82 %
Amazon.com Inc	40,000	2	1.11 %			
State of Arizona	39,172	3	1.08 %	49,278	1	1.61 %
Walmart Inc.	38,309	4	1.06 %	32,169	2	1.05 %
AZ State University	34,421	5	0.95 %	12,222	7	0.40 %
Fry Food Stores	21,012	6	0.58 %			
University of Arizona	19,823	7	0.55 %			
Dignity Health Arizona	16,525	8	0.46 %			
City of Phoenix	15,645	9	0.43 %	14,983	4	0.49 %
Wells Fargo & Co.	15,500	10	0.43 %	14,713	5	0.48 %
Maricopa County				12,698	6	0.41 %
Intel Corp				11,900	8	0.39 %
J P Morgan Chase & Co.				11,042	9	0.36 %
Bank of America				11,000	10	0.36 %
<b>Total</b>	<b>281,842</b>		<b>7.80 %</b>	<b>195,275</b>		<b>6.37 %</b>

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

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

# OPERATING INFORMATION

**Arizona Department of Transportation**  
**Full-Time Equivalents (FTEs)**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2023**

**Table E-1**

Fiscal Year	Appropriated						Non-appropriated			Total All FTEs	
	Admin.	Highways	Multimodal Planning Division	Motor Vehicle Division	Enforcement & Compliance Division	Total Appropriated FTEs	Arizona Highways Magazine	HELP	Other		Total Non-Appropriated FTEs
2023	840	2,187	70	1,084	373	4,554	24	—	13	37	4,591
2022	829	2,200	70	1,079	376	4,554	17	—	20	37	4,591
2021	829	2,200	70	1,079	376	4,554	17	—	20	37	4,591
2020	824	2,199	84	1,079	368	4,554	17	—	28	45	4,599
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

**Arizona Department of Transportation**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity<sup>1</sup>**  
**June 30, 2023**  
**(Thousands of Dollars)**

**Table E-2**

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings	Machinery, Equipment, and Computer Software	Infrastructure	Construction in Progress	Total
Administration	\$ 5,136	\$ 48,646	\$ 8,919	\$ 78,645	\$ —	\$ —	\$ 141,346
Highway	3,705,284	56,344	10,330	58,536	16,942,825	4,181,562	24,954,881
Highway maintenance	5,956	56,411	10,342	70,999	—	—	143,708
Motor vehicle	6,521	61,767	11,324	156,901	—	—	236,513
Total governmental funds capital assets	<u>\$ 3,722,897</u>	<u>\$ 223,168</u>	<u>\$ 40,915</u>	<u>\$ 365,081</u>	<u>\$ 16,942,825</u>	<u>\$ 4,181,562</u>	<u>\$ 25,476,448</u>

NOTE:

<sup>1</sup>This schedule presents only the gross cost of the capital assets related to governmental funds. In prior fiscal years the Department's internal service fund was excluded from the above capital asset amounts. Since the internal service only provides goods and services to governmental funds, its capital assets should be included. Internal service funds 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	\$ 24,847,284
Capital assets subject to depreciation – cost	<u>629,164</u>
Total gross cost	25,476,448
Less: Accumulated Depreciation (Note 5A)	<u>(380,331)</u>
Total capital asset per Exhibit 1	<u>\$ 25,096,117</u>

**Arizona Department of Transportation**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity<sup>1</sup>**  
**For the Year Ended June 30, 2023**  
**(Thousands of Dollars)**

Table E-3

Function and Activity	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets June 30, 2023
Administration	\$ 136,426	\$ 7,060	\$ (2,140)	\$ 141,346
Highway	24,491,730	486,151	(23,000)	24,954,881
Highway maintenance	138,002	8,187	(2,481)	143,708
Motor vehicle	230,266	8,964	(2,717)	236,513
	<u>24,996,424</u>	<u>510,362</u>	<u>(30,338)</u>	<u>25,476,448</u>
Total governmental funds capital assets	<u>\$ 24,996,424</u>	<u>\$ 510,362</u>	<u>\$ (30,338)</u>	<u>\$ 25,476,448</u>

NOTE: <sup>1</sup>This schedule presents only the capital asset gross cost balances (excludes accumulated depreciation) All capital assets relate to governmental funds. In prior fiscal years, the capital assets of the internal service fund were excluded from the above table. However, the internal service fund for the Department only provides goods and services to governmental funds, and therefore, should be included. Beginning balances have been restated to reflect this change.

Reconciliation of Governmental Funds Capital Assets – acquisition cost

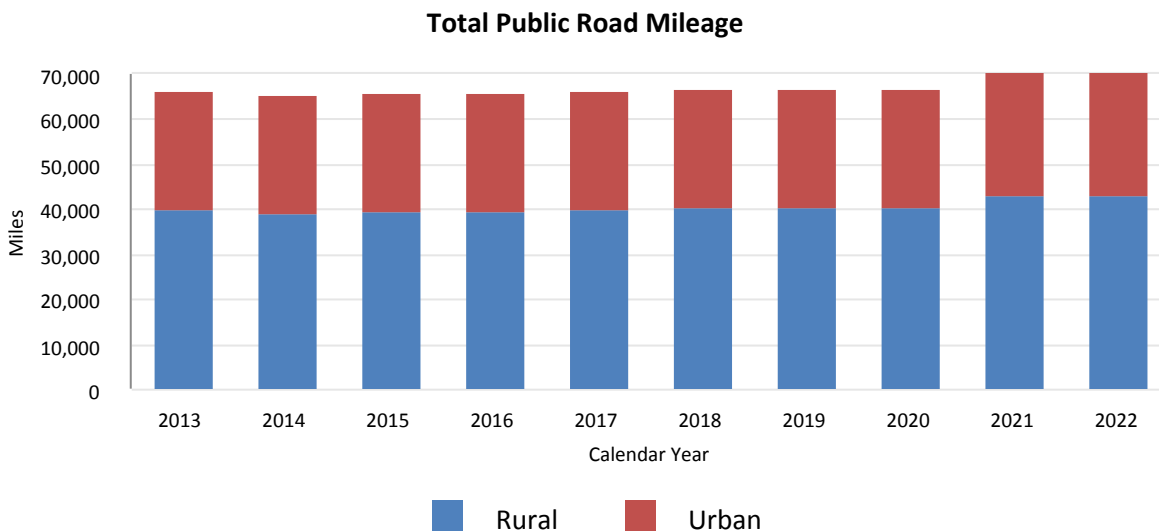
Capital assets not subject to depreciation – cost	\$ 24,847,284
Capital assets subject to depreciation – cost	629,164
Total gross cost	<u>25,476,448</u>
Less: Accumulated depreciation	<u>(380,331)</u>
Capital assets, net of accumulated depreciation per Exhibit 1	<u>\$ 25,096,117</u>

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

Table E-4

Functional Classification	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Rural</b>										
Interstate Freeway	921	921	917	916	916	916	916	916	916	916
<sup>1</sup> Principal Arterial Freeways & Expressways	18	18	18	18	18	18	19	19	19	19
Principal Arterial	1,174	1,207	1,210	1,210	1,210	1,211	1,263	1,263	1,263	1,263
Minor Arterial	1,173	1,200	1,284	1,284	1,281	1,281	2,186	2,186	2,186	2,190
Major Collector	4,179	4,127	4,204	4,205	4,206	4,208	3,343	3,342	3,336	3,355
Minor Collector	1,794	1,807	1,882	1,882	1,894	1,890	2,961	2,962	2,962	2,949
Local	30,870	30,104	30,285	30,170	30,675	30,876	29,703	29,702	32,429	32,621
<b>Total Rural</b>	<b>40,129</b>	<b>39,384</b>	<b>39,800</b>	<b>39,685</b>	<b>40,200</b>	<b>40,400</b>	<b>40,391</b>	<b>40,390</b>	<b>43,111</b>	<b>43,313</b>
<b>Urban</b>										
Interstate Freeway	248	248	252	252	252	253	252	252	252	252
<sup>2</sup> Principal Arterial Freeways & Expressways	208	215	214	214	215	215	252	252	251	254
Principal Arterial	1,491	846	843	844	844	849	854	854	854	858
Minor Arterial	1,957	2,633	2,635	2,636	2,638	2,631	2,543	2,539	2,539	2,535
Urban Collector	2,100	2,103	2,159	2,145	2,156	2,153	5,479	5,479	5,478	5,474
Local	20,308	20,165	20,219	20,258	20,253	20,281	17,129	17,201	22,121	22,175
<b>Total Urban</b>	<b>26,312</b>	<b>26,210</b>	<b>26,322</b>	<b>26,349</b>	<b>26,358</b>	<b>26,382</b>	<b>26,509</b>	<b>26,577</b>	<b>31,495</b>	<b>31,548</b>
<b>Statewide composite</b>										
Freeways and expressways	1,377	1,384	1,383	1,382	1,383	1,384	1,420	1,420	1,419	1,422
Arterials	5,813	5,904	5,990	5,992	5,991	5,990	6,865	6,861	6,861	6,865
Collectors	8,073	8,037	8,245	8,232	8,256	8,251	11,783	11,783	11,776	11,778
Locals	51,178	50,269	50,504	50,428	50,928	51,157	46,832	46,903	54,550	54,796
<b>Total statewide composite</b>	<b>66,441</b>	<b>65,594</b>	<b>66,122</b>	<b>66,034</b>	<b>66,558</b>	<b>66,782</b>	<b>66,900</b>	<b>66,967</b>	<b>74,606</b>	<b>74,861</b>

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





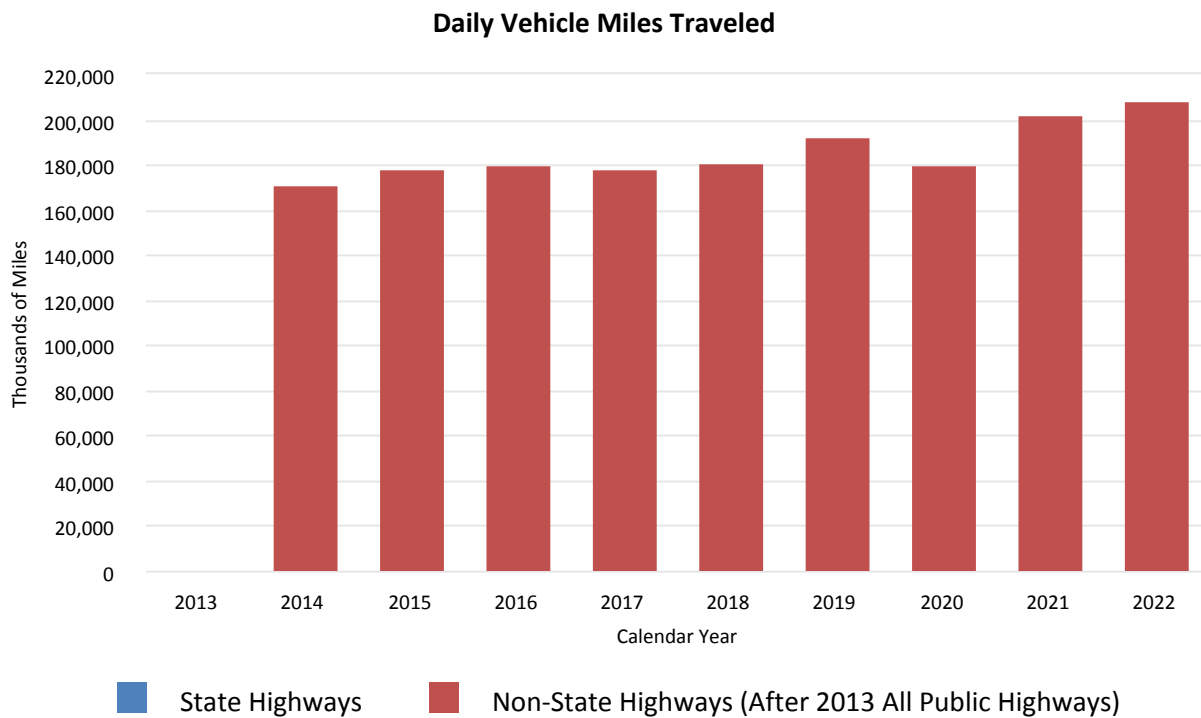
**Arizona Department of Transportation**  
**Vehicle Miles Traveled With Population Data**  
**For the For the Last Ten Calendar Years Ended December 31**  
**(Thousands)**

**Table E-5**

Calendar <sup>1</sup> Year Ended December 31	Non-State <sup>3</sup> Highways	State <sup>3</sup> Highways	All Public Highways	Arizona <sup>3</sup> Population	Daily Miles per Capita
2022	—	—	208,670	7,359	28.4
2021	—	—	202,082	7,276	27.8
2020	—	—	179,667	7,421	24.2
2019	—	—	192,550	7,279	26.5
2018	—	—	181,218	7,172	25.3
2017	—	—	178,273	7,049	25.3
2016	—	—	179,742	6,945	25.9
2015	—	—	178,205	6,834	26.1
2014	— <sup>1</sup>	—	171,591	6,734	25.5
2013	—	—	165,990	6,635	25.0

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

1 Calendar year end 2019 is the latest population information available at the time of publication.



1

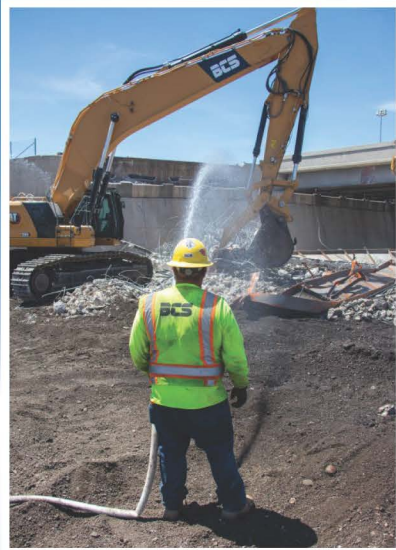
## **ACKNOWLEDGMENTS**

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

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