

FISCAL YEAR 2024

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For fiscal year ended June 30, 2024



STATE OF ARIZONA | DEPARTMENT OF TRANSPORTATION

ARIZONA
— DEPARTMENT OF —
TRANSPORTATION

Arizona Department of Transportation
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024

Prepared by Financial Management Services
State of Arizona Department of Transportation
206 S. 17th Avenue
Phoenix, Arizona 85007
azdot.gov

Arizona Department of Transportation
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For the Fiscal Year Ended June 30, 2024
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January 2, 2025

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, 2024. 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, 2024, 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, 2024, 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 controls include 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, 2024, 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 operation 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/organizational 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 2024, Arizona experienced low unemployment rates and moderate job growth. Inflation rates moderated during FY 2024 in response to actions by the Federal Reserve. According to the Arizona Office of Economic Opportunity, the Arizona seasonally adjusted (SA) unemployment rate decreased from 3.8 percent in June 2023 to 3.3 percent in June 2024. During this period, SA non-farm employment increased by approximately 60,400 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 HURF completed FY 2024 with a total of \$1,801.1 million in collections, an increase of 3.0 percent over FY 2023 and 2.0

percent above forecast. The Maricopa County Transportation Excise Tax performed slightly above the official forecast. Maricopa County Transportation Excise Tax collections totaled \$751.6 million, an increase of 4.0 percent over FY 2023 and 0.8 percent above forecast.

The United States economy is still expanding, but nationally, residential construction continues to downshift under the pressure of high interest rates. A decrease in mortgage rates as the Federal Reserve adopts less restrictive monetary policies could improve affordability and provide a boost to the residential sector. In June 2024, the Arizona employment situation was out performing the nation, with AZ having a lower unemployment rate than the US, according to the Arizona Office of Economic Opportunity. The May 2024 University of Arizona Economic and Business Research Center forecast Arizona non-farm employment to grow 2.2 percent in calendar year (CY) 2024 and to grow 2.0 percent in CY 2025. According to the July 2024 Western Blue Chip report, personal income in Arizona is forecasted to increase by 4.8 percent in CY 2024 and by 5.0 percent in CY 2025, and Arizona population is projected to grow by 1.4 percent in CY 2024 and 1.4 percent in CY 2025.

The Department's FY 2025 HURF revenue forecast is \$1,852.4 million, a 2.8 percent increase over FY 2024. The HURF ten-year compound growth rate for FY 2015 - FY 2024 was 3.7 percent. The Department forecasts the distribution of FY 2025 HURF revenue as follows: State Highway Fund \$928.4 million; Arizona cities and towns \$560.7 million; Arizona counties \$349.3 million; State Lake Improvement Fund and Off-Highway Vehicle Recreation Fund \$11.9 million; Economic Strength Project Fund \$1.0 million; and ADOT for operating expenses / the authorized third-party program \$1.0 million. An estimated \$15.3 million of the State Highway Fund share of HURF vehicle license tax revenues will be reallocated as follows: State General Fund \$10.7 million and the Department of Public Safety \$4.6 million.

The Maricopa County Transportation Excise Tax revenue forecast for FY 2025 totals \$765.3 million, an increase of 1.8 percent over FY 2024. The Maricopa County Transportation Excise Tax ten-year compound growth rate for FY 2015 - FY 2024 was 7.8 percent. The forecasted distribution of the Maricopa County Transportation Excise Tax revenue in FY 2025 is as follows: Maricopa County Regional Area Road Fund \$430.1 million for highways and \$80.4 million for arterial streets; Public Transportation Fund \$254.9 million.

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 15, 2023, the Transportation Board adopted the Five-year Transportation Facilities Construction Program for fiscal years 2024 through 2028. A total of \$9.6 billion of transportation facilities expenditures are planned during this time period. This includes \$4.8 billion for the statewide highway program, \$4.7 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 2024 through 2028 can be found at:

https://apps.azdot.gov/ADOTLibrary/Multimodal_Planning_Division/FiveYrPlan/Five_Year_Program-FY2024-28.pdf

Legislative updates

The major legislative updates taking effect in fiscal year 2024, which impacted the Department, include:

Senate Bill 1102, Chapter 203 This bill 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.

Senate Bill 1340, Chapter 109 This bill prohibits ADOT from entering into a public-private partnership (P3) agreement allowing the conversion of an existing publicly funded or maintained street or highway to a toll road. Additionally, this bill prohibits county boards of supervisors from converting a publically funded street or highway into a toll road, but this does not apply to airports.

Senate Bill 1720, Chapter 133 This is the general appropriations bill for FY 2024. Appropriates \$8,166,700 from the State Highway Fund and \$1,032,000 from the Motor vehicle liability insurance enforcement fund to DPS. There is no HURF transfer to DPS in FY 2024. This bill makes an appropriation from HURF of \$935,200 for ADOT operating budget/ authorized third-party program (but the JLBC appropriations report shows \$898,600). Appropriates \$15,981,300 from the State Highway Fund to ADOA in FY 2024 for the risk management premium. Additionally, the bill provides a total appropriation of \$579.5 million for ADOT which includes \$161.6 million for highway maintenance, \$36.1 million for Preventive Surface Treatments and \$256.3 million for operating lump sum appropriation. This represents a \$16.7 million increase over the \$562.8 million FY 2023 appropriation. The State Highway Fund share amounts to \$482.2 million of the total appropriation.

Senate Bill 1722, Chapter 135 The Arizona Legislature adopts a budget for each fiscal year (FY) that contains general appropriations. Article IV, Section 20, Part 2, Constitution of Arizona, requires the general appropriations act (the feed bill) to contain only appropriations for the different state departments, state institutions, public schools and interest on public debt. Statutory changes necessary to reconcile the appropriations made in the feed bill and other changes are drafted into separate budget bills. These bills are prepared according to subject area.

Senate Bill 1735, Chapter 148 This bill makes changes to the existing State Match Advantage for Rural Transportation (SMART) fund language to stipulate that a municipality that is partially located in an urbanized area of a county with a population over 1 million is also not eligible for SMART funding, the same as a municipality that is entirely located in such an area.

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, 2024.

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, 2023. This accomplishment was the thirty-fourth 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.

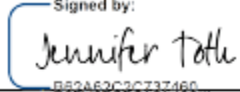
A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 2024 Annual Comprehensive Financial Report.

Respectfully Submitted,

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Signed by:



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Jennifer Toth, Director

Arizona Department of Transportation

DocuSigned by:



DD800FD33A13425...

Kristine Ward, Deputy Director/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, 2023

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

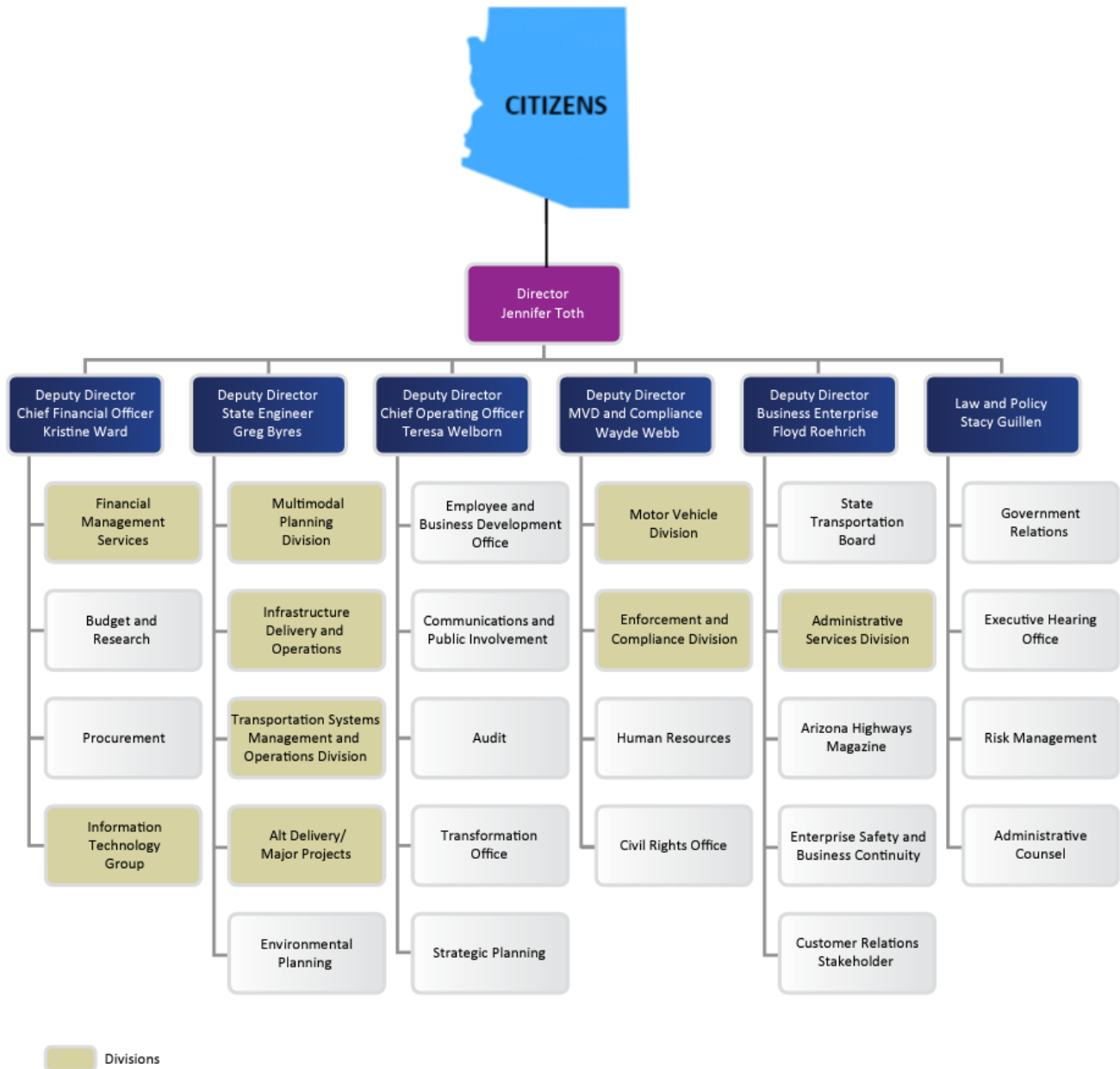
Steve Boschen
Director, Infrastructure Delivery and Operations
Brent Cain
Director, Transportation Systems Management and Operations Division
Eric Jorgensen
Director, Motor Vehicle Division
Teri Kennedy
Director, Administrative Services Division
Tim Newton
Director, Financial Management Services Division
Paul Patane
Director, Multimodal Planning Division
Rob Samour
Director, Alt Delivery/Major Projects Division
Steve West
Chief Information Officer

Arizona State Transportation Board

Member	Counties	Term Expires
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
Jamescita Peshlakai, Member	District 5 (Apache, Coconino, and Navajo Counties)	
Sam Elters, Member	District 6 (Yavapai, Yuma, Mohave, and La Paz Counties)	
Vacant	District 1 (Maricopa County)	

State of Arizona Department of Transportation Organization Chart

June 30, 2024



Rev. 6/2024 13-201

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, 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, 2024, 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, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2024, 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

Reporting Entity

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, 2024, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is 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

Restatement

As discussed in Note 4, the beginning net position of the governmental activities was restated due to the correction of an error in the amortization of bond premiums. Our opinion is not modified in respect of this matter.

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.

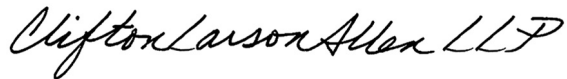
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. 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 2, 2025, 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.

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

CliftonLarsonAllen LLP

Phoenix, Arizona
January 2, 2025

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

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, 2024. 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 \$27.4 billion. Of this amount, \$1.1 billion represents the *unrestricted* component, \$1.6 billion was *restricted*, and \$24.7 billion is *net investment in capital assets*.
- Total net position of the Department increased by \$1.0 billion. See [Note 6D](#) for further details.
- The Department's capital assets are \$25.7 billion, compared to \$25.1 billion for fiscal year 2023, an increase of 2.3%. This increase is attributable to the results of highway construction activity. The Department's *net investment in capital assets* is \$24.7 billion, compared to \$23.5 billion for fiscal year 2023, an increase of 5.1%.
- The Department's total liabilities are \$1.9 billion, compared to \$2.4 billion in 2023. The Department had \$286.9 million less in bonds outstanding in 2024 than in 2023.

Fund Level

- As of the close of the fiscal year, the governmental funds of the Department reported combined ending fund balances of \$3.2 billion, as compared to \$3.1 billion in 2023.
- The total restricted fund balance (governmental funds) is \$1.8 billion; the majority of this amount is restricted for capital projects. Inventories of \$397 thousand represent the nonspendable portion of fund balance while \$1.4 billion represents the committed fund balance portion.
- The enterprise fund reported net position at year-end of \$67, as compared to \$4 thousand in 2023.

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, 2024**

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, 2024**

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, 2024**

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, 2024 and 2023.

The Department's combined net position increased by \$1.1 billion or 4.1%, over the course of this fiscal year's operations. The net position of the governmental activities increased by \$1.1 billion or 4.1%; and business-type activities decreased by \$3.7 thousand, or (98.2)% 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, 2024**

The following table reflects the condensed Statements of Net Position as of June 30, 2024 and 2023:

**Condensed Statements of Net Position
As of June 30, 2024**

	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 3,751,675,164	\$ 3,638,901,212
Capital Assets	25,674,875,104	25,096,117,362
Total Assets	29,426,550,268	28,735,018,574
Deferred Outflows of Resources	61,743,058	95,658,099
Liabilities		
Current liabilities	402,145,040	427,151,633
Noncurrent liabilities	1,509,802,845	1,938,041,694
Total liabilities	1,911,947,885	2,365,193,327
Deferred Inflows of Resources	151,224,342	130,611,804
Net Position		
Net investment in capital assets, as restated	24,680,648,547	23,476,160,649
Restricted	1,645,731,040	1,365,245,698
Unrestricted	1,098,741,512	1,493,465,195
Total net position	\$27,425,121,099	\$ 26,334,871,542

The total assets of the Department (excluding deferred outflows of resources) were \$29.4 billion, while total liabilities (excluding deferred inflows of resources) were \$1.9 billion, resulting in a net position balance of \$27.4 billion. The majority of the Department's net position, \$24.7 billion (90.0%), 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, 2024**

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, 2024**

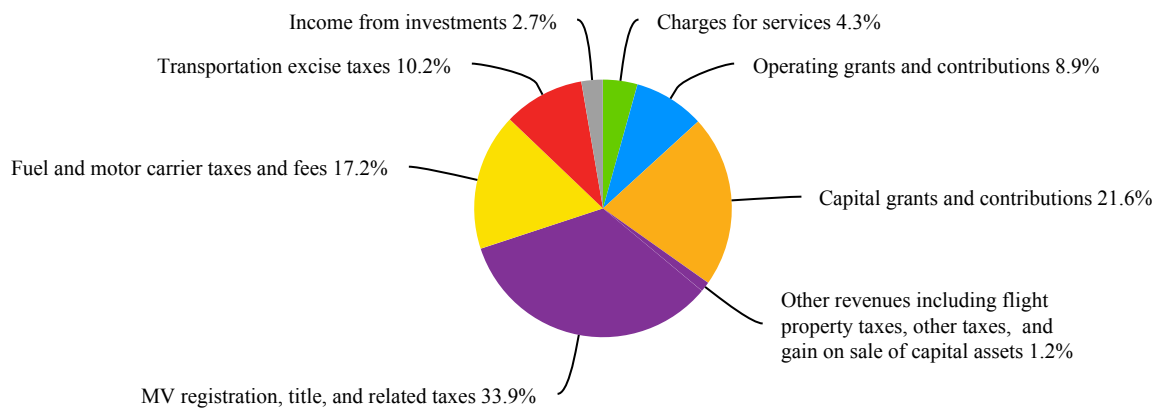
	Governmental Activities	
	2024	2023, as restated
Revenues		
Program revenues		
Charges for services	\$ 220,483,696	\$ 219,055,969
Operating grants and contributions	453,858,203	222,422,654
Capital grants and contributions	1,101,019,831	938,977,901
General revenues		
Motor vehicle registration, title, and related taxes	1,729,284,159	1,666,596,472
Fuel and motor carrier taxes and fees	877,243,639	828,526,340
Transportation excise taxes	518,763,638	1,433,455,985
Flight property taxes	15,850,623	12,836,865
Other taxes and fees	41,934,033	41,613,336
Income from investments	137,198,231	78,049,076
Other	6,281,485	5,594,660
Total revenues	5,101,917,538	5,447,129,258
Expenses		
Distributions to Arizona counties and cities	2,058,402,398	1,721,839,596
Noncapital, including asset preservation	847,576,273	766,654,945
Distributions to other state agencies	353,934,895	181,061,029
Highway	134,017,305	130,571,023
Highway maintenance	182,132,851	184,944,849
Local governmental assistance	138,135,268	116,362,493
Motor vehicle	219,067,447	210,366,021
Interest on long-term debt	(6,093,831)	34,092,076
Administration	170,212,948	141,034,728
Loss on sale of capital assets	6,220,939	1,833,651
Total expenses	4,103,606,493	3,488,760,411
Increase (decrease) in net position before transfers	998,311,045	1,958,368,847
Transfers	—	—
Changes in net position	998,311,045	1,958,368,847
Net position, beginning	26,426,810,054	24,376,502,695
Net position, ending Original	\$ 27,425,121,099	\$ 26,334,871,542
Restated		\$ 91,938,512
Net position, ending as restated	\$ 27,425,121,099	\$ 26,426,810,054

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2024:

**Revenues – Governmental Activities
\$5,101,917,538**



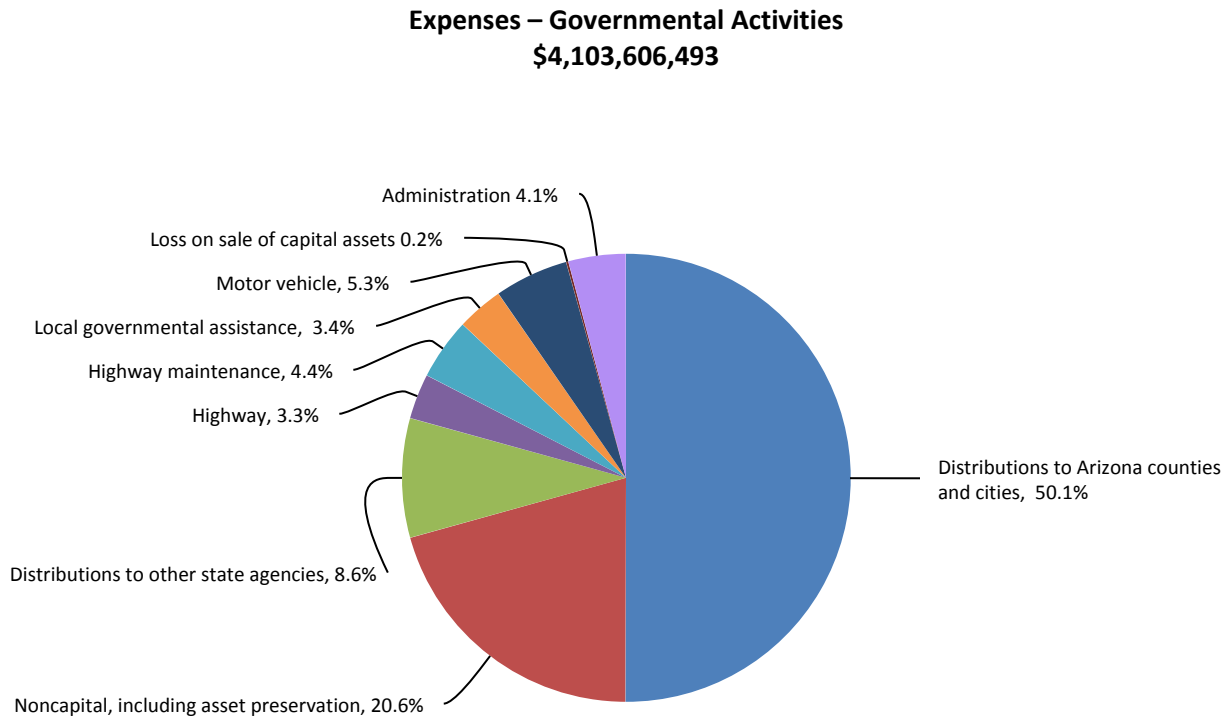
Of the Department's revenues, \$4.2 billion (or 82.8%) are from the following four revenue sources:

- Motor vehicle registration, title, license, and related taxes comprise the Department's largest revenue source of \$1.7 billion (33.9%).
- Transportation excise taxes represent the Department's second largest revenue source of \$0.5 billion (10.2%).
- Capital grants and contributions represent the Department's third largest revenue source of \$1,101.0 million (21.6%).
- Fuel and motor carrier taxes and fees represent the Department's fourth largest revenue source of \$877.2 million (17.2%).

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

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 2024. HURF collections totaled approximately \$1.8 billion, 3.0% above fiscal year 2023 and 1.9% above the *official* forecast. Maricopa County Transportation Excise Tax collections totaled \$751.1 million, an increase of 4.0% over fiscal year 2023 and 0.7% above the Department's *official* forecast. The Transportation Excise Tax distribution to the Department was \$0.5 billion compared to \$1.4 billion for fiscal year 2023. 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, 2024:



Of the Department's top three expenses, \$3.1 billion (or 76.2%) were for the following:

- Distributions to Arizona counties and cities comprise the Department's largest expense of \$2.1 billion (50.1%).
- Non-capital, including asset preservation, represents the Department's second largest expense of \$847.6 million (20.7%).
- Distributions to other state agencies the Department's third largest expense of \$353.9 million (8.6%).

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

Distributions to Arizona counties and cities increased in fiscal year 2024 as compared to fiscal year 2023 due to an increase in vehicle license tax and registration and fuel tax revenue collections. The distributions to other government entities (excluding distributions from the Local Agency Deposit Fund) equal \$2.4 billion (58.8%); making up more than half of the expenditures for fiscal year 2024.

Business-type Activities

Net position for business-type activities decreased by \$0.0 million in fiscal year 2024. Total revenues were \$162 , 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 2024, 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 \$3.2 billion, an increase of \$0.1 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 \$397 thousand; the restricted fund balance was \$645.4 million; and the committed fund balance was \$1.3 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 2024 from fiscal year 2023 at \$863.1 million; of which Transportation Excise Tax revenue of \$501.0 million (or 58.0%) 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 \$606.3 million. Of this amount, \$433.8 million was transferred in from the General Fund (State Highway Fund), \$140.5 million was transferred in from Maricopa Regional Area Road Construction Fund, and \$30.0 was

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

transferred in from Grant Anticipation Notes Fund. Total debt service paid during fiscal year 2024 was \$611.8 million, including \$555.7 million of principal payments and \$52.9 million of interest payments.

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.

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 2024, the Capital Projects Funds' expenditures were \$60.2 million. Non-capital, including asset preservation expenditures of \$0.0 million (0.0%) 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) decreased by about \$(37.8) million from fiscal year 2023 to fiscal year 2024. 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 2023, the Department spent 85.9% of its budget and in fiscal year 2024 the Department spent 86.9% of its budget. Ultimately, the Department spent about \$27.7 million less in fiscal year 2024 than in fiscal year 2023 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 (More detailed information can be found beginning page 56, Note 5A)

The Department's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$25.7 billion, a \$575.9 million increase net of accumulated depreciation over the previous fiscal year.

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

**Capital Assets
June 30, 2024**

	Governmental Activities	
	2024	2023
Land	\$3,869,240,839	\$3,722,894,496
Infrastructure	16,961,154,826	16,942,828,020
Construction in progress	4,577,096,808	4,181,561,520
Buildings and improvements	222,739,197	223,145,077
Improvements other than buildings	41,751,127	40,911,652
Computer software	80,622,704	80,622,704
Machinery and equipment	44,559,915	42,440,463
Mobile fleet and aircraft	275,815,177	242,044,167
Less: Accumulated depreciation	(400,979,954)	(380,330,737)
Total	<u>\$25,672,000,639</u>	<u>\$25,096,117,362</u>

As provided by accounting principles generally accepted in the United States (GAAP), the Department has elected to record its infrastructure assets using the modified approach, as defined in GASB Statement 34, as amended. Assets accounted for under the modified approach include 9,447 center line miles of roads (22,656 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 3.48 was achieved for fiscal year 2024.

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 0.3% of the bridges were so classified for fiscal year 2024.

Noncurrent Liabilities (More detailed information can be found on page 62, Note 5E)

The Department's noncurrent liabilities for its governmental and business-type activities as of June 30, 2024, amount to \$1.5 billion, a decrease of \$428.2 million from the previous fiscal year.

**Arizona Department of Transportation
Management's Discussion and Analysis
For the Year Ended June 30, 2024**

	2024	2023
Governmental Activities		
Bonds and notes		
Highway revenue bonds	\$ 810,060,000	\$ 943,450,000
Transportation excise tax revenue bonds	122,465,000	253,085,000
Grant anticipation notes (GARVEE bonds)	119,030,000	141,905,000
Highway revenue bonds-direct placement	—	0
Transportation excise tax revenue bonds-direct placement	14,670,000	14,670,000
Unamortized Premium on bonds, original		209,473,594
Restated		91,938,509
Unamortized Premium on bonds, as restated	68,267,970	117,535,085
Total bonds and notes	<u>1,134,492,970</u>	<u>1,470,645,085</u>
Compensated absences	23,017,543	21,992,390
Utility and railroad settlement accrual	—	\$ —
Accrued Relocation Costs	51,599,574	27,341,721
Total governmental activities	<u>\$ 1,209,110,087</u>	<u>\$ 1,519,979,196</u>
	2024	2023
Net pension liability	\$ 266,765,683	\$ 267,359,611
Net OPEB liability	<u>31008093</u>	\$ 58,764,377

The Department did issue a new bond in 2024 as well as processed a tender on the HURF 2020A bond. All outstanding bonds as of June 30, 2024, 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); 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 For the Year Ended June 30, 2024

Exhibit 1

	Primary Government
	Governmental Activities
Assets	
Unrestricted cash on deposit with State Treasurer	\$ 1,313,406,228
Receivables	
Taxes and fees	130,161,787
Leases, notes, and loans	25,635,921
Other, net of allowance for doubtful accounts	13,013,225
Due from U.S. government	152,398,485
Due from other state agencies	42,041,329
Inventories	4,202,876
Restricted cash on deposit with State Treasurer	2,061,428,273
Restricted cash with fiscal agents	406,754
Net OPEB asset	8,980,286
Capital assets not subject to depreciation (Notes 5A)	25,407,492,472
Capital assets subject to depreciation, net of accumulated depreciation, (Notes 5A)	264,508,166
Capital assets rights-to-use lease assets, net of accumulated depreciation, (Notes 5A)	2,874,466
Total assets	<u>29,426,550,268</u>
Deferred Outflows of Resources	
Relating to pensions (Note 6C)	33,936,143
Relating to OPEB	13,882,179
Loss on debt refundings	13,924,736
Total deferred outflows of resources	<u>61,743,058</u>
Liabilities	
Accounts payable and other current liabilities	128,684,672
Accrued payroll and other accrued expenses	5,940,092
Due to other state agencies	19,733,070
Tax and refunds payable	9,408,019
Due to Arizona counties and cities	203,378,629
Unearned revenue	35,000,558
Non-current liabilities:	
Due within one year (bonds and other liabilities, Note 5E)	285,361,538
Due in more than one year:	
Bonds and other noncurrent liabilities (Note 5E)	926,667,531
Net OPEB liability	31,008,093
Net pension liability (Note 6C)	266,765,683
Total liabilities	<u>1,911,947,885</u>
Deferred Inflows of Resources	
Leases	24,632,136
Relating to pensions (Note 6C)	11,517,803
Relating to OPEB	74,525,013
Gain on debt refundings	40,549,390
Total deferred inflows of resources	<u>151,224,342</u>
Net Position	
Net investment in capital assets	24,680,648,547
Restricted:	
Loans and other financial assistance	220,026,541
Debt service	477,547,473
Capital projects	939,176,740
Net OPEB Assets	8,980,286
Unrestricted	1,098,741,512
Total net position	<u>\$ 27,425,121,099</u>

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

Arizona Department of Transportation

Statement of Activities

For the Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 170,212,948	\$ 11,741,571	\$ 12,134,679	\$ 712,144,692	\$ 565,807,994
Highway	134,017,305	4,425,635	321,591,977	388,069,677	580,069,984
Highway maintenance	182,132,851	8,435,759	—	—	(173,697,092)
Motor vehicle	219,067,447	177,103,405	9,333,989	805,462	(31,824,591)
Noncapital, including asset preservation	847,576,273	18,777,326	—	—	(828,798,947)
Distributions to other state agencies	353,934,895	—	—	—	(353,934,895)
Distributions to Arizona counties and cities	2,058,402,398	—	—	—	(2,058,402,398)
Local government assistance	138,135,268	—	110,797,558	—	(27,337,710)
Loss on sale of capital assets	6,220,939	—	—	—	(6,220,939)
Interest on long-term debt	(6,093,831)	—	—	—	6,093,831
Total governmental activities	<u>4,103,606,493</u>	<u>220,483,696</u>	<u>453,858,203</u>	<u>1,101,019,831</u>	<u>(2,328,244,763)</u>
Total primary government	<u>\$ 4,103,610,393</u>	<u>\$ 220,483,696</u>	<u>\$ 453,858,203</u>	<u>\$ 1,101,019,831</u>	<u>\$ (2,328,248,663)</u>
					Governmental Activities
Net (expenses) revenues					\$ (2,328,244,763)
General revenues					
Transportation excise taxes					518,763,638
Motor vehicle registration, title, and related taxes					1,729,284,159
Fuel and motor carrier taxes and fees					877,243,639
Flight property taxes					15,850,623
Other taxes and fees					41,934,033
Income from investments					137,198,231
Other					6,281,485
Total general revenues					<u>3,326,555,808</u>
Changes in net position					998,311,045
Net Position - July 1 Beginning, Originally Reported					26,334,871,545
Restatement					91,938,509
Net Position - July 1 Beginning, as Restated					<u>26,426,810,054</u>
Ending net position June 30					<u><u>\$27,425,121,099</u></u>

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

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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, 2024

Exhibit 3

		Special Revenue Funds	
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
Assets			
Unrestricted cash on deposit with the State Treasurer	\$ 1,198,055,026	\$ —	\$ —
Receivables			
Interfund	143,981,525	—	19,393,484
Taxes and fees	7,004,588	—	—
Leases, notes and loans	25,315,754	—	—
Due from other state agencies	—	41,717,404	—
Other, net	2,653,238	296,504	2,872,328
Amounts due from U.S. government	69,780,819	67,451,444	—
Inventories	396,920	—	—
Restricted cash held by fiscal agents	406,754	—	—
Restricted cash on deposit with the State Treasurer	645,006,050	888,899,415	115,159,168
Total assets	<u>\$ 2,092,600,674</u>	<u>\$ 998,364,767</u>	<u>\$ 137,424,980</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 84,999,223	\$ 28,836,500	\$ —
Accrued payroll and other accrued expenditures	5,566,771	69,656	—
Tax and refunds payable	—	—	8,841,665
Interfund payables	2,127,022	—	46,129,788
Amounts due to			
Other state agencies	7,004,588	—	11,729,033
Arizona counties and cities	4,214,312	7,002,940	45,215,649
Unearned revenue	1,363,290	—	33,637,268
Total liabilities	<u>105,275,206</u>	<u>35,909,096</u>	<u>145,553,403</u>
Deferred inflows of resources			
Leases	24,632,136	—	—
Unavailable revenue	252,549	48,405,850	—
	<u>24,884,685</u>	<u>48,405,850</u>	<u>—</u>
Fund balances			
Unassigned	—	—	(8,128,423)
Nonspendable	396,920	—	—
Restricted	645,412,805	914,049,821	—
Committed	1,316,631,058	—	—
Total fund balances (deficits)	<u>1,962,440,783</u>	<u>914,049,821</u>	<u>(8,128,423)</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 2,092,600,674</u>	<u>\$ 998,364,767</u>	<u>\$ 137,424,980</u>

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

Exhibit 3 - Continued

Special Revenue Funds							
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit 8)	Total Governmental Funds			
\$ —	\$ —	\$ —	\$ 87,965,032	\$ 1,286,020,058			
41,843,659	—	—	1,175,125	206,393,793			
123,157,199	—	—	—	130,161,787			
—	—	—	320,167	25,635,921			
—	—	—	—	41,717,404			
761	—	—	5,446,266	11,269,097			
—	—	—	15,166,222	152,398,485			
—	—	—	—	396,920			
—	—	—	—	406,754			
132,768,611	853,001	252,053,487	26,688,541	2,061,428,273			
<u>\$ 297,770,230</u>	<u>\$ 853,001</u>	<u>\$ 252,053,487</u>	<u>\$ 136,761,353</u>	<u>\$ 3,915,828,492</u>			
\$ —	\$ —	\$ 164,163	\$ 13,396,508	\$ 127,396,394			
—	—	—	96,484	5,732,911			
566,354	—	—	—	9,408,019			
158,130,768	—	—	6,215	206,393,793			
999,449	—	—	—	19,733,070			
138,073,659	—	—	8,872,069	203,378,629			
—	—	—	—	35,000,558			
297,770,230	—	164,163	22,371,276	607,043,374			
—	—	—	—	24,632,136			
—	—	—	—	48,658,399			
—	—	—	—	73,290,535			
—	—	—	—	(8,128,423)			
—	—	—	—	396,920			
—	853,001	251,889,324	28,629,730	1,840,834,681			
—	—	—	85,760,347	1,402,391,405			
—	853,001	251,889,324	114,390,077	3,235,494,583			
<u>\$ 297,770,230</u>	<u>\$ 853,001</u>	<u>\$ 252,053,487</u>	<u>\$ 136,761,353</u>	<u>\$ 3,915,828,492</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, 2024

Exhibit 3.1

Fund balances – total governmental funds (Exhibit 3)	\$ 3,235,494,583
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).	25,578,027,430
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).	48,658,399
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).	109,247,093
Deferred outflows of resources are not reported in the funds (Notes 4 B2).	59,511,404
OPEB assets are not available to pay for current period expenditures and, therefore, are not reported in the funds (Note 4 B7).	8,493,554
OPEB liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B3).	(29,367,765)
Pension liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B4).	(254,444,460)
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).	(1,208,386,415)
Certain deferred inflows of resources are not reported in the funds (Note 4 B6).	(122,112,724)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 27,425,121,099</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, 2024

Exhibit 4

		Special Revenue Funds	
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
Revenues			
Transportation excise taxes	\$ 12,500,000	\$ 500,968,692	\$ —
Vehicle registration, title, license, and related taxes and fees	546,007,578	—	884,435,226
Fuel and motor carrier taxes and fees	495,771,278	—	—
Flight property taxes	—	—	—
Other taxes and fees	21,293,899	—	—
Reimbursement of construction expenditures – federal aid	624,770,791	299,455,006	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	49,543,464	13,237,781	—
Distributions from other state agencies	401,084,984	—	—
Interest on leases/loans receivable	111,804	—	—
Income from investments	82,367,338	32,076,308	—
Sales and charges for services	6,362,329	16,167,681	—
Lease and rental income	10,790,762	1,215,286	185,852
Other	(38,276,743)	—	—
Total revenues	2,212,327,484	863,120,754	884,621,078
Expenditures			
Current			
Administration	137,752,835	17,807,655	1,203,918
Highway	131,788,218	2,352,968	—
Highway maintenance	178,362,743	9,022,558	—
Motor vehicle	182,123,844	—	30,807,765
Total current expenditures	630,027,640	29,183,181	32,011,683

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
\$	—	\$	—	\$	—	\$	5,294,946	\$ 518,763,638
	464,145,867		—		—		11,798,893	1,906,387,564
	380,050,300		—		—		1,422,061	877,243,639
	—		—		—		15,850,623	15,850,623
	20,640,134		—		—		—	41,934,033
	—		—		—		32,356,494	956,582,291
	—		—		—		96,449,691	96,449,691
	—		—		—		13,489,734	76,270,979
	—		—		—		478	401,085,462
	—		—		—		14,605	126,409
	3,534,727		5,609,613		9,309,951		5,541,987	138,439,924
	9,430		—		—		—	22,539,440
	—		—		—		272,635	12,278,683
	43,830,780		—		—		914,358	6,654,247
	912,211,238		5,609,613		9,309,951		183,406,505	5,070,606,623
	9,253,519		—		2,807,515		3,965,657	172,791,099
	—		—		—		76,801,080	210,942,266
	—		—		—		13,378	187,398,679
	776,377		—		—		3,169,990	216,877,976
	10,029,896		—		2,807,515		83,950,105	788,010,020

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
Expenditures - continued			
Intergovernmental			
Distributions to other state agencies	196,350,735	—	129,616,939
Distributions to Arizona counties and cities	334,718,060	74,374,224	722,992,456
Debt service			
Principal	—	—	—
Interest	—	—	—
Bond issuance costs	—	—	—
Lease - Principal	1,145,002	—	—
Lease - Interest	108,304	—	—
Noncapital, including asset preservation	762,920,391	64,618,274	—
Capital outlay	124,457,825	393,982,460	—
Total expenditures	<u>2,049,727,957</u>	<u>562,158,139</u>	<u>884,621,078</u>
Revenues over (under) expenditures	<u>162,599,527</u>	<u>300,962,615</u>	<u>—</u>
Other Financing Sources (Uses)			
Transfers in	—	—	—
Transfers out	(433,771,921)	(140,547,496)	—
Proceeds from sale of capital assets	704,958	—	—
Insurance recovery	8,435,759	—	—
Proceeds from debt issuance	—	—	—
Premium from debt issuance	—	—	—
Payment to refunded bond escrow agent	—	—	—
Total other financing sources (uses)	<u>(424,631,204)</u>	<u>(140,547,496)</u>	<u>—</u>
Net change in fund balances	(262,031,677)	160,415,119	—
Fund balances (deficits), beginning of year	2,224,472,460	753,634,702	(8,128,423)
Fund balances (deficits), end of year	<u><u>\$ 1,962,440,783</u></u>	<u><u>\$ 914,049,821</u></u>	<u><u>\$ (8,128,423)</u></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
11,637,821	—	—	16,329,400	353,934,895
890,543,521	—	—	100,943,143	2,123,571,404
—	555,666,444	—	—	555,666,444
—	52,884,141	—	—	52,884,141
—	3,288,227	—	—	3,288,227
—	—	—	—	1,145,002
—	—	—	—	108,304
—	—	—	—	827,538,665
—	—	57,350,853	31,696	575,822,834
912,211,238	611,838,812	60,158,368	201,254,344	5,281,969,936
—	(606,229,199)	(50,848,417)	(17,847,839)	(211,363,313)
—	604,289,667	—	—	604,289,667
—	—	—	(29,970,250)	(604,289,667)
—	—	—	—	704,958
—	—	—	—	8,435,759
—	351,370,000	302,648,013	—	654,018,013
—	31,514,326	—	—	31,514,326
—	(380,923,846)	—	—	(380,923,846)
—	606,250,147	302,648,013	(29,970,250)	313,749,210
—	20,948	251,799,596	(47,818,089)	102,385,897
—	832,053	89,728	162,208,166	3,133,108,686
\$ —	\$ 853,001	\$ 251,889,324	\$ 114,390,077	\$ 3,235,494,583

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, 2024**

Exhibit 4.1

Net change in fund balances – total governmental funds (Exhibit 4)	\$ 102,385,897
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).	557,863,274
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).	(375,269,611)
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).	677,801,154
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).	28,092,328
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)	(7,482,842)
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)	(6,916,503)
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).	21,837,348
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ 998,311,045</u></u>

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**

Exhibit 5

	Governmental Activities- Internal Service Fund
Assets	
Current assets	
Unrestricted cash on deposit with the State Treasurer	\$ 27,386,170
Receivables	
Other, net allowance for doubtful accounts	1,744,128
Due from other State agencies	323,925
Inventories	3,805,956
Total current assets	<u>33,260,179</u>
Noncurrent assets	
Net OPEB asset	486,732
Capital assets subject to depreciation, net of accumulated depreciation	93,973,207
Total noncurrent assets	<u>94,459,939</u>
Total assets	<u>127,720,118</u>
Deferred Outflows of Resources	
Relating to pensions (Note 6C)	1,497,361
Relating to OPEB	734,293
Total deferred outflows of resources	<u>2,231,654</u>
Liabilities	
Current liabilities	
Accounts payable	1,288,278
Accrued payroll and other accrued expenses	207,181
Compensated absences	768,187
Total current liabilities	<u>2,263,646</u>
Noncurrent liabilities	
Net OPEB liability (Note 6C)	1,640,328
Net pension liability	12,321,223
Total noncurrent liabilities	<u>13,961,551</u>
Total liabilities	<u>16,225,197</u>
Deferred Inflows of Resources	
Relating to pensions (Note 6C)	531,978
Relating to OPEB	3,947,504
Total deferred inflows of resources	<u>4,479,482</u>
Net Position	
Net investment in capital assets	93,973,207
Restricted (Net OPEB Assets)	486,732
Unrestricted	14,787,154
June 30, 2024 Total net position	<u><u>\$ 109,247,093</u></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, 2024

Exhibit 6

	Governmental Activities- Internal Service Fund
Operating Revenues	
Sales and charges for services	\$ 67,076,430
Other	2,355,658
Total operating revenues	<u>69,432,088</u>
Operating Expenses	
Publication and promotional cost	31,951
Repair and maintenance	8,175,161
Fuel and lubricants	18,815,497
Salaries and related benefits	15,615,041
Shipping and postage	15,098
Supplies	196,344
Equipment purchase and rental	563,089
Professional and outside services	2,671,726
Travel	73,028
Depreciation	16,661,592
Other	2,534,583
Total operating expenses	<u>65,353,110</u>
Operating loss	<u>4,078,978</u>
Nonoperating Income (Expenses)	
Income from investments	250,647
Loss on sale/disposal of capital assets	(939,749)
Distributions from other State agencies	3,627,428
Distributions to other state agencies	—
Total nonoperating revenues (expenses)	<u>2,938,326</u>
Income (loss) Before Contributions and Transfers	7,017,304
Capital contributions	<u>21,075,024</u>
Change in net position	28,092,328
Net position, beginning of year	81,154,765
Net position, end of year	<u><u>\$ 109,247,093</u></u>

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, 2024

Exhibit 7

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Receipts from other Funds	\$ 67,183,359
Payments to suppliers	(33,948,757)
Payments to employees	(15,341,541)
Other receipts	2,355,658
Net cash provided by operating activities	<u>20,248,719</u>
Cash flows from non-capital financing activities	
Transfers out	—
Distributions from other state agencies	3,627,428
Net cash provided by non-capital financing activities	<u>3,627,428</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	976,791
Acquisition of capital assets	<u>(15,537,564)</u>
Net cash used by capital and related financing activities	<u>(14,560,773)</u>
Cash flows from investing activities:	
Income from investments	250,647
Net cash provided by investing activities	<u>250,647</u>
Net increase <decrease> in cash	<u>9,566,021</u>
Cash - July 1	<u>17,820,149</u>
Cash - June 30	<u><u>\$ 27,386,170</u></u>

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, 2024

Exhibit 7
- continued

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund	
	Highway Expansion and Extension Loan Program Fund			
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$	—	\$	4,078,978
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		—		16,661,592
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Other receivables		—		99,702
Interagency receivables		—		7,227
Inventories		—		(305,114)
Deferred outflows of resources		—		607,825
Accounts payable		—		(640,194)
Accrued payroll and other accrued expenses		—		(9,501)
Compensated absences		—		(16,580)
Net OPEB asset		—		1,771
Net OPEB liability		—		(1,350,779)
Net pension liability		—		101,173
Deferred inflows of resources		—		1,012,619
Total adjustments	\$	—	\$	16,169,741
Net cash provided by operating activities	\$	—	\$	20,248,719
Non-cash capital and financing activities:				
Certain vehicles were contributed to the Equipment Revolving Fund by the General Fund		—		21,075,024
Total Noncash Capital and Financing Activities	\$	—	\$	21,075,024

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



Arizona Department of Transportation
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June 30, 2024

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Arizona Department of Transportation
Notes to the Financial Statements
June 30, 2024

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, 2024

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
June 30, 2024

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

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, 2024.

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
June 30, 2024

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, 2024, 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 0.66 years while for investment pool 3 was 1.11 years, and for investment pool 4 it was 1.11 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, 2024

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, 2024, the carrying amount of the Department's cash on deposit with the State Treasurer (unrestricted and restricted) totaled \$3,374,834,568. Of this amount, \$3,192,605,241 was invested in the State Agency's pool numbers 2, 3 and 4. The remaining \$182,229,325 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, 2024.

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, 2024.

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
June 30, 2024

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.

Arizona Department of Transportation
Notes to the Financial Statements
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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 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

Arizona Department of Transportation
Notes to the Financial Statements
June 30, 2024

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, 2024.

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 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 \$31,541,382.

Arizona Department of Transportation
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June 30, 2024

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).

Arizona Department of Transportation
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June 30, 2024

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.

Arizona Department of Transportation
Notes to the Financial Statements
June 30, 2024

2) Funds by Classification

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

FUND TYPES	
MAJOR FUNDS	NONMAJOR FUNDS
<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, 2024, the Department implemented the provisions of the following GASB pronouncements:

- **GASB Statement No. 99, Omnibus 2022 (Paragraphs 4-10)**

The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 - Accounting and Financial Reporting for Derivative Instruments.

The requirement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- **GASB Statement No.100 - Accounting Changes and Error Corrections**

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, and also details the impact of the changes and corrections on the financial statements, notes, required supplementary information (RSI) and supplementary information (SI).

The requirements is effective for fiscal years beginning after June 15, 2023 and all the reporting periods thereafter.

- **Implementation Guide No. 2021-1, Implementation Guidance Update—2021 question 5.1**

The 2023 update to GASB Implementation Guidance 2021, specifically regarding Question 5.1, clarifies that a government should capitalize assets that individually fall below the capitalization threshold if, when aggregated together, they reach a significant value. Therefore, individual entities within the government are now required to assess acquisitions of similar assets purchased as group near the same time with a single objective that have significant value in aggregate of \$200,000 or more to be capitalized even if the individual assets fall below the capitalization threshold of \$5,000.

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The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

- **Implementation Guide No. 2023 -1, Implementation Guidance Update—2023**

The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16 regarding leases, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. This guide provides answers to the application of GASB standards on leases, subscription-based information technology arrangements, and accounting changes. The guide also includes amendments to previously issued implementation guidance on leases.

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2023.

For FY2024 except for GASB 100, 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	\$ 25,407,492,472
Capital assets subject to depreciation	<u>264,508,166</u>
	25,672,000,638
Less: Internal Service Fund (Equipment Revolving Fund) capital assets	<u>(93,973,207)</u>
	<u><u>\$ 25,578,027,431</u></u>

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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	\$ 33,936,143
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to pensions	<u>(1,497,361)</u>
	32,438,782
Deferred outflows of resources-loss on debt refunding	13,924,736
Deferred outflows of resources relating to OPEB	13,882,179
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to OPEB	<u>(734,293)</u>
	<u>13,147,886</u>
	<u><u>\$ 59,511,404</u></u>

3. OPEB liabilities are as follows:

Net OPEB liability	\$ (31,008,093)
Less: Internal Service Fund (Equipment Revolving Fund) net OPEB liability	<u>1,640,328</u>
	<u><u>\$ (29,367,765)</u></u>

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	\$ (266,765,683)
Less: Internal Service Fund (Equipment Revolving Fund) net pension liability	<u>12,321,223</u>
	<u><u>\$ (254,444,460)</u></u>

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)	\$ (1,134,492,970)
Compensated absences (less ISF)	(22,249,356)
Accrued Relocation Costs	(51,599,574)
GASB 87 Leases	<u>(44,515)</u>
	<u><u>\$ (1,208,386,415)</u></u>

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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	\$ (11,517,803)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to pensions	531,978
	<u>(10,985,825)</u>
Deferred inflows of resources related to OPEB	(74,525,013)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to OPEB	3,947,504
	<u>(70,577,509)</u>
Deferred inflows of resources gain on debt refunding	(40,549,390)
	<u>\$ (122,112,724)</u>

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

Net OPEB assets	\$ 8,980,286
Less: Internal Service Fund (Equipment Revolving Fund) Net OPEB asset	(486,732)
	<u>\$ 8,493,554</u>

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

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

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

Capital outlay	\$ 575,822,834
Reduction in construction in progress resulting from certain infrastructure projects, previously identified as infrastructure, reclassified as non-infrastructure	(31,350,180)
Assets removed from service, net of accumulated depreciation	51,599,574
Capitalized relocation costs for the South Mountain Project accrued as a long term liability	(15,253,907)
Less: depreciation expense - governmental funds	(27,341,721)
Less: Prior Year Relocation Costs and Condemnation Judgment - government wide	4,386,674
Miscellaneous	<u>\$ 557,863,274</u>

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

Debt issued or incurred:

Issuance of Highway Revenue Bonds	\$ (380,923,846)
Issuance Transportation Excise Tax Revenue Bonds	—
Issuance of Grant Anticipation Notes	—
Premium on debt issued	29,912,088
Net Change in accrued relocation costs	\$ (24,257,853)
	<u>\$ (375,269,611)</u>

Principal repayments

Highway Revenue Bonds	\$ 403,499,191
Transportation Excise Tax Revenue Bonds	130,620,000
Grant Anticipation Notes	22,875,000
Payment to refunded Bond escrow agent	78,304,655
Amortization of premium and discount	19,355,026
Amortization of net deferred losses on refunding	18,406,937
Gain on Highway User Revenue Fund Bond tender	4,740,345
	<u>\$ 677,801,154</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	<u>\$ 28,092,328</u>
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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 deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities:

Pension contributions	\$ 25,671,626
Pension expense	(33,154,468)
	<u>\$ (7,482,842)</u>
OPEB expense, net of Internal Service Fund	<u>\$ (6,916,503)</u>

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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	\$ 3,925
Net change in accrued relocation/condemnation reimbursement revenue does not provide current financial resources, and, therefore, is not reported in the funds	22,875,156
Compensated absences	(1,041,733)
	<u>\$ 21,837,348</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, 2024, was as follows:

	July 1, 2023			June 30, 2024	
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Governmental Activities</i>					
Capital assets, not being depreciated					
Land	\$ 3,722,894,496	\$ 166,601,471	\$ (20,255,127)	\$ —	\$ 3,869,240,839
Infrastructure	16,942,828,020	—	—	18,326,806	16,961,154,826
Construction in progress	4,181,561,520	413,862,094	—	(18,326,806)	4,577,096,808
Total capital assets, not being depreciated	24,847,284,036	580,463,565	(20,255,127)	—	25,407,492,472
Capital assets, being depreciated/amortized					
Buildings and improvements	223,145,077	—	(405,880)	—	222,739,197
Improvements other than buildings	40,911,652	839,475	—	—	41,751,127
Computer software	80,622,704	—	—	—	80,622,704
Machinery and equipment	42,440,463	6,402,560	(4,283,108)	—	44,559,915
Mobile fleet and aircraft	242,044,167	53,780,227	(20,009,217)	—	275,815,177
Total capital assets, being depreciated	629,164,063	61,022,262	(24,698,205)	—	665,488,123
Less accumulated depreciation/amortization for					
Buildings and improvements	(142,804,659)	(5,504,948)	—	—	(148,309,607)
Improvements other than buildings	(24,759,692)	(755,493)	—	—	(25,515,185)
Computer software	(18,112,497)	(8,073,375)	—	—	(26,185,872)
Machinery and equipment	(36,926,687)	(2,028,525)	3,591,768	—	(35,363,444)
Mobile fleet and aircraft	(157,727,202)	(15,553,158)	7,674,511	—	(165,605,849)
Total accumulated depreciation/Amortization	(380,330,737)	(31,915,499)	11,266,279	—	(400,979,957)
Total capital assets, being depreciated, net	248,833,326	29,106,763	(13,431,926)	—	264,508,166
Governmental activities capital assets, net	<u>\$ 25,096,117,362</u>	<u>\$ 609,570,328</u>	<u>\$ (33,687,053)</u>	<u>\$ —</u>	<u>\$ 25,672,000,638</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	\$ 580,463,565
Capital asset additions subject to depreciation	61,022,262
	<u>641,485,827</u>
Add: Accrued relocation costs (long-term liability) added in prior fiscal year	27,341,721
Less: Internal Service Fund (Equipment Services Fund) asset additions	(36,612,588)
Accrued relocation costs (long-term liability)	(51,599,574)
IPDT Changes (Cap to Preservation when placed in service)	(591,640)
Adjustments related to capital outlay and capital asset additions timing differences	(4,200,912)
Total capital outlay (Exhibit 4)	<u><u>\$ 575,822,834</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities

Administration	\$ 1,438,261
Highway	2,365,985
Highway maintenance	1,565,356
Motor vehicle	9,884,305
	<u>15,253,907</u>

Capital assets held by the Department's internal service fund are charged to the various functions based on their usage of the assets	16,661,592
Total depreciation and amortization expense	<u><u>\$ 31,915,499</u></u>

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B. Construction Commitments

The Department's outstanding commitments for contracts at June 30, 2024, were \$4.0 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	\$ 273,697,939
State highways	
Construction	2,546,312,263
Design	309,435,900
Right of way	441,467,526
Utilities	70,556,832
Planning and research	78,472,272
Other	245,659,788
	<u>\$ 3,965,602,520</u>

C. Interfund Receivables, Payables, Advances, and Transfers

The balances of current interfund receivables and payables as of June 30, 2024, were:

Receivables	Payables	Amount
Governmental activities		
General Fund (State Highway Fund)	Highway User Revenue Fund	\$ 140,870,521
	Motor Vehicle Division Clearing Fund	3,111,004
Motor Vehicle Division Clearing Fund	General Fund (State Highway Fund)	2,127,022
	Highway User Revenue Fund	17,260,247
	Non-major governmental Funds	6,215
Highway User Revenue Fund	Motor Vehicle Division Clearing Fund	41,843,659
Non-major governmental Funds	Motor Vehicle Division Clearing Fund	1,175,125
		<u>\$ 206,393,793</u>

The General Fund (State Highway Fund) receivable of \$140.9 million is an accrual for fuel taxes and vehicle license tax imposed in fiscal year 2024 from the Highway User Revenue Fund that will be collected in fiscal year 2025.

The Motor Vehicle Division Clearing Fund receivable of \$17.3 million is an accrual for vehicle license taxes due in fiscal year 2024 from the Highway User Revenue Fund that will be collected in fiscal year 2025.

The Highway User Revenue Fund receivable of \$41.8 million is an accrual for vehicle license taxes due in fiscal year 2024 from the Motor Vehicle Division Clearing Fund that will be collected in fiscal year 2025.

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Interfund transfers for the year ended June 30, 2024, consisted of the following:

	Transfers To	
	Debt Service Fund	Total
<u>Transfers from</u>		
General Fund (State Highway Fund)	\$ 433,771,921	\$ 433,771,921
Maricopa Regional Area Road Fund	140,547,496	140,547,496
Non-major Governmental Funds	29,970,250	29,970,250
Total Debt Service Fund	<u>\$ 604,289,667</u>	<u>604,289,667</u>

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 the General Accounting Office.

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.

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The Department recognized lease revenue during the year as follows:

Lease revenue	\$	1,873,016
Interest revenue		655,084
Total lease revenue	\$	<u><u>2,528,100</u></u>

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

Fiscal Year	Principal	Interest	Total Payment
2025	\$ 1,287,307	\$ 626,996	\$ 1,914,303
2026	1,350,905	596,597	1,947,502
2027	1,313,972	564,732	1,878,704
2028	1,268,590	533,679	1,802,269
2029	1,377,844	504,075	1,881,919
2030-2034	8,198,371	1,983,634	10,182,005
2035-2039	8,533,751	920,279	9,454,030
2040-2044	2,137,270	137,636	2,274,906
Totals	<u><u>\$ 25,468,010</u></u>	<u><u>\$ 5,867,628</u></u>	<u><u>\$ 31,335,638</u></u>

Leases - Department as Lessee

For FY2024, Department is reporting payable leases on buildings leased which are a threshold of \$500,000 or more. For these payable leases ADOT is the lessee, recognized a lease liability and an intangible right-to-use lease asset. The lease liability is reported at present value.

The Department recognized lease Expenses during the year as follows:

Lease Expenses	\$	1,145,002
Interest expenses		108,304
Total Lease expenses	\$	<u><u>1,253,306</u></u>

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

Fiscal Year	Principal	Interest	Total Payment
2025	\$ 613,311	\$ 83,429	\$ 696,740
2026	632,980	63,760	696,740
2027	653,280	43,460	696,740
2028	674,230	22,510	696,740
2029	345,181	3,189	348,370
Totals	<u>\$ 2,918,982</u>	<u>\$ 216,348</u>	<u>\$ 3,135,330</u>

Direct Financing Lease Agreements

The Department has also entered into other lease agreements as lessee for financing the acquisition of various vehicles, and equipment. These agreements transfer ownership of the underlying assets upon execution.

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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 \$943.5 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.

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Highway Revenue Bonds currently outstanding are as follows:

Outstanding Highway Revenue Bonds
As of June 30, 2024

Maturity (7/1)	Series 2016		Series 2020		Series 2023	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
2025			\$ 39,510,000	2.058%	\$ 51,745,000	5.000%
2026	\$ 6,605,000	5.000%	45,400,000	2.174%	33,440,000	5.000%
2027	18,615,000	5.000%	32,880,000	2.224%	28,810,000	5.000%
2028	19,545,000	5.000%	34,555,000	2.362%	29,295,000	5.000%
2029	20,530,000	5.000%	32,220,000	2.412%	33,920,000	5.000%
2030	21,550,000	5.000%	31,030,000	2.462%	37,585,000	5.000%
2031	22,625,000	5.000%			34,385,000	5.000%
2032	19,535,000	5.000%	3,045,000	2.662%	37,285,000	5.000%
2033	24,905,000	5.000%			37,885,000	5.000%
2034	26,150,000	5.000%				
2035	10,205,000	5.000%	16,040,000	2.912%		
2036	10,715,000	5.000%				
2037						
2038			50,050,000	3.166%		
Totals	<u>\$ 200,980,000</u>		<u>\$ 284,730,000</u>		<u>\$ 324,350,000</u>	

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

Fiscal year ending June 30,	Highway Revenue Bonds		
	Principal	Interest	Total
2025	\$ 91,255,000	\$ 33,287,883	\$ 124,542,883
2026	85,445,000	29,887,517	115,332,517
2027	80,305,000	26,898,271	107,203,271
2028	83,395,000	23,795,770	107,190,770
2029	86,670,000	20,537,581	107,207,581
2030-2034	295,980,000	52,771,721	348,751,721
2035-2038	87,010,000	6,962,783	93,972,783
	<u>\$ 810,060,000</u>	<u>\$ 194,141,526</u>	<u>\$ 1,004,201,526</u>

The Department has pledged future motor vehicle and related fuel fees and taxes to repay \$810.1 million in outstanding Highway Revenue Bonds issued since 2016. 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 \$1.0 billion. Principal and interest paid for the current year and total pledged revenues were \$133.9 million and \$850.0 million respectively. The annual principal and interest payments on the bonds required 15.8% of the pledged revenues.

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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.

Bond Defeasance/Paid off

During 2024, ADOT defeased HURF Bond (Series 2015) with outstanding principal balance of \$300.8 Million and premium of \$61.4 Million.

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 \$253.1 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
2025	\$ 63,675,000	5.00 %	\$ 15,660,000	5.00 %	\$ 43,130,000	5.00 %	\$ 14,670,000	0.78 %
Totals	<u>\$ 63,675,000</u>		<u>\$ 15,660,000</u>		<u>\$ 43,130,000</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
2025	\$ 137,135,000	\$ 6,237,676	\$ 143,372,676
	<u>\$ 137,135,000</u>	<u>\$ 6,237,676</u>	<u>\$ 143,372,676</u>

The Department has pledged future transportation excise taxes to repay \$137.1 million in outstanding Transportation Excise Tax Revenue Bonds and direct placements issued since 2014.

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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 \$143.4 million. Principal and interest paid for the current year and total pledged revenues were \$143.4 million and \$551.0 million, respectively. The annual principal and interest payments on the bonds required 26.0% 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.

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 \$141.9 million.

Grant Anticipation Notes currently outstanding are as follows:

Maturity (7/1)	Series 2016		Series 2017A		Series 2019A	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
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>\$ 33,220,000</u>		<u>\$ 39,350,000</u>		<u>\$ 46,460,000</u>	

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

Fiscal year ending June 30,	Grant Anticipation Notes		
	Principal	Interest	Total
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	9,505,000	2,607,000	12,112,000
2030-2034	42,635,000	5,720,250	48,355,250
	<u>\$ 119,030,000</u>	<u>\$ 25,577,750</u>	<u>\$ 144,607,750</u>

The Department has pledged federal revenues to repay \$119.0 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 \$144.6 million. Principal and interest paid for the current year and total pledged revenues were \$30.0 million and \$1,127.8 million, respectively. The annual principal and interest payments on the bonds required 2.7% of the pledged revenues.

Refunded Bonds Deposited with Escrow Agents

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, 2024, was as follows:

	Beginning Balance July 1, 2023 as restated	Additions	Reductions	Ending Balance June 30, 2024	Due Within One Year
<i>Governmental activities</i>					
Bonds and notes					
Highway Revenue bonds	\$ 943,450,000	\$ 351,370,000	\$ (484,760,000)	\$ 810,060,000	\$ 91,255,000
Transportation Excise Tax Revenue bonds	253,085,000	—	(130,620,000)	122,465,000	122,465,000
Grant Anticipation notes	141,905,000	—	(22,875,000)	119,030,000	24,020,000
Transportation Excise Tax Revenue Bonds Direct Placement	14,670,000	—	—	14,670,000	14,670,000
Unamortized premium on bonds, original	209,473,594				
restated	91,938,509				
Unamortized premium on bonds, as restated	117,535,085	31,514,326	(80,781,441)	68,267,970	15,410,692
Total bonds and notes	1,470,645,085	382,884,326	(719,036,441)	1,134,492,970	267,820,692
Compensated absences	21,992,390	14,932,591	(13,907,438)	23,017,543	13,907,438
GASB 87 Leases		4,063,984	(1,145,002)	2,918,982	613,311
Utility and railroad settlement accrual	—	—	—	—	—
Accrued relocation costs	27,341,721	70,387,002	(46,129,149)	51,599,574	3,020,097
Total governmental activities	<u>\$ 1,519,979,196</u>	<u>\$ 472,267,903</u>	<u>\$ (780,218,030)</u>	<u>\$ 1,212,029,069</u>	<u>\$ 285,361,538</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, \$768 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

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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, 2024, were as follows:

	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Debt Service Fund	Capital Projects Funds	Non-major Governmental Funds	Total
Fund Balances							
Nonspendable							
Inventories	\$ 396,920	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 396,920
Total nonspendable	396,920	—	—	—	—	—	396,920
Restricted for							
Highway	258,411,757	631,425,616	—	—	251,889,324	—	1,141,726,697
Debt Service	288,156,350	189,391,123	—	853,001	—	—	478,400,474
Aid to local governments	98,437,944	93,233,082	—	—	—	28,629,730	220,300,756
Motor vehicle	406,754	—	—	—	—	—	406,754
Total restricted	645,412,805	914,049,821	—	853,001	251,889,324	28,629,730	1,840,834,681
Committed to							
Administration	—	—	—	—	—	74,672,760	74,672,760
Highway	559,436,537	—	—	—	—	—	559,436,537
Highway maintenance	757,194,521	—	—	—	—	—	757,194,521
Motor vehicle	—	—	—	—	—	11,087,587	11,087,587
Total committed	1,316,631,058	—	—	—	—	85,760,347	1,402,391,405
Unassigned	—	—	(8,128,423)	—	—	—	(8,128,423)
Total fund balances	<u>\$1,962,440,783</u>	<u>\$ 914,049,821</u>	<u>\$ (8,128,423)</u>	<u>\$ 853,001</u>	<u>\$251,889,324</u>	<u>\$ 114,390,077</u>	<u>\$ 3,235,494,583</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

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 is anticipated to be completed in Spring of 2025.

Cost and Funding Sources

The anticipated cost of this project is approximately \$848.3 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	\$ 615,169,700
Construction Management, Other Utilities & Contingency	74,245,421
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	122,600,516
Total anticipated cost of project	<u>\$ 848,309,830</u>

Actual cost incurred by the Department through June 30, 2024 for this project is \$693.8 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)	\$ 235
Federal Funds	613
Local JPAs	1
Total funding by source	<u>\$ 849</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.

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%

* Early retirement eligibility with actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to Cost of living adjustment based on excess investment earnings. 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, 2023, there is a \$100.6 million balance in the reserve for future Cost of living adjustment, however, this amount will not create Cost of living adjustment 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 Cost of living adjustment.

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

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the retirement benefit option chosen determines the survival benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2024, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.29% (12.14% for retirement and 0.15% 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 12.29% (12.03% for retirement, 0.11% for the health insurance premium benefit, and 0.15% 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 9.99% (9.94% for retirement and 0.05% 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 health insurance premium benefit, and long-term disability plans for the year ended June 30, 2024, were \$26,841,294, \$233,146, and \$298,968 respectively.

During the fiscal year ended June 30, 2024, the Department paid for ASRS pension contributions as follows: 91% from the General Fund (State Highway Fund), 2% from major funds, and 7% from other non-major funds.

The Department's total covered payroll for fiscal year 2024 was \$223,119,650. 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 2024 was \$26,841,294 each by both the employees and the Department, of which 100% was so contributed.

Presentation of Deferred Outflows and Deferred Inflows of Resources

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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.

Liability—At June 30, 2024, the Department reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB (asset) liability
Pension	\$ 266,765,683
Health insurance premium benefit	\$ (8,980,286)
Long-term disability	\$ 216,532

The net asset and net liabilities were measured as of June 30, 2023. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

The Department's proportion of the net asset or net 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, 2023. The Department's proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were

ASRS	Proportion June 30, 2023 %	Increase (decrease) from June 30, 2022
Pension	(0.22)%	\$ (593,928)
Health insurance premium benefit	(2.75)%	\$ (254,172)
Long-term disability	42.74 %	\$ 64,830

Pension Liability – At June 30, 2024, the Department reported a liability of \$266.8 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2023. 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, 2022, to the measurement date of June 30, 2023 using generally accepted actuarial procedures.

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, 2023. The Department's proportion measured as of June 30, 2023, was 1.64859, which was an increase of 0.01% from its proportion measured as of June 30, 2022.

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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.

Expense—For the year ended June 30, 2024, the Department recognized the following pension and OPEB expense.

ASRS	Pension/OPEB expense	
Pension	\$	35,342,779
Health insurance premium benefit	\$	(1,069,574)
Long-term disability	\$	193,457

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2024, the Department recognized pension expense from ASRS of \$35.3 million. This amount excludes current year contribution deferrals and the Department's internal change in proportion. At June 30, 2024, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension		Health Insurance Premium Benefit		Long-term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,027,840	\$ —	\$ 378,953	\$ 3,348,971	\$ 195,504	\$ 121,874
Change in Assumptions	\$ —	\$ —	\$ —	\$ 178,705	\$ 57,143	\$ 315,189
Net difference between projected and actual earnings on pension plan investment earnings	\$ —	\$ 9,438,401	\$ —	\$ 394,434	\$ —	\$ 17,329
Changes in proportion and differences between State contributions and proportionate share of contributions	\$ 1,067,009	\$ 2,079,402	\$ 40,532	\$ 24,916	\$ 15,011	\$ 60,013
Contributions subsequent to the measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total	\$ 33,936,143	\$ 11,517,803	\$ 419,485	\$ 3,947,026	\$ 267,658	\$ 514,405

The \$26,841,294 reported as deferred outflows of resources related to ASRS pensions resulting from the Department contributions subsequent to the measurement date will be recognized as

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a reduction of the net pension liability in the year ended June 30, 2025. 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	Health insurance premium benefit	long-term disability
2025 \$	(2,846,499) \$	(1,495,373) \$	(39,797)
2026 \$	(10,575,391) \$	(1,644,512) \$	(75,540)
2027 \$	10,171,806 \$	(205,627) \$	(3,733)
2028 \$	(1,172,870) \$	(207,251) \$	(62,684)
2029 \$	— \$	25,222 \$	(55,859)

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

Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
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 were based on the results of an actuarial experience study for the 5 year period ending June 30, 2020.

The long-term expected real return on ASRS pension plan investments was determined to be 4.66% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term contribution to expected real return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Real Return Geometric Basis	Long-Term Contribution to Expected Real Return
Equity	44 %	3.5 %	1.54 %
Credit	23 %	5.9 %	1.36 %
Interest Rate Sensitive Bonds	6 %	1.5 %	0.09 %
Private Equity	10 %	6.7 %	0.67 %
Real estate	17 %	5.9 %	1 %
Total	100 %		4.66 %

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Discount Rate – As of June 30, 2023, 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%)
Net pension liability	\$ 399,575,813	\$ 266,765,683	\$ 156,025,528
Net insurance premium benefit liability (asset)	\$ (8,980,286)	\$ (6,726,828)	\$ (11,277,622)
Net long-term disability liability	\$ 216,532	\$ 316,642	\$ 118,051

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

D. Accounting Changes

Government-wide Financial Statements

Government-wide beginning Net Position has been restated as follows:

	<u>Governmental Activities</u>
Net Position, as Previously Reported at June 30, 2023	26,334,871,542
Implementation of GASB Statement No. 100	91,938,512
Net Position, as Restated, at July 1, 2024	<u><u>26,426,810,054</u></u>

Prior Period Adjustment

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Governmental activities beginning net position has been restated to reflect the impact on calculation of bond amortization premium from bond pricing report to the effective interest method.

E. Subsequent Events

Voters in Maricopa County, Arizona approved Proposition 479 on November 5, 2024, extending a half-cent transportation excise tax until 2045. This tax funds transportation projects, including roads, bridges, highways, and the regional public transit system.

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

Budgetary Comparison Schedule – General Fund (State Highway Fund)

Budgetary Comparison Schedule – Maricopa Regional Area Road Fund

Budgetary Comparison Schedule – Motor Vehicle Clearing Fund

Budgetary Comparison Schedule – Highway User Revenue Fund

Budgetary Comparison Schedule – Debt Service Fund

Budgetary Comparison Schedule – Capital Projects 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, 2024**

**Budgetary Comparison Schedule
General Fund (State Highway Fund) – Budgetary Basis
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Actual Positive (Negative)
	Original	Final		
Expenditures appropriated by State legislature in 2024 budget				
Department of Transportation	\$ 482,177,400	\$ 479,159,900	\$ 416,475,900	\$ 62,684,000
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			99,257,442	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			(13,850,719)	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			74,129,390	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			887,378,216	
Distributions to Arizona counties and cities			334,718,060	
Distributions to other state agencies			196,350,735	
Lease			1,253,306	
3rd Party MVD Fees			54,015,627	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (General Fund) - Exhibit 4			<u>\$ 2,049,727,957</u>	

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

**Arizona Department of Transportation
Required Supplementary Information
June 30, 2024**

**Budgetary Comparison Schedule
Maricopa Regional Area Road Fund – Budgetary Basis
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Actual
	Original	Final	Amounts	Positive (Negative)
Expenditures appropriated by State legislature in 2024 budget				
Department of Transportation	—	—	14,785,512	(14,785,512)
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			28,385,381	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			807,916	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			(14,795,628)	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			458,600,734	
Distributions to Arizona counties and cities			74,374,224	
Distributions to other state agencies			—	
Lease			—	
3rd Party MVD Fees			—	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (Maricopa Regional Area Road Fund) - Exhibit 4			<u>\$ 562,158,139</u>	

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

**Arizona Department of Transportation
Required Supplementary Information
June 30, 2024**

**Budgetary Comparison Schedule
Motor Vehicle Division Clearing Fund – Budgetary Basis
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Actual
	Original	Final	Amounts	Positive (Negative)
Expenditures appropriated by State legislature in 2024 budget				
Department of Transportation	—	—	—	—
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			—	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			(392,108)	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			1,596,026	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			—	
Distributions to Arizona counties and cities			722,992,456	
Distributions to other state agencies			129,616,939	
Lease			—	
3rd Party MVD Fees			30,807,765	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (Motor Vehicle Division Clearing Fund) - Exhibit 4			<u>\$ 884,621,078</u>	

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

**Arizona Department of Transportation
Required Supplementary Information
June 30, 2024**

**Budgetary Comparison Schedule
Highway User Revenue Fund – Budgetary Basis
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Actual
	Original	Final	Amounts	Positive (Negative)
Expenditures appropriated by State legislature in 2024 budget				
Department of Transportation	935,200	898,600	—	898,600
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			—	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			(4,230,797)	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			14,260,693	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			—	
Distributions to Arizona counties and cities			890,543,521	
Distributions to other state agencies			11,637,821	
Lease			—	
3rd Party MVD Fees			—	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (Highway User Revenue Fund) - Exhibit 4			<u>\$ 912,211,238</u>	

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

**Arizona Department of Transportation
Required Supplementary Information
June 30, 2024**

**Budgetary Comparison Schedule
Debt Service Fund – Budgetary Basis
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Actual
	Original	Final	Amounts	Positive (Negative)
Expenditures appropriated by State legislature in 2024 budget				
Department of Transportation	—	—	—	—
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			—	—
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			—	—
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			3,288,227	
Perspective differences:				—
Expenditures on modified accrual basis and not recognized on budgetary basis:			—	—
Capital outlay and asset preservation			—	—
Distributions to Arizona counties and cities			—	—
Distributions to other state agencies			—	—
Lease			—	—
Interest expense			52,884,141	
3rd Party MVD Fees				
Principal repayment of debt			555,666,444	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (Debt Service Fund) - Exhibit 4			<u>\$ 611,838,812</u>	

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

**Arizona Department of Transportation
Required Supplementary Information
June 30, 2024**

**Budgetary Comparison Schedule
Capital Projects Fund – Budgetary Basis
For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual	Variance with Actual
	Original	Final	Amounts	Positive (Negative)
Expenditures appropriated by State legislature in 2024 budget				
Department of Transportation	—	—	6,869,943	(6,869,943)
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			590,221	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			—	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			(4,652,649)	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			57,350,853	
Distributions to Arizona counties and cities			—	
Distributions to other state agencies			—	
Lease			—	
3rd Party MVD Fees			—	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (Capital Fund) - Exhibit 4			<u>\$ 60,158,368</u>	

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

Arizona Department of Transportation
Required Supplementary Information
June 30, 2024

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, 2024

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 9,447 center line miles (22,656 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 2024 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, 2024

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.

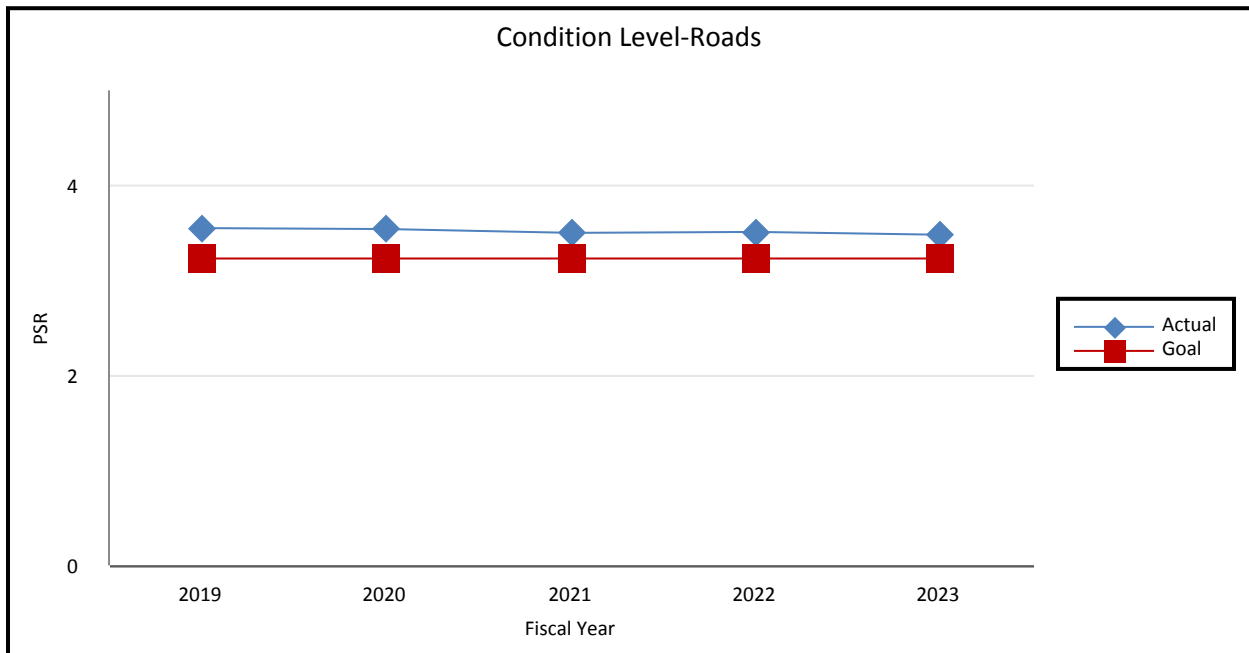
The PMS has developed performance goals for the condition level of the pavement in the state highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called "Serviceability" which can be defined as 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 2024, an overall rating of 3.48 was achieved, as shown in the following graph:

Arizona Department of Transportation
Required Supplementary Information
June 30, 2024

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 2020 through 2024 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2020	\$509.0	\$294.0
2021	\$371.2	\$209.4
2022	\$845.8	\$374.4
2023	\$1,317.3	\$691.5
2024	\$1,678.0	\$827.5

Arizona Department of Transportation
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June 30, 2024

Bridges

The Department's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2024, the Department owned and maintained 4,930 bridges with an approximate total deck area of 46,528,645 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 AASHTOWareTM 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).

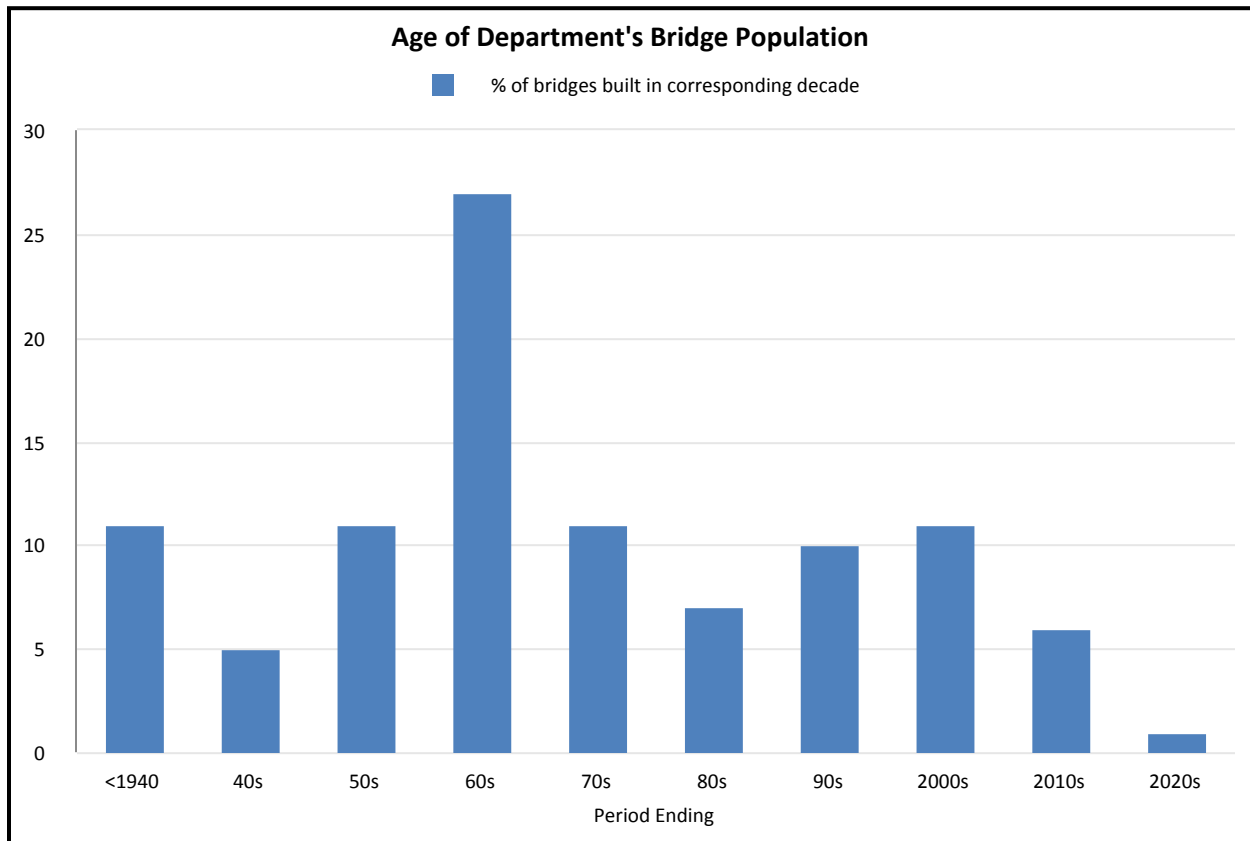
Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn were based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of 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 2024, 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, 2024**

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 2020 through 2024 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2020	\$20.1	\$11.6
2021	\$358.2	\$202.0
2022	\$228.3	\$101.1
2023	\$104.2	\$54.7
2024	\$1,567.9	\$773.2

Arizona Department of Transportation
Required Supplementary Information
June 30, 2024

Pension Liability and Pension Contributions

Schedule of the Proportionate Share of the Net Pension Liability

For the last ten fiscal years ended

	Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability	1.65%	1.64%	1.68%	1.64%	1.7%	1.78%	1.91%	1.99%	2.07%	2.08%
Proportion share of the net pension liability	\$266,765,683	\$267,359,611	\$220,920,611	\$284,995,265	\$246,681,510	\$248,089,762	\$296,900,511	\$321,346,418	\$322,028,132	\$307,848,006
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	\$190,570,110	\$190,570,110
Proportion share of the net pension liability as a percentage of its covered payroll	126.18%	139.47%	114.51%	161.64%	138.13%	140.38%	166.19%	172.66%	168.98%	164.15%
Proportion share of the net pension liability as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.4%	69.92%	67.06%	68.35%	69.49%

Schedule of Pension Contributions

For the last ten fiscal years ended ⁽¹⁾

	Fiscal Year (Measurement Date)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$26,841,294	\$25,201,306	\$23,023,063	\$22,476,046	\$20,188,573	\$19,965,765	\$19,263,324	\$19,258,333	\$20,193,753	\$20,753,085
DOT's Contributions in relation to the statutorily required contribution	\$26,841,294	\$25,201,306	\$23,023,063	\$22,476,046	\$20,188,573	\$19,965,765	\$19,263,324	\$19,258,333	\$20,193,753	20,753,085
DOT's Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
DOT's Covered payroll	\$223,119,650	\$211,420,349	\$191,699,109	\$192,927,433	\$176,319,415	\$178,584,660	\$176,727,743	\$178,648,729	\$186,117,539	\$190,570,110
DOT's Contributions as a percentage of covered payroll	12.03 %	11.92 %	12.01 %	11.65 %	11.45 %	11.18 %	10.90 %	10.78 %	10.85 %	10.89 %

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, 2024

Exhibit 8

	State Aviation Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
Assets			
Unrestricted cash on deposit with State Treasurer	\$ 74,671,015	\$ 8,111,151	\$ 2,413,502
Receivables:			
Interfund (Note 5D)	566,697	486,237	122,191
Notes and loans	320,167	—	—
Other (net)	3,997,677	—	—
Amounts due from U.S. Government	—	—	—
Restricted cash on deposit with the State Treasurer	—	—	—
Total assets	\$ 79,555,556	\$ 8,597,388	\$ 2,535,693
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,361,507	\$ —	\$ —
Accrued payroll and other accrued expenditures	8,469	22,774	22,727
Interfund payables (Note 5D)	6,215	—	—
Amounts due to			
Arizona counties and cities	5,775,962	—	—
Total liabilities	7,152,153	22,774	22,727
Fund balances			
Restricted	—	—	—
Committed	72,403,403	8,574,614	2,512,966
Total fund balances	72,403,403	8,574,614	2,512,966
Total liabilities and fund balances	\$ 79,555,556	\$ 8,597,388	\$ 2,535,693

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
\$ 7	\$ 2,769,357	\$ —	\$ —	\$ 87,965,032
—	—	—	—	1,175,125
—	—	—	—	320,167
—	—	—	1,448,589	5,446,266
—	—	—	15,166,222	15,166,222
—	—	—	26,688,541	26,688,541
<u>\$ 7</u>	<u>\$ 2,769,357</u>	<u>\$ —</u>	<u>\$ 43,303,352</u>	<u>\$ 136,761,353</u>
—	500,000	—	11,535,001	13,396,508
—	—	—	42,514	96,484
—	—	—	—	6,215
—	—	—	3,096,107	8,872,069
—	500,000	—	14,673,622	22,371,276
—	—	—	28,629,730	28,629,730
7	2,269,357	—	—	85,760,347
<u>7</u>	<u>2,269,357</u>	<u>—</u>	<u>28,629,730</u>	<u>114,390,077</u>
<u>\$ 7</u>	<u>\$ 2,769,357</u>	<u>\$ —</u>	<u>\$ 43,303,352</u>	<u>\$ 136,761,353</u>

Arizona Department of Transportation
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances — Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	State Aviation Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
Revenues			
Transportation excise taxes	\$ 5,294,946	\$ —	\$ —
Vehicle registration, title, license, and related taxes and fees	282,504	8,047,842	3,468,547
Fuel and motor carrier taxes and fees	422,061	—	—
Flight property taxes	15,850,623	—	—
Reimbursement of construction expenditures - federal aid	2,385,743	—	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	756,823	—	—
Distributions from other state agencies	478	—	—
Interest on loans receivable	14,605	—	—
Income from investments	4,129,015	—	—
Rental income	272,635	—	—
Other	534,097	—	7,499
Total revenues	<u>29,943,530</u>	<u>8,047,842</u>	<u>3,476,046</u>
Expenditures			
Current			
Administration	3,382,561	11,700	—
Highway	3,919,592	—	—
Highway maintenance	—	—	—
Motor vehicle	—	1,531,067	1,638,923
Total current expenditures	<u>7,302,153</u>	<u>1,542,767</u>	<u>1,638,923</u>
Intergovernmental			
Distributions to other state agencies	15,000,000	729,400	—
Distributions to Arizona counties and cities	34,154,836	—	—
Capital outlay	31,696	—	—
Total expenditures	<u>56,488,685</u>	<u>2,272,167</u>	<u>1,638,923</u>
Revenues over (under) expenditures	<u>(26,545,155)</u>	<u>5,775,675</u>	<u>1,837,123</u>
Other Financing Sources (Uses)			
Transfers in	—	—	—
Transfers out	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(26,545,155)	5,775,675	1,837,123
Fund balances, beginning of year	98,948,558	2,798,939	675,843
Fund balances, end of year	<u><u>\$ 72,403,403</u></u>	<u><u>\$ 8,574,614</u></u>	<u><u>\$ 2,512,966</u></u>

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ 5,294,946
—	—	—	—	11,798,893
—	1,000,000	—	—	1,422,061
—	—	—	—	15,850,623
—	—	29,970,250	501	32,356,494
—	—	—	96,449,691	96,449,691
—	—	—	12,732,911	13,489,734
—	—	—	—	478
—	—	—	—	14,605
—	171,279	—	1,241,693	5,541,987
—	—	—	—	272,635
—	—	—	372,762	914,358
—	1,171,279	29,970,250	110,797,558	183,406,505
—	—	—	571,396	3,965,657
—	500,000	—	72,381,488	76,801,080
—	—	—	13,378	13,378
—	—	—	—	3,169,990
—	500,000	—	72,966,262	83,950,105
—	600,000	—	—	16,329,400
—	1,619,301	—	65,169,006	100,943,143
—	—	—	—	31,696
—	2,719,301	—	138,135,268	201,254,344
—	(1,548,022)	29,970,250	(27,337,710)	(17,847,839)
—	—	—	—	—
—	—	(29,970,250)	—	(29,970,250)
—	—	(29,970,250)	—	(29,970,250)
—	(1,548,022)	—	(27,337,710)	(47,818,089)
7	3,817,379	—	55,967,440	162,208,166
\$ 7	\$ 2,269,357	\$ —	\$ 28,629,730	\$ 114,390,077



**Arizona Department of Transportation
Overview — Statistical Section
For the Year Ended June 30, 2024**

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
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For the Year Ended June 30, 2024

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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, 2024
(Thousands of Dollars)

	2015	2016	2017	2018	2019
Expenses					
Governmental activities					
Administration	\$ 98,855	\$ 88,899	\$ 74,516	\$ 77,547	\$ 77,469
Highway	41,836	122,025	138,400	133,915	164,752
Highway maintenance	137,473	116,067	102,173	97,197	112,939
Motor vehicle	92,520	113,029	112,119	110,516	116,727
Non-capital, including asset preservation	315,349	373,006	253,205	319,870	279,298
Distributions to other state agencies	189,517	232,905	210,333	224,221	306,615
Distributions to Arizona counties and cities	1,155,651	1,260,019	1,276,427	1,307,530	1,427,636
Local government assistance	98,371	114,650	127,028	127,400	121,971
Other expenses	—	—	—	—	—
Interest on long-term debt	94,956	93,840	78,481	58,874	87,783
Total governmental activities expenses	<u>2,224,528</u>	<u>2,514,440</u>	<u>2,372,682</u>	<u>2,457,070</u>	<u>2,695,190</u>
Business-Type activities					
Arizona Highways Magazine	4,739	—	—	—	—
Highway Expansion and Extension Loan Program	43	20,037	—	30,000	30,000
Total business-type activities expenses	<u>4,782</u>	<u>20,037</u>	<u>—</u>	<u>30,000</u>	<u>30,000</u>
Total primary government expenses	<u>\$ 2,229,310</u>	<u>\$ 2,534,477</u>	<u>\$ 2,372,682</u>	<u>\$ 2,487,070</u>	<u>\$ 2,725,190</u>
Program Revenues					
Governmental activities					
Charges for services					
Administration	\$ 8,145	\$ 13,185	\$ 13,636	\$ 12,679	\$ 8,049
Highway	2,157	2,597	2,658	2,640	1,849
Highway maintenance	2,676	6,302	3,544	6,530	6,369
Motor vehicle	132,837	145,899	145,035	146,720	180,162
Non-capital, including asset preservation	—	—	—	13,650	34,195
Operating grants and contributions	172,279	134,446	158,156	149,779	188,020
Capital grants and contributions	696,877	856,434	714,608	744,854	532,678
Total governmental activities program revenues	<u>1,014,971</u>	<u>1,158,863</u>	<u>1,037,637</u>	<u>1,076,852</u>	<u>951,323</u>
Business-Type activities					
Charges for services					
Arizona Highways Magazine	5,073	—	—	—	—
Highway Expansion and Extension Loan Program	—	—	—	—	—
Total business-type activities program revenues	<u>5,073</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total primary government program revenues	<u>\$ 1,020,044</u>	<u>\$ 1,158,863</u>	<u>\$ 1,037,637</u>	<u>\$ 1,076,852</u>	<u>\$ 951,323</u>
Net (expenses)/revenues					
Governmental activities	\$ (1,209,557)	\$ (1,355,577)	\$ (1,335,045)	\$ (1,380,218)	\$ (1,743,867)
Business-type activities	<u>291</u>	<u>(20,037)</u>	<u>—</u>	<u>(30,000)</u>	<u>(30,000)</u>
Total primary government net expense	<u>\$ (1,209,266)</u>	<u>\$ (1,375,614)</u>	<u>\$ (1,335,045)</u>	<u>\$ (1,410,218)</u>	<u>\$ (1,773,867)</u>

Table A-1

2020	2021	2022	2023	2024
\$ 152,885	\$ 146,991	\$ 155,468	141,035	\$ 170,213
83,497	84,955	115,387	130,571	134,017
147,508	152,740	135,540	184,945	182,133
166,968	222,308	170,138	210,366	219,067
346,941	436,306	476,232	766,655	847,576
385,134	380,698	192,616	181,061	353,935
1,443,761	1,636,707	1,659,180	1,721,840	2,058,402
113,486	85,789	116,712	116,362	138,135
—	41	14,298	1,834	6,221
81,939	53,122	35,109	34,092	(6,094)
<u>2,922,119</u>	<u>3,199,656</u>	<u>\$ 3,070,680</u>	<u>3,488,760</u>	<u>4,103,606</u>
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>\$ 2,922,119</u>	<u>\$ 3,199,656</u>	<u>\$ 3,070,680</u>	<u>\$ 3,488,760</u>	<u>\$ 4,103,606</u>
\$ 19,194	\$ 46,889	\$ 19,832	\$ 18,797	\$ 11,742
2,654	3,033	901	2,775	4,426
6,186	5,851	9,211	10,930	8,436
200,755	217,057	163,377	166,357	177,103
—	—	26,297	20,197	18,777
197,910	179,562	205,523	222,423	453,858
554,633	667,686	839,289	938,978	1,101,020
<u>981,332</u>	<u>1,120,077</u>	<u>1,264,429</u>	<u>1,380,457</u>	<u>1,775,362</u>
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>\$ 981,332</u>	<u>\$ 1,120,077</u>	<u>\$ 1,264,429</u>	<u>\$ 1,380,457</u>	<u>\$ 1,775,362</u>
\$ (1,940,787)	\$ (2,079,579)	\$ (1,806,251)	\$ (2,108,304)	\$ (2,328,245)
—	—	—	—	—
<u>\$ (1,940,787)</u>	<u>\$ (2,079,579)</u>	<u>\$ (1,806,251)</u>	<u>\$ (2,108,304)</u>	<u>\$ (2,328,245)</u>

Arizona Department of Transportation
Changes in Net Position
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands of Dollars)

	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position					
Governmental activities					
Transportation excise taxes	\$ 254,871	\$ 262,971	\$ 274,553	\$ 295,100	\$ 316,144
Motor vehicle registration, title, and related taxes	1,036,502	1,134,913	1,135,060	1,142,561	1,400,749
Fuel and motor carrier taxes and fees	686,042	735,928	777,315	838,823	846,289
Flight property taxes	8,595	9,620	10,365	13,012	10,297
Other taxes and fees	—	—	—	—	—
Income from investments	9,989	9,064	10,512	17,264	26,135
Other	10,415	7,050	5,884	8,618	6,151
Transfers	—	—	—	—	—
Governmental activities before accounting	<u>2,006,414</u>	<u>2,159,546</u>	<u>2,213,689</u>	<u>2,315,378</u>	<u>2,605,765</u>
Business-Type activities					
Income from investments	613	560	657	570	677
Transfers	—	—	—	—	—
Total business-type activities	<u>613</u>	<u>560</u>	<u>657</u>	<u>570</u>	<u>677</u>
Total primary government	<u>\$ 2,007,027</u>	<u>\$ 2,160,106</u>	<u>\$ 2,214,346</u>	<u>\$ 2,315,948</u>	<u>\$ 2,606,442</u>
Changes in Net Position					
Governmental activities	\$ 796,857	\$ 803,969	\$ 878,644	\$ 935,160	\$ 861,898
Business-Type activities	904	(19,477)	657	(29,430)	(29,323)
Total primary government	<u>\$ 797,761</u>	<u>\$ 784,492</u>	<u>\$ 879,301</u>	<u>\$ 905,730</u>	<u>\$ 832,575</u>

Table A-1 - Continued

2020	2021	2022	2023	2024
\$ 331,044	\$ 376,901	\$ 448,237	\$ 1,433,456	\$ 518,764
1,563,351	1,692,766	1,591,474	1,666,596	1,729,284
749,567	868,074	855,965	828,526	877,244
16,895	17,311	14,027	12,837	15,851
—	—	—	41,613	41,934
26,097	7,540	6,727	78,049	137,198
21,403	4,486	10,642	5,595	6,281
—	—	—	—	—
<u>2,708,357</u>	<u>2,967,079</u>	<u>2,960,799</u>	<u>4,066,673</u>	<u>3,326,556</u>
22	6	1	—	—
—	—	—	—	—
<u>22</u>	<u>6</u>	<u>1</u>	<u>—</u>	<u>—</u>
<u>\$ 2,708,379</u>	<u>\$ 2,967,084</u>	<u>\$ 2,960,800</u>	<u>\$ 4,066,673</u>	<u>\$ 3,326,556</u>
\$ 767,570	\$ 2,964,999	\$ 2,958,993	\$ 4,064,564	\$ 3,324,228
22	6	1	—	—
<u>\$ 767,592</u>	<u>\$ 2,965,005</u>	<u>\$ 2,958,994</u>	<u>\$ 4,064,565</u>	<u>\$ 3,324,228</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, 2024
(Thousands of Dollars)

	2015	2016	2017
Revenues			
Transportation excise taxes	\$ 254,871	\$ 262,971	\$ 274,553
Vehicle registration, title, license, and related taxes and fees	1,169,339	1,280,812	1,280,095
Fuel and motor carrier taxes and fees	686,042	735,928	777,315
Flight property taxes	8,595	9,620	10,365
Other taxes and fees	—	—	—
Reimbursement of construction expenditures – federal aid	685,823	859,985	638,098
Other federal grants and reimbursements	162,701	106,660	138,168
Reimbursements from Arizona counties and cities	20,632	24,235	55,828
Distributions from other state agencies	1,338	744	963
Interest on loans receivable	179	207	194
Income from investments	9,989	9,064	10,512
Sales and charges for services	—	9,189	10,832
Grand Canyon National Park Airport	1,295	344	647
Rental income	6,671	5,556	3,931
Other	10,264	6,990	5,880
Total revenues	<u>\$ 3,017,739</u>	<u>\$ 3,312,305</u>	<u>\$ 3,207,381</u>
Expenditures			
Current			
Transportation			
Administration	\$ 93,309	\$ 81,191	\$ 71,638
Highway	136,527	163,011	218,959
Highway maintenance	130,599	108,882	96,396
Motor vehicle	87,296	106,030	106,461
Total transportation	<u>447,731</u>	<u>459,114</u>	<u>493,454</u>
Intergovernmental			
Distributions to other state agencies	189,517	232,990	211,145
Distributions to Arizona counties and cities	1,155,651	1,320,949	1,312,206
Debt service			
Principal	272,053	194,308	174,448
Interest	121,404	122,449	108,230
Bond issuance costs	3,026	—	2,125
Lease - Principal			
Lease - Interest			
Non-capital, including asset preservation	251,953	356,753	209,802
Capital outlay	<u>634,303</u>	<u>689,613</u>	<u>741,658</u>
Total expenditures	<u>\$ 3,075,638</u>	<u>\$ 3,376,176</u>	<u>\$ 3,253,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (57,899)</u>	<u>\$ (63,871)</u>	<u>\$ (45,687)</u>

Table A-2

2018	2019	2020	2021	2022	2023	2024
\$ 295,100	\$ 316,144	\$ 331,044	\$ 376,901	\$ 448,237	\$ 1,433,456	\$ 518,764
1,289,281	1,580,911	1,764,106	1,909,824	1,754,850	1,832,953	1,906,388
838,823	846,290	749,567	868,074	855,965	828,526	877,244
13,012	10,297	16,895	17,311	14,027	12,837	15,851
—	—	—	—	33,727	41,613	41,934
750,540	542,212	579,266	712,031	784,520	866,571	956,582
106,304	128,045	106,449	91,330	95,754	137,757	96,450
24,307	50,991	14,854	10,607	39,220	19,335	76,271
27,573	15,009	52,444	40,741	97,272	142,935	401,085
112	127	76	13	84	495	126
17,264	26,135	26,298	7,603	6,812	79,228	138,440
23,279	41,705	17,501	40,081	36,866	31,263	22,539
1,015	—	—	—	—	—	—
3,346	2,262	4,271	9,827	10,079	10,011	12,279
5,954	5,926	19,917	4,489	10,697	5,668	6,654
<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>5,442,649</u>	<u>\$ 5,070,607</u>
\$ 79,475	\$ 107,970	\$ 152,251	\$ 145,720	\$ 160,117	\$ 141,646	\$ 172,791
235,195	257,117	156,409	139,969	202,314	201,911	210,942
94,996	116,226	145,727	150,688	137,891	184,578	187,399
<u>109,592</u>	<u>122,395</u>	<u>165,680</u>	<u>211,529</u>	<u>173,205</u>	<u>202,099</u>	<u>216,878</u>
519,258	603,708	620,067	647,906	673,528	730,234	788,010
224,221	306,616	385,134	380,698	192,616	181,061	353,935
1,334,573	1,465,877	1,484,276	1,666,878	1,694,345	1,766,988	2,123,571
204,161	199,355	214,765	225,595	238,655	245,500	555,666
108,976	114,125	102,482	88,283	74,186	65,233	52,884
425	1,688	1,753	—	501	—	3,288
						1,145
						108
233,316	248,782	305,636	411,376	475,531	746,229	827,539
<u>793,955</u>	<u>798,722</u>	<u>724,048</u>	<u>400,686</u>	<u>473,638</u>	<u>496,754</u>	<u>575,823</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>\$ 5,281,970</u>
<u>\$ (22,975)</u>	<u>\$ (172,819)</u>	<u>\$ (155,473)</u>	<u>\$ 267,410</u>	<u>\$ 365,110</u>	<u>\$ 1,210,650</u>	<u>\$ (211,363)</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, 2024
(Thousands of Dollars)

	2015	2016	2017
Other Financing Sources (Uses)			
Transfers in	\$ 305,410	\$ 304,311	\$ 274,990
Transfers out for debt service	(305,410)	(304,311)	(274,990)
Sale of capital assets	259	60	1,294
Insurance recovery	2,676	6,302	3,544
Debt issuance	783	—	—
Debt issuance – refunding bond	754,285	—	403,310
Premium from debt issuance	149,554	—	100,305
Payment to refunded bond escrow agent	(900,813)	—	(501,478)
Total other financing sources (uses)	<u>6,744</u>	<u>6,362</u>	<u>6,975</u>
Net change in fund balances before accounting change	(51,155)	(57,509)	(38,712)
Special item – State appropriation for Statewide Transportation Acceleration Needs (STAN)	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(51,155)	(57,509)	(38,712)
Fund balances, beginning of year	<u>1,289,508</u>	<u>1,240,753</u>	<u>1,183,244</u>
Fund balances, end of year	<u><u>\$ 1,238,353</u></u>	<u><u>\$ 1,183,244</u></u>	<u><u>\$ 1,144,532</u></u>
Debt service as a percentage of noncapital expenditures	16.1 %	11.8 %	11.3 %
Debt service as a percentage of total revenues	13.0 %	9.6 %	8.8 %

Table A-2 Continued

	2018	2019	2020	2021	2022	2023	2024
\$	252,974	\$ 310,894	\$ 314,255	\$ 313,209	\$ 314,902	\$ 307,319	\$ 604,290
	(252,974)	(310,894)	(314,255)	(313,209)	(313,682)	(307,319)	(604,290)
	3,524	343	1,591	52	42	952	705
	6,530	6,369	6,186	5,851	9,211	10,930	8,436
	62,595	324,475	—	—	—	—	654,018
	—	—	510,275	—	84,520	—	—
	12,840	41,448	—	—	—	—	31,514
	—	—	(508,278)	—	(84,005)	—	(380,924)
	85,489	372,635	9,774	5,902	10,990	11,882	313,749
	62,514	199,816	(145,699)	273,312	376,100	1,222,532	102,386
	—	—	—	—	—	—	—
	62,514	199,816	(145,699)	273,312	376,100	1,222,532	102,386
	1,144,532	1,207,046	1,406,862	1,261,165	1,534,477	1,910,576	3,133,109
\$	1,207,046	\$ 1,406,862	\$ 1,261,163	\$ 1,534,477	\$ 1,910,577	\$ 3,133,109	\$ 3,235,495
	11.9 %	10.7 %	10.2 %	9.2 %	9.3 %	8.3 %	12.9 %
	9.2 %	8.8 %	8.6 %	7.7 %	7.5 %	5.7 %	12.0 %

Arizona Department of Transportation
Fund Balances of Governmental Funds
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands of Dollars)

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

Table A-3

2020	2021	2022	2023	2024
\$ 437	\$ 271	\$ 402	\$ 475	\$ 397
301,046	345,711	410,241	520,193	645,413
443,733	574,443	732,639	1,703,804	1,316,631
745,216	920,425	1,143,283	2,224,472	1,962,441
(8,128)	(8,128)	(8,128)	(8,128)	(8,128)
—	—	—	—	—
460,778	531,620	679,148	810,524	1,195,422
63,299	90,561	96,274	106,241	85,760
515,949	614,052	767,293	908,636	1,273,054
\$ 1,261,165	\$ 1,534,477	\$ 1,910,576	\$ 3,133,109	\$ 3,235,495

Arizona Department of Transportation
Expenditures of Federal Awards¹
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands of Dollars)

Table A-4

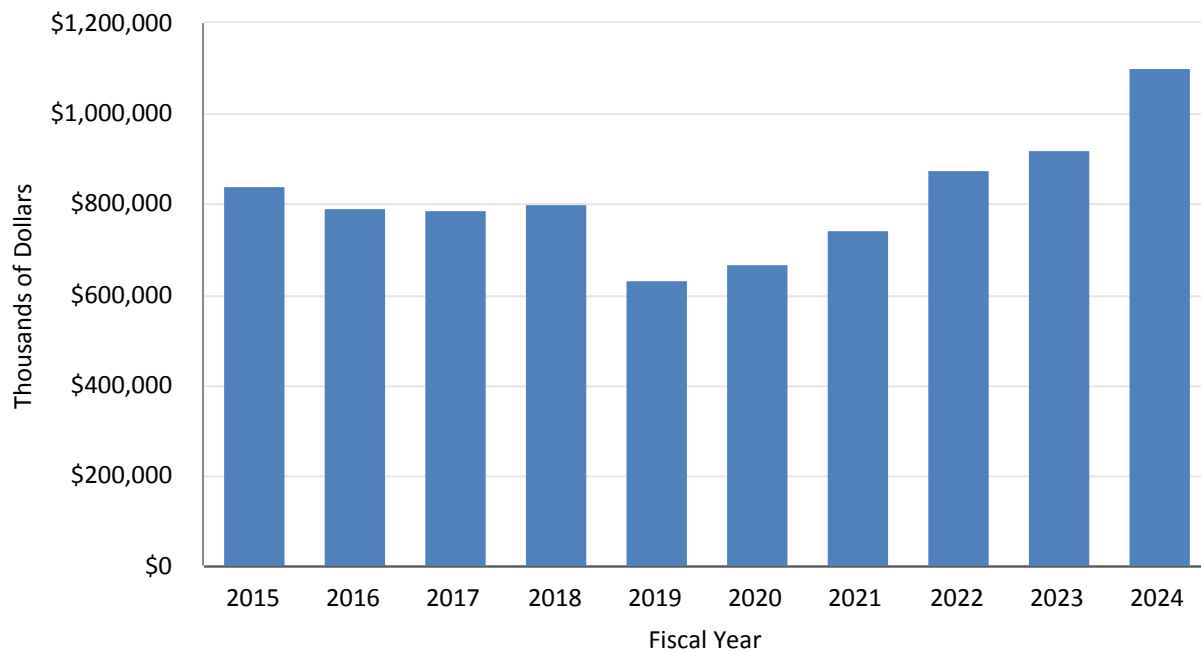
Federal Agencies ¹	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
FAA	\$ 428	\$ 3,292	\$ 4,313	\$ 1,220	\$ 1,151	\$ 512	\$ 5,804	\$ 5,853	\$ 1,574	\$ 1,794
FHWA	807,573	763,879	764,482	778,021	590,592	631,025	685,265	812,923	880,588	1,095,567
FMCSA	2,122	827	502	274	791	427	277	749	1,474	1,787
FRA	48	53	120	6	—	—	—	—	—	—
FTA	18,644	14,923	19,830	20,966	28,577	22,856	30,475	24,247	19,295	20,534
GSA	—	—	—	—	—	—	—	—	—	—
NHTSA	103	193	117	100	100	116	—	105	103	220
OST	10,417	8,916	117	2,808	12,192	5,963	19,037	—	—	—
CARES	—	—	—	—	—	6,140	2,877	—	\$ —	\$ —
AZGF	—	—	—	—	—	—	—	—	125	\$ 160
USDT	—	—	—	—	—	—	—	32,301	20,059	\$ 4,361
DOE	—	—	—	—	—	—	725	—	\$ —	\$ —
Total Federal Expenditures	\$ 839,335	\$792,083	\$789,481	\$803,395	\$633,403	\$667,039	\$744,460	\$876,177	\$923,216	\$1,101,001

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

NOTES: ¹Bureau 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).

²The 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, 2024
(Thousands of Dollars)

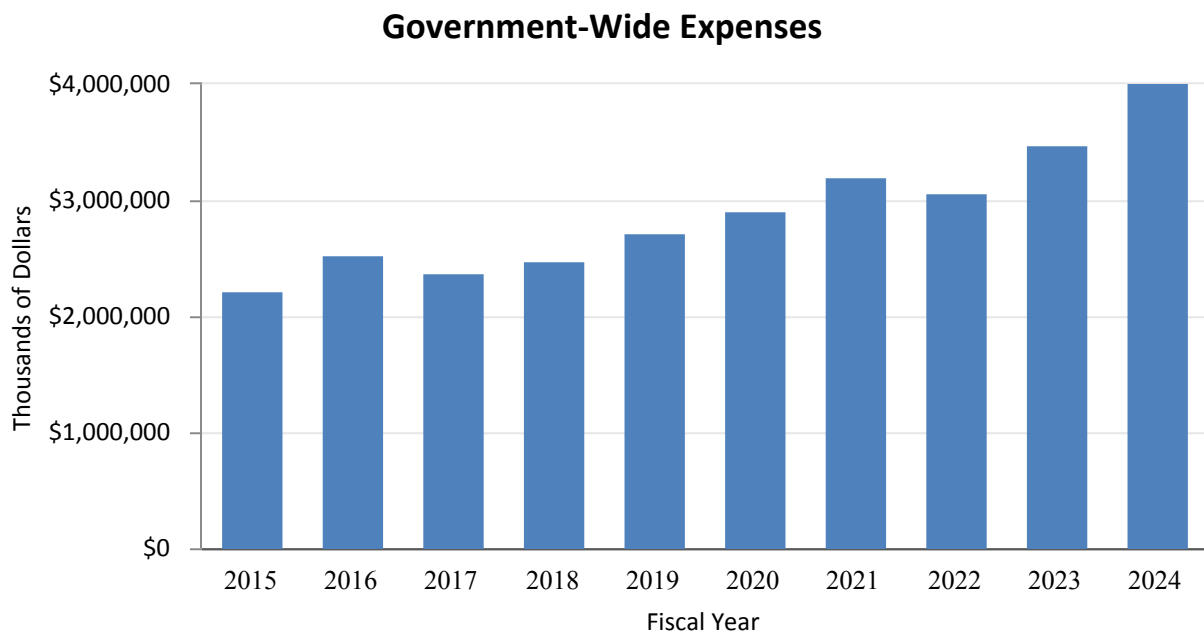
Fiscal Year	2015	2016	2017	2018
Administration	\$ 98,855	\$ 88,899	\$ 74,516	\$ 77,547
Highway	41,836	122,025	138,400	133,915
Highway Maintenance ¹	137,473	116,067	102,173	97,197
Motor Vehicle	92,520	113,029	112,119	110,516
Distributions to Arizona Counties, Cities and Other State Agencies	1,345,168	1,492,924	1,486,760	1,531,750
Local Governmental Assistance	98,371	114,650	127,028	127,400
Interest on Long-Term Debt	94,956	93,840	78,481	58,874
Other	315,349	373,006	253,205	319,870
Arizona Highways Magazine ²	4,739	—	—	—
Highway Expansion and Extension Loan Program	43	20,037	—	30,000
Total	<u>\$2,229,310</u>	<u>\$2,534,477</u>	<u>\$2,372,682</u>	<u>\$2,487,069</u>

NOTES: ¹Includes non-capital, including asset preservation.

²Arizona Highways Magazine was included in the general fund starting in 2016.

Table A-5

2019	2020	2021	2022	2023	2024
\$ 77,469	\$ 152,885	\$ 146,991	\$ 155,468	\$ 141,035	\$ 170,213
164,752	83,497	84,955	115,387	130,571	134,017
1,129,392	147,508	152,740	135,540	184,945	182,133
1,167,272	166,968	222,308	170,138	210,366	219,067
1,734,250	1,828,895	2,017,404	1,851,797	1,902,901	2,412,337
121,971	113,486	85,789	116,712	116,362	138,135
87,784	81,939	53,122	35,109	34,092	(6,094)
279,298	346,941	436,306	490,530	768,489	853,797
—	—	—	—	—	—
30,000	—	—	—	—	—
\$ 2,725,190	\$ 2,922,119	\$ 3,199,614	\$ 3,070,680	\$ 3,488,760	\$ 4,103,606



Arizona Department of Transportation
Government-Wide Revenues
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands of Dollars)

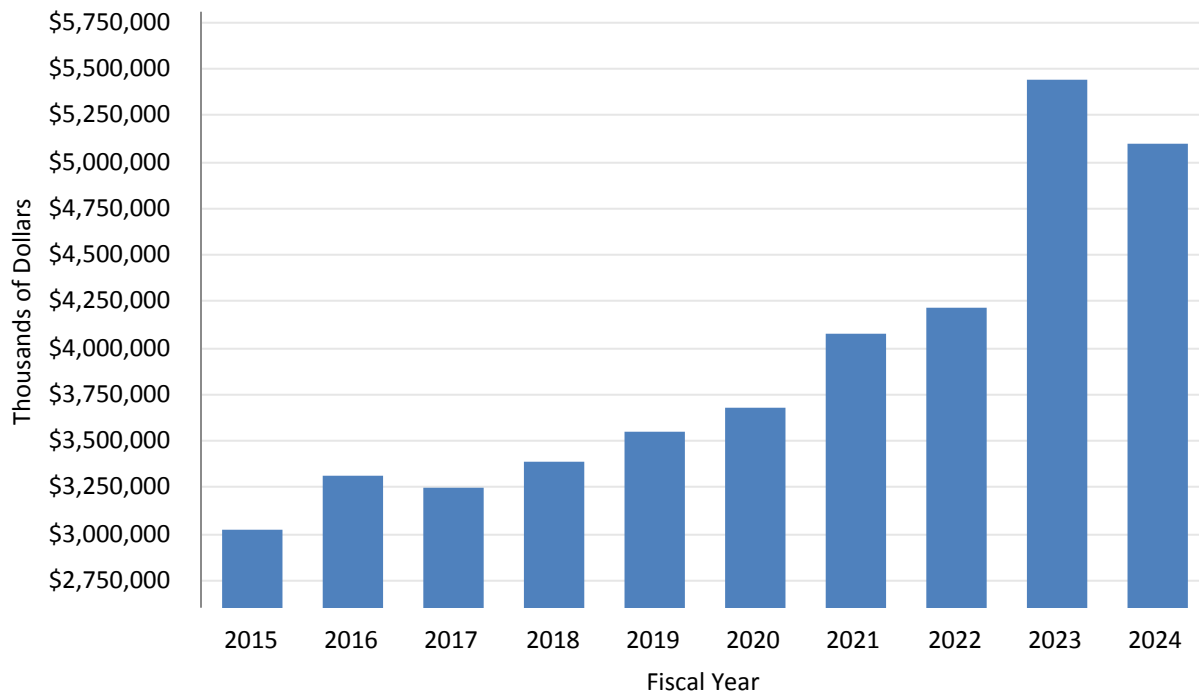
Fiscal Year	Program Revenues			
	Governmental			Business-Type
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services
2024	\$ 220,484	\$ 453,858	\$ 1,101,020	\$ —
2023	219,056	222,423	938,978	—
2022	219,617	205,523	839,289	—
2021	272,829	179,562	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

NOTE: ¹Includes transfers for multiple years.

Table A-6

General Revenues						Total
Governmental			Business-Type			Government-Wide Revenues
Taxes	Other Revenues ¹	Income from Investments	Other Revenues ¹	Income from Investments		
\$ 3,183,076	\$ 6,281	\$ 137,198	\$ —	\$ —	\$	5,101,917
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

Government-Wide Revenues



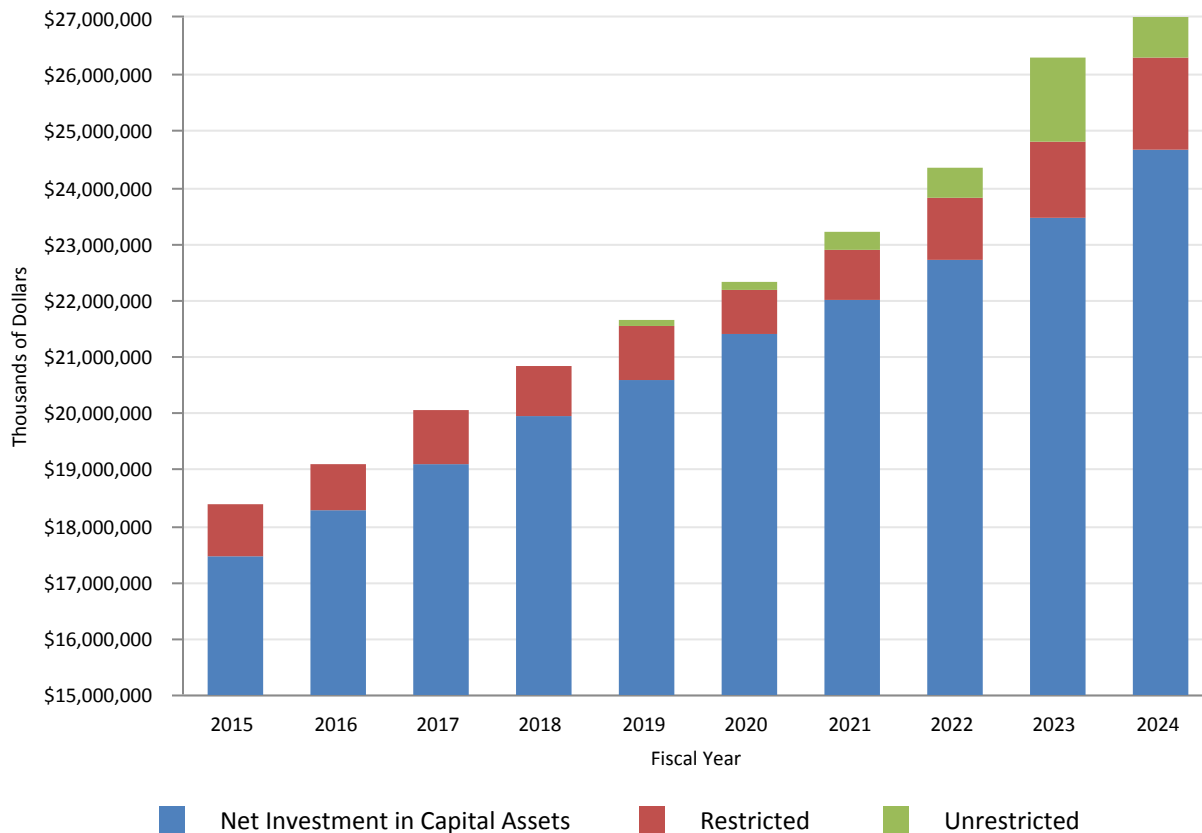
Arizona Department of Transportation
Net Position by Component
As of the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands of Dollars)

Fiscal Year	Governmental Activities				Business-Type	
	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Net Investment in Capital Assets	Restricted
2024	\$ 24,680,649	\$ 1,645,731	\$ 1,098,742	\$ 27,425,122	\$ —	\$ —
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

Table A-7

Business-Type			Primary Government			
Unrestricted	Total	Net Investment in Capital Assets	Restricted	Unrestricted	Total	
\$ —	\$ —	\$ 24,680,649	\$ 1,645,731	\$ 1,098,742	\$ 27,425,122	
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	

Primary Government Net Assets by Component



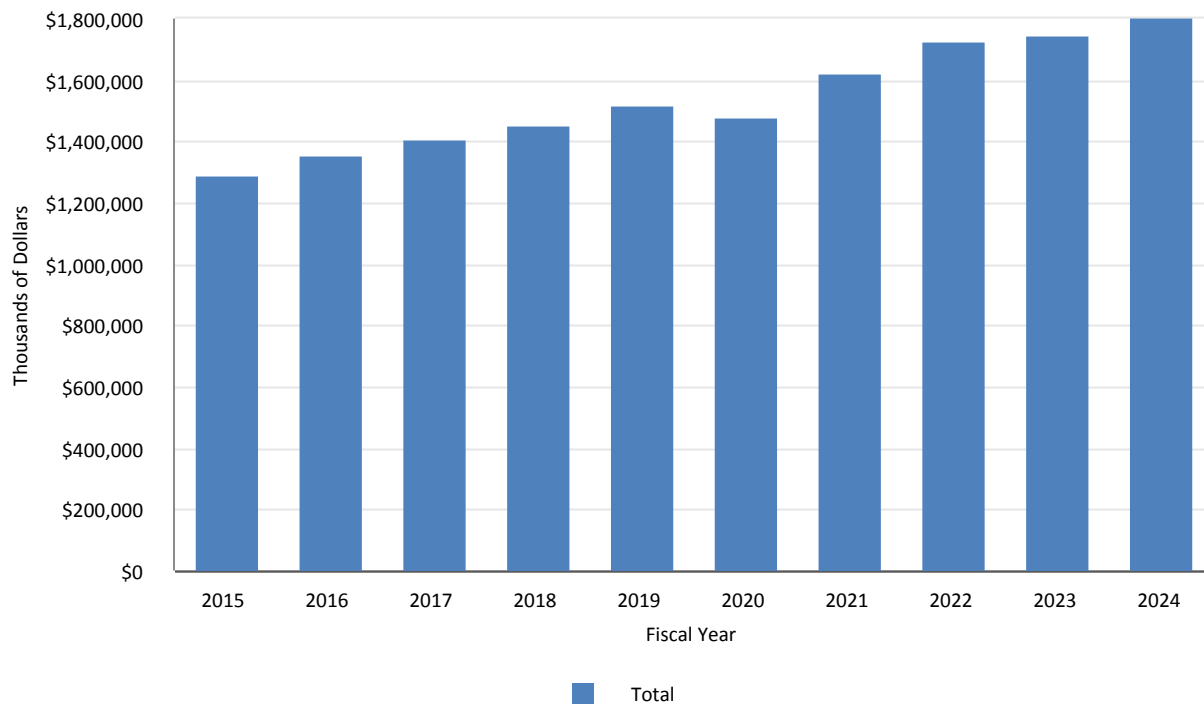
REVENUE CAPACITY

Arizona Department of Transportation
Highway User Revenue Fund Collections
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(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
2024	\$ 817,064	\$ 241,394	\$ 58,405	\$ 52,475	\$ 589,860	\$ 41,934	\$ 1,801,132
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

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, 2024
(Thousands of Dollars)

Table B-2

Fiscal Year	State Highway Fund	Cities and Towns	Counties	Department of Public Safety ²	Economic Strength Project Fund	Other	Total
2024	\$ 902,750	\$ 545,226	\$ 339,649	\$ —	\$ 1,000	\$ 781	\$ 1,789,406
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

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.

²Legislation 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, 2024
(Cents per Gallon)

Table B-3

Fiscal Year	Gasoline Tax	Use Fuel Tax 1
2024	0.18	0.26
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

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.

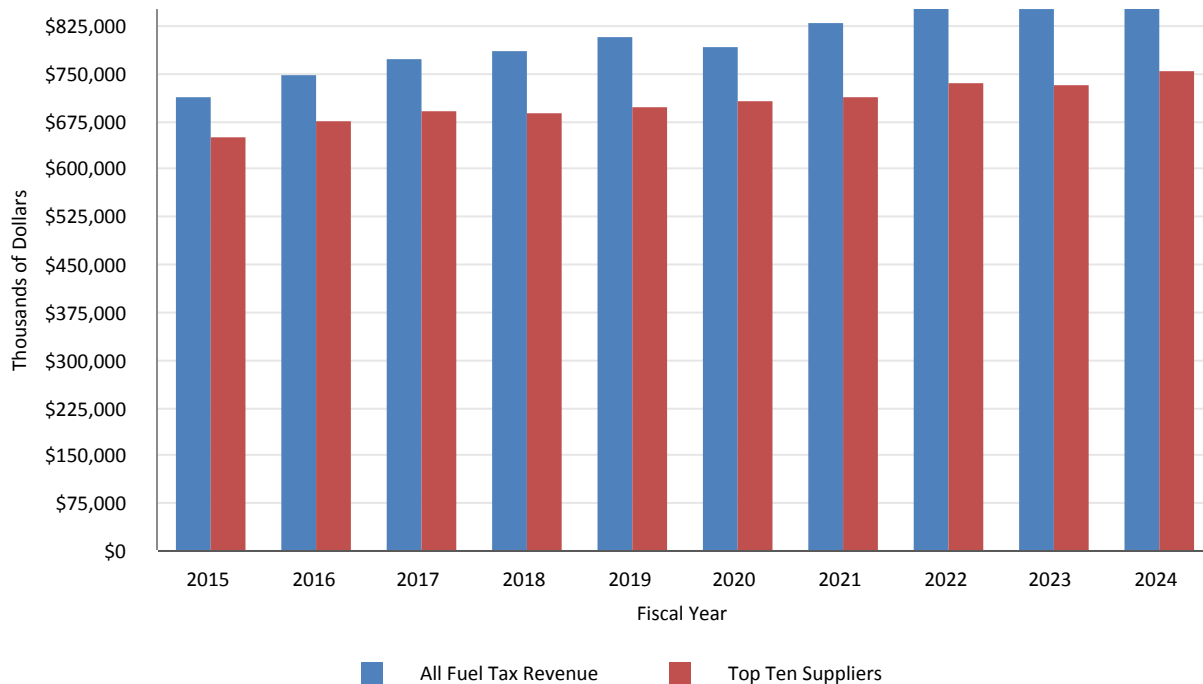
1 Light class motor vehicles with a declared vehicle weight < 26,001 pounds and have less than three axles pay \$.18 per gallon.

Arizona Department of Transportation
Motor Vehicle Fuel Tax – Top Ten Suppliers
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(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
2024	3,793,523	\$ 756,349	\$ 873,047	86.6 %
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 %

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, 2024

	2015		2016		2017		2018		2019	
Range – in Millions of Gallons	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold
< 25	13	3.9 %	16	3.5 %	15	3.4 %	14	4.1 %	13	3.2 %
26–50	3	3.4 %	0	— %	1	1.0 %	1	1.2 %	3	3.6 %
50–100	1	1.6 %	2	4.9 %	2	4.9 %	3	7.0 %	1	2.8 %
101–200	2	9.1 %	2	9.8 %	2	8.6 %	2	8.8 %	2	8.8 %
201–300	2	13.7 %	1	9.0 %	1	9.5 %	1	9.2 %	2	18.6 %
>300	4	66.1 %	4	72.4 %	4	72.5 %	4	69.6 %	4	63.0 %
	25	97.8 %	2500	99.6 %	2500	99.9 %	2500	99.9 %	25	100.0 %

Total Gallons of Gasoline (Thousands)	2,730,156	2,871,627	2,911,255	2,965,365	2,990,890
Gasoline % of Total	79.3 %	78.2 %	77.9 %	77.4 %	76.7 %
Total Gallons of Use Fuel (Diesel) (Thousands)	714,035	800,914	825,432	865,445	906,498
Diesel % of Total	20.7 %	21.8 %	22.1 %	22.6 %	23.3 %

Table B-5

	2020		2021		2022		2023		2024	
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	16	6.3 %	13	4.2 %	12	3.9 %	15	5.5 %	15	5.0 %
26–50	1	1.1 %	3	3.7 %	3	3.4 %	2	2.2 %	1	1.1 %
50–100	1	3.1 %	2	5.2 %	1	1.7 %	0	— %	1	2.2 %
101–200	2	8.6 %	2	11.6 %	1	5.3 %	2	11.0 %	2	8.5 %
201–300	2	19.5 %	2	19.0 %	5	38.4 %	2	16.6 %	2	17.1 %
>300	3	61.4 %	3	56.3 %	3	47.3 %	4	64.7 %	4	66.1 %
	2500	100.0 %	25	100.0 %	25	100.0 %	25	100.0 %	25	100.0 %

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, 2024
(Thousands of Dollars)

Table C-1

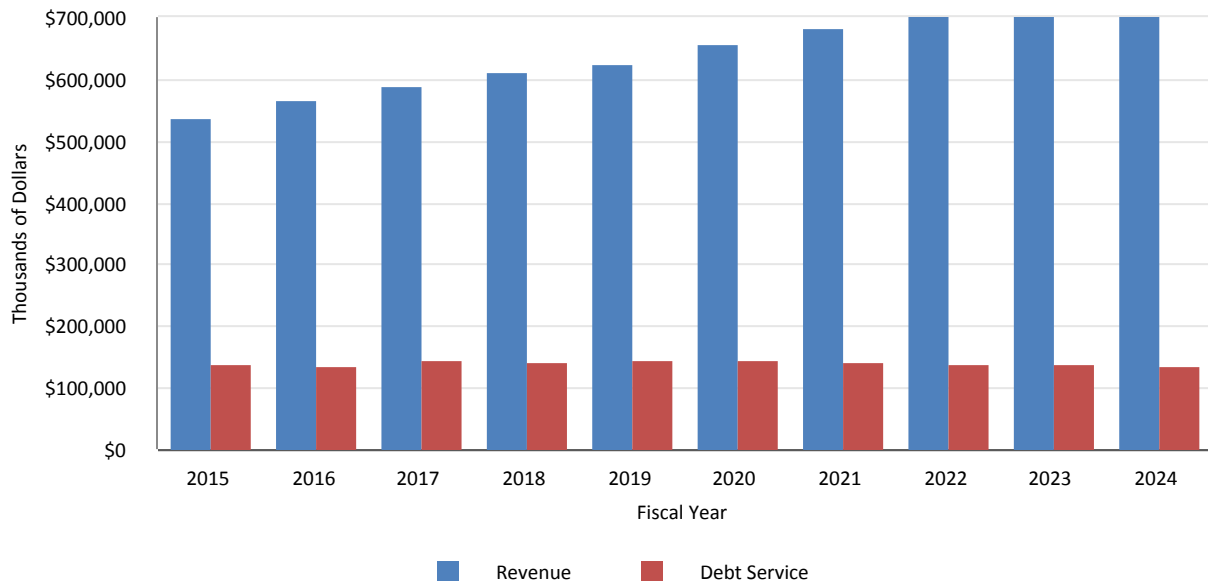
Fiscal Year	Principal	Interest	Total	Pledged Revenues ^{1,2}	Coverage
2024	\$ 100,880	\$ 33,020	\$ 133,900	\$ 849,990	6.3
2023	99,300	38,059	137,359	829,723	6.0
2022	98,660	40,825	139,485	820,170	5.9
2021	92,545	47,652	140,197	749,986	5.3
2020	87,150	55,529	142,679	682,308	4.8
2019	78,670	65,562	144,232	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

SOURCES: Highway User Revenue Fund Schedule fiscal years 2015 through 2024, Debt Service Funds fiscal years 2015 through 2024.

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

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

Highway Revenue Bonds - Bond Coverage



Arizona Department of Transportation
Transportation Excise Tax Revenue Bonds
Bond Coverage
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands of Dollars)

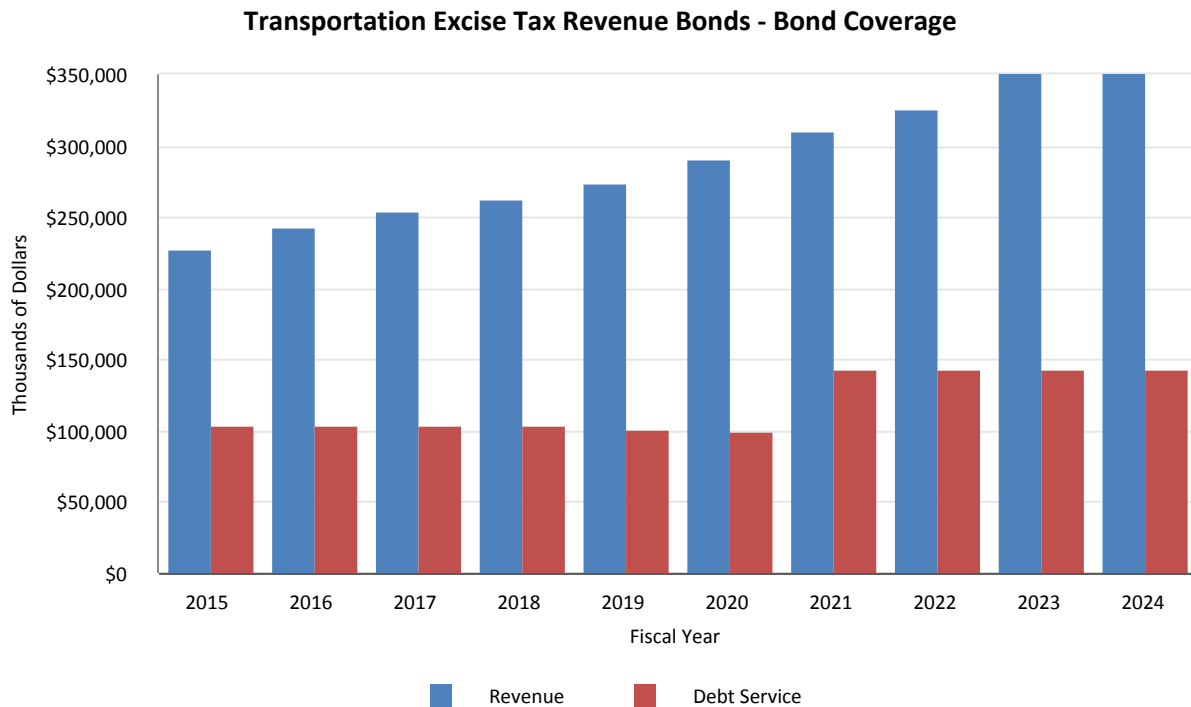
Table C-2

Fiscal Year	Principal	Interest	Total	Pledged Revenues ¹	Coverage
2024	\$ 130,620	\$ 12,769	\$ 143,389	\$ 500,969	3.5
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

SOURCE: Maricopa County Regional Area Road Fund Report

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

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



**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, 2024 (Thousands)**

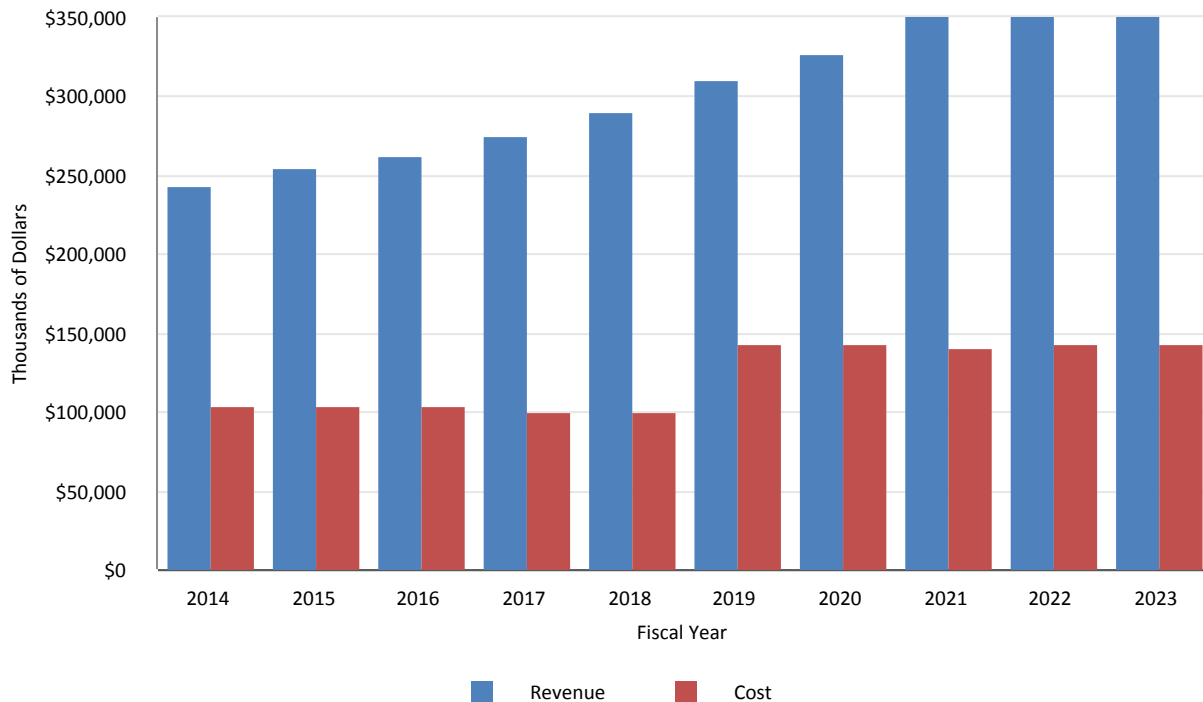
Table C-3

Fiscal Year	Principal	Interest	Total Cost	Revenues ¹	Maricopa County Population	Cost per Capita	Revenue per Capita
2024	2023 is the most current Population Data available . The latest 10 years are displayed below.						
2023	\$ 124,400	\$ 118,989	\$ 143,389	\$ 481,726	4,586	\$ 31	\$ 105
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

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, 2024
(Thousands of Dollars)

	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)
Governmental Activities				
Highway Revenue Bonds	\$ 1,674,800	\$ 1,589,965	\$ 1,519,770	\$ 1,435,625
Transportation Excise Tax Revenue Bonds	867,375	782,810	717,225	643,310
Grant Anticipation Notes	247,710	194,670	147,320	129,475
Premium on bonds	323,356	401,520	367,143	389,860
Capital leases	29,324	30,945	37,745	33,791
Advances and notes payable	108,096	22,178	40,486	22,179
Net pension and OPEB liabilities	—	307,848	331,831	338,474
Other long-term liabilities	153	18,900	—	49,913
Total governmental activities	3,250,814	3,348,836	3,161,520	3,042,627
Total primary government	\$ 3,250,814	\$ 3,348,836	\$ 3,161,520	\$ 3,042,627
Debt as a Percentage of Personal Income	1.27%	1.14%	1.01%	1.03%
Amounts of Debt per Capita ¹	\$483	\$445	\$408	\$434

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:

¹The 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.

²Pension 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

	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
\$	1,359,500	\$ 1,280,830	\$ 1,231,000	\$ 1,138,455	\$ 988,100	\$ 943,450
	575,040	732,365	624,415	511,125	377,485	253,085
	177,420	223,885	204,220	184,460	163,705	141,905
	344,153	349,554	329,736	289,528	243,927	209,473
	24,252	—	—	—		
	—	—	—	—		
	363,265	316,081	322,271	378,801	292,589	326,124
	47,567	33,837	36,455	35,837	55,275	49,334
	2,891,197	2,936,552	2,748,097	2,538,206	2,121,081	1,923,371
\$	2,891,197	\$ 2,936,552	\$ 2,748,097	\$ 2,538,206	\$ 2,121,081	\$ 1,923,371
	0.91 %	0.90 %	0.71 %	0.63 %	0.53 %	0.42 %
\$	403	\$ 416	\$ 371	\$ 349	\$ 298	\$ 261

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, 2024
(Thousands)

Table D-1

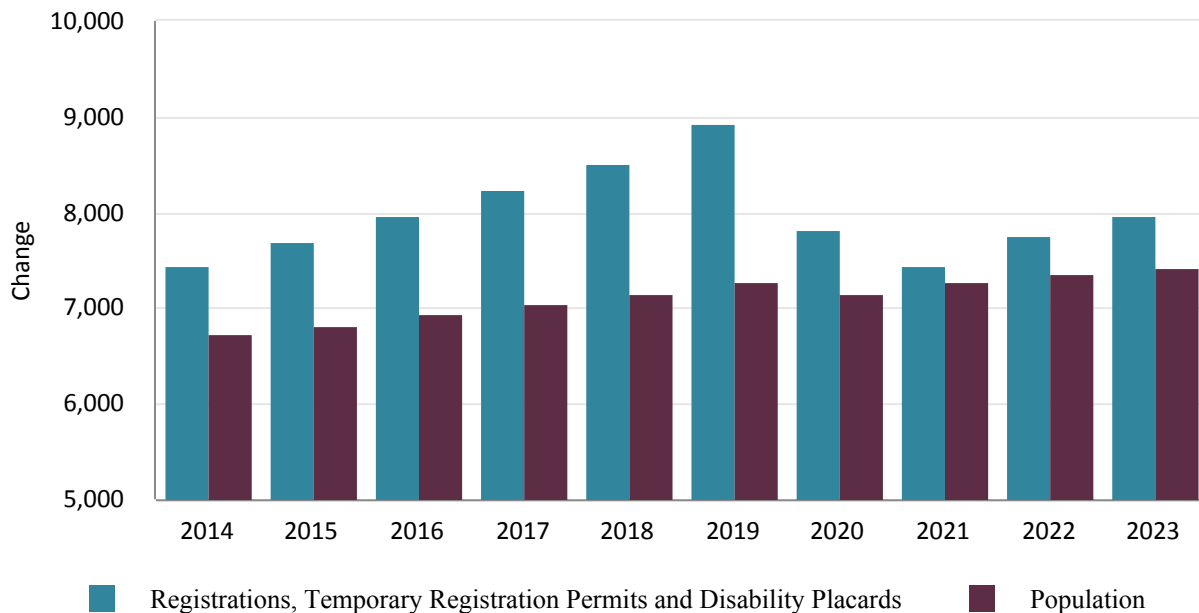
Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards ²	Change in Number of Registered Vehicles	Arizona Population ¹	Change in Population	Vehicles per Person
2023	7,970	205	7,431	72	1.073
2022	7,764	320	7,359	83	1.055
2021	7,444	(384)	7,276	125	1.023
2020	7,828	(1,095)	7,152	(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

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



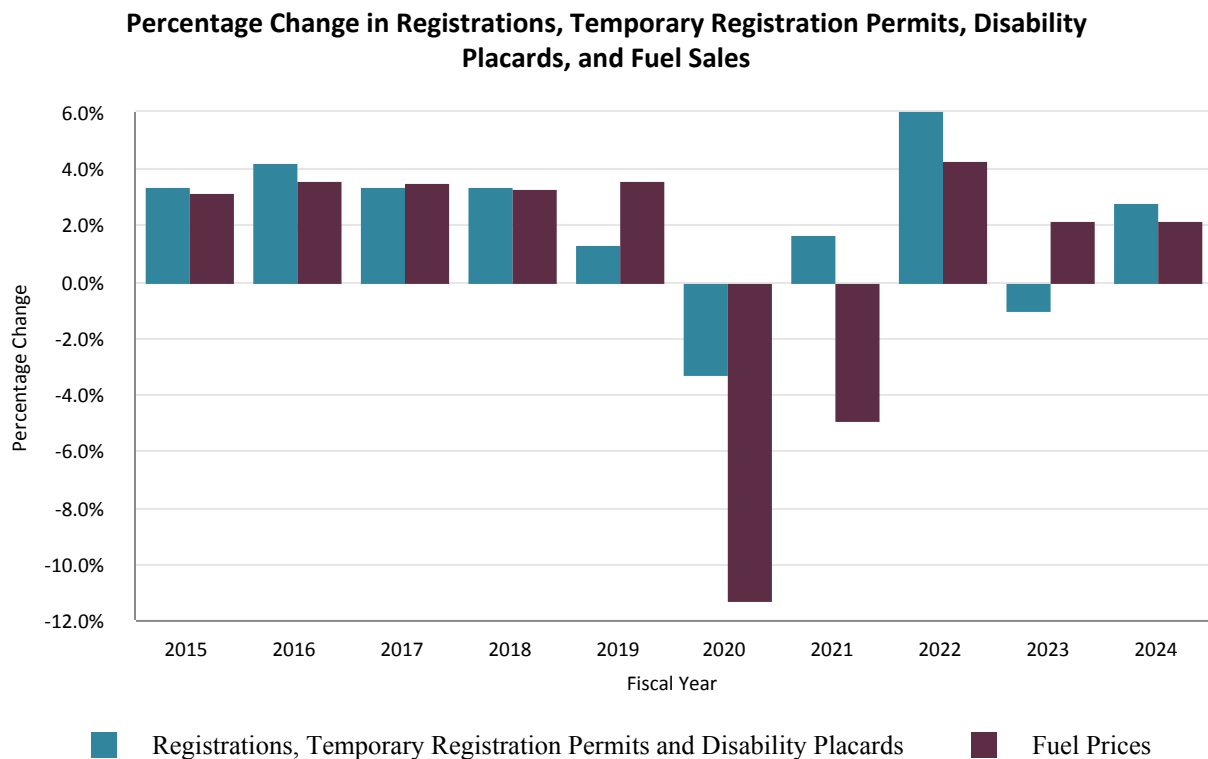
Arizona Department of Transportation **Table D-2**
Registrations, Temporary Registration Permits and Disability Placards Per Year Compared to Fuel Sales
For the Last Ten Fiscal Years
Fiscal Year Ended June 30, 2024
(Thousands)

Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards ²	Percentage Change	Fuel Sales ¹	Percentage Change
2024	8,147	2.2 %	\$ 4,161,167	2.8 %
2023	7,970	2.2 %	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 %

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.



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

Table D-3

Calendar Year Ended December 31	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ³	Unemployment Rate ⁴
2023	7,431,344	\$ 458,153,800	\$ 61,652	3.9 %
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 %

SOURCES: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures); U.S. Bureau of the Census (also for population); Arizona Department of Administration's website, www.workforce.az.gov (for unemployment rates).

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

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

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

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

Arizona Department of Transportation
Principal Employers
Current and Ten Years Ago

Table D-4

Employer	Calendar Year Ended December 31, 2023			Calendar Year Ended December 31, 2014		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
Banner Health	43,440	1	1.18 %	30,266	3	0.97 %
Amazon.com Inc	33,000	5	0.89 %			
State of Arizona	41,564	2	1.13 %	48,910	1	1.57 %
Walmart Inc.	36,931	3	1.00 %	32,438	2	1.04 %
AZ State University	35,719	4	0.97 %	12,229	7	0.39 %
Fry Food Stores	20,000	7	0.54 %			
University of Arizona	22,089	6	0.60 %			
Maricopa County	15,550	8	0.42 %	13,341	6	0.43 %
City of Phoenix	14,500	9	0.39 %	14,875	4	0.48 %
Wells Fargo & Co.	14,315	10	0.39 %	14,126	5	0.45 %
Intel Corp				11,700	8	0.38 %
Scottsdale Lincoln Health				10,500	9	0.34 %
Honeywell				10,000	10	0.32 %
Total	<u>277,108</u>		<u>7.51 %</u>	<u>198,385</u>		<u>6.36 %</u>

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, 2024

Table E-1

Fiscal Year	Appropriated						Non-appropriated				
	Admin.	Highways	Multimodal Planning Division	Motor Vehicle Division	Enforcement & Compliance Division	Total Appropriated FTEs	Arizona Highways Magazine	HELP	Other	Total Non-Appropriated FTEs	Total All FTEs
2024	860	2,153	70	1,108	363	4,554	24	—	13	37	4,591
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

Arizona Department of Transportation
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2024
(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	\$ 5,137	\$ 48,713	\$ 9,131	\$ 86,294	\$ —	\$ —	\$ 149,275
Highway	3,852,044	59,672	11,185	63,722	16,961,152	4,577,097	25,524,872
Highway maintenance	5,590	53,012	9,937	83,797	—	—	152,336
Motor vehicle	6,469	61,342	11,498	167,189	—	—	246,498
Total governmental funds capital assets	<u>\$ 3,869,240</u>	<u>\$ 222,739</u>	<u>\$ 41,751</u>	<u>\$ 401,002</u>	<u>\$ 16,961,152</u>	<u>\$ 4,577,097</u>	<u>\$ 26,072,981</u>

NOTE:

¹ 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	\$ 25,407,492
Capital assets subject to depreciation – cost	<u>665,135</u>
Total gross cost	26,072,627
Less: Accumulated Depreciation (Note 5A)	<u>(400,627)</u>
Total capital asset per Exhibit 1	<u>\$ 25,672,000</u>

Arizona Department of Transportation
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
For the Year Ended June 30, 2024
(Thousands of Dollars)

Table E-3

Function and Activity	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets June 30, 2023
Administration	\$ 141,346	\$ 13,242	\$ (5,313)	\$ 149,275
Highway	24,954,881	596,162	(26,717)	25,524,872
Highway maintenance	143,708	14,410	(5,782)	152,336
Motor vehicle	236,513	16,675	(6,690)	246,498
Total governmental funds capital assets	<u>\$ 25,476,448</u>	<u>\$ 640,489</u>	<u>\$ (43,956)</u>	<u>\$ 26,072,981</u>

NOTE: ¹This 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

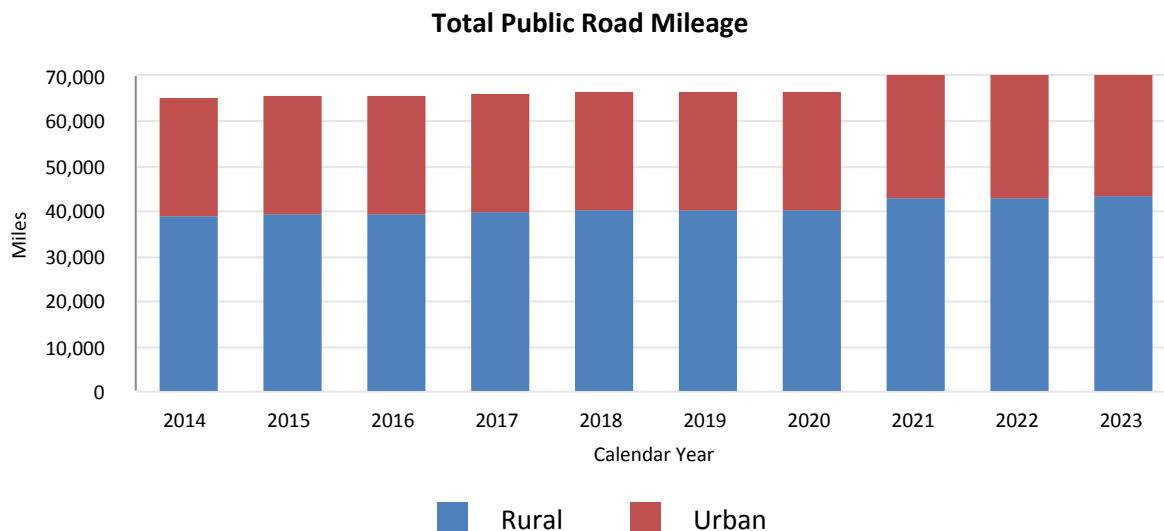
Capital assets not subject to depreciation – cost	\$ 25,407,492
Capital assets subject to depreciation – cost	665,135
Total gross cost	26,072,627
Less: Accumulated depreciation	(400,627)
Capital assets, net of accumulated depreciation per Exhibit 1	<u>\$ 25,672,000</u>

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rural										
Interstate Freeway	921	917	916	916	916	916	916	916	916	916
¹ Principal Arterial Freeways & Expressways	18	18	18	18	18	19	19	19	19	19
Principal Arterial	1,207	1,210	1,210	1,210	1,211	1,263	1,263	1,263	1,263	1,263
Minor Arterial	1,200	1,284	1,284	1,281	1,281	2,186	2,186	2,186	2,190	2,187
Major Collector	4,127	4,204	4,205	4,206	4,208	3,343	3,342	3,336	3,355	3,352
Minor Collector	1,807	1,882	1,882	1,894	1,890	2,961	2,962	2,962	2,949	2,952
Local	30,104	30,285	30,170	30,675	30,876	29,703	29,702	32,429	32,621	32,918
Total Rural	39,384	39,800	39,685	40,200	40,400	40,391	40,390	43,111	43,313	43,607
Urban										
Interstate Freeway	248	252	252	252	253	252	252	252	252	252
² Principal Arterial Freeways & Expressways	215	214	214	215	215	252	252	251	254	254
Principal Arterial	846	843	844	844	849	854	854	854	858	859
Minor Arterial	2,633	2,635	2,636	2,638	2,631	2,543	2,539	2,539	2,535	2,541
Urban Collector	2,103	2,159	2,145	2,156	2,153	5,479	5,479	5,478	5,474	5,400
Local	20,165	20,219	20,258	20,253	20,281	17,129	17,201	22,121	22,175	22,318
Total Urban	26,210	26,322	26,349	26,358	26,382	26,509	26,577	31,495	31,548	31,624
Statewide composite										
Freeways and expressways	1,384	1,383	1,382	1,383	1,384	1,420	1,420	1,419	1,422	1,422
Arterials	5,904	5,990	5,992	5,991	5,990	6,865	6,861	6,861	6,865	6,869
Collectors	8,037	8,245	8,232	8,256	8,251	11,783	11,783	11,776	11,778	11,704
Locals	50,269	50,504	50,428	50,928	51,157	46,832	46,903	54,550	54,796	55,236
Total statewide composite	65,594	66,122	66,034	66,558	66,782	66,900	66,967	74,606	74,861	75,231

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



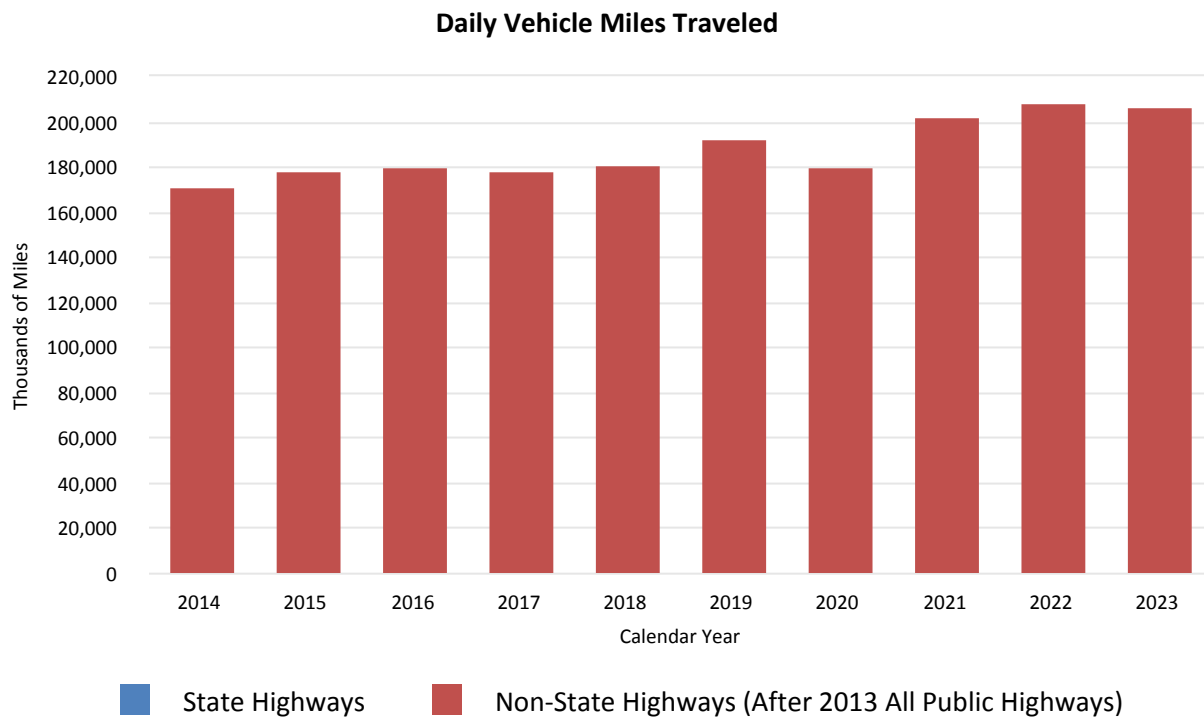
Arizona Department of Transportation
Vehicle Miles Traveled With Population Data
For the For the Last Ten Calendar Years Ended December 31
(Thousands)

Table E-5

Calendar ¹ Year Ended December 31	Non-State ³ Highways	State ³ Highways	All Public Highways	Arizona ³ Population	Daily Miles per Capita
2023	—	—	206,680	7,431	27.8
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	— ¹	—	178,205	6,834	26.1
2014	—	—	171,591	6,734	25.5

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 2021 is the latest population information available at the time of publication.



ACKNOWLEDGMENTS

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

Arianna Nelson, MBA

Kara Sullivan

Karuna Ramisetty, CPA

Lawernce Ehrke, MBA

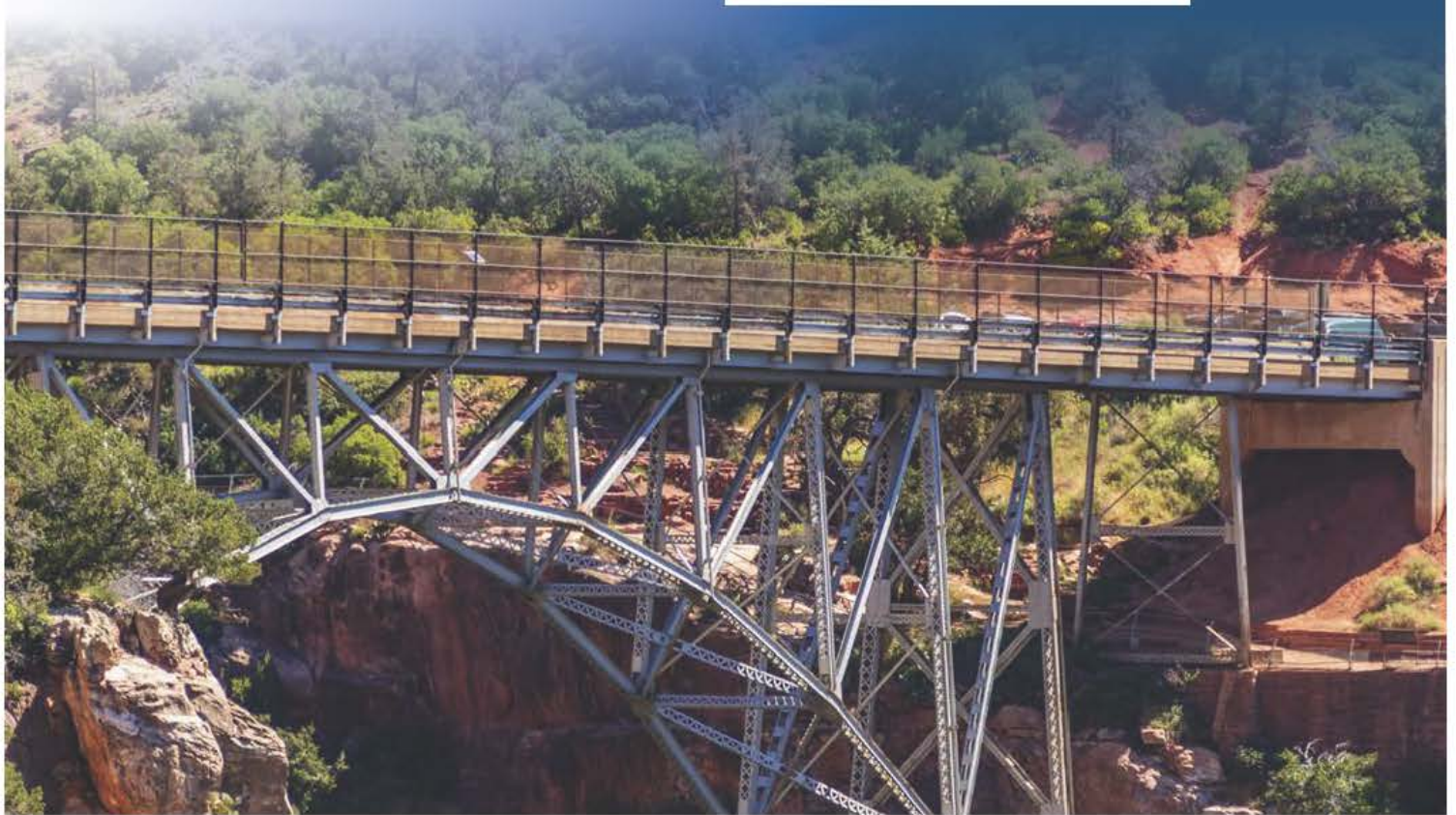
Dante Lohavanijaya

Liz Rizkallah, MAcc

Michelle Huckabay, CPA, CGFM

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STATE OF ARIZONA | DEPARTMENT OF TRANSPORTATION

206 South 17th Avenue, Phoenix, Arizona