

2000

Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2000

State of Arizona
Department of Transportation



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**Arizona Department
of Transportation**

**For its Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1999**

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Anne Spray Kinsey
President

Jeffrey L. Esser
Executive Director

State of Arizona-Department of Transportation
Comprehensive Annual Financial Report
 for the fiscal year ended June 30, 2000

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I ntroduction



December 15, 2000

The Honorable Jane D. Hull,
Governor of the State of Arizona,
Members of the Legislature, and
Citizens of the State of Arizona:

The Arizona Department of Transportation (Department) is pleased to submit the comprehensive annual financial report of the Arizona Department of Transportation, for the Fiscal Year ended June 30, 2000. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. To the best of our knowledge and belief, the enclosed data is accurate 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 and account groups. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

The Department was established by the State Legislature in July 1974 by combining the former Arizona Highway Department (originally established in 1927) and the State Department of Aeronautics (originally established in 1962). The Department is not legally separate from the State of Arizona's primary government. The Department's mission is to provide a transportation system, together with the means of revenue collection, licensing and safety programs, which meets the needs of the citizens of Arizona. It serves as the State's public agency to plan, develop, maintain and operate facilities for the efficient movement of people and goods by surface and air throughout the State. The Department has statutory responsibility for carrying out its programs under 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. The Transportation Board is responsible for the annual update of the five-year highway and airport 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, board funding obligations and approval of privatization agreements for toll facilities.

The Department is structured into five major divisions: Intermodal Transportation, Motor Vehicle, Aeronautics, Transportation Planning and Administration, also called Transportation Services Group (TSG). The Department employs approximately 4,700 persons.

The Department's key responsibilities to its customers include:

- ♦ Planning, designing, constructing, and maintaining a statewide transportation system.
- ♦ Providing title, registration, and licensing services.
- ♦ Providing revenue collection and distribution for both highway user and aviation-related taxes and fees.

To meet the needs of its customers, the Department's responsibilities are carried out at locations throughout the State. Most administrative activities are headquartered in or near the Capitol Complex in Phoenix. TSG includes a range of support services for the Department's core business functions. Field activities for the Motor Vehicle Division are carried out statewide including 22 Ports-of-Entry around the State's borders, and 65 Driver's License/Title and Registration Offices. The Intermodal Transportation Division services its customers through 10 District Offices located throughout the State. These District Offices are responsible for all construction and maintenance activities for the State highway system.

The comprehensive annual financial report 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 organizational chart. The **Financial Section** includes the report of the independent auditors, general purpose financial statements, notes, required supplementary information and the combining and individual fund and account group financial statements. The **Statistical Section** includes additional financial information and transportation data presented on a multi-year comparative basis.

The objectives of this comprehensive annual financial report are to provide data relative to the financial position of the Department in conformity with generally accepted accounting principles and to include the required financial audits of the State Highway Fund and the remaining funds.

This report includes all funds and account groups used to record the financial activity of the Department. The activities of the State Highway Fund (construction and debt service), the Maricopa Regional Area Road Fund, Bond Funds, and other funds that show the "pass-through" of state and Federal monies are reflected in this report.

ECONOMIC CONDITIONS AND OUTLOOK

For the Year Ended

For Fiscal Year 2000, the Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Maricopa County Transportation Excise Tax posted mixed growth.

Fiscal Year 2000 HURF collections surpassed one billion dollars for the first time, reaching \$1.02 billion, an increase of 3.8 percent over Fiscal Year 1999. Collections were 0.3 percent below the estimate. All the major revenue categories exceeded the estimate except Gas Tax and Use Fuel Tax .

The Arizona economy continued to be strong in Fiscal Year 2000, with continued high rankings in population, personal income and employment growth when compared to the rest of the nation. The unemployment rate for Arizona alone has remained at or near the lowest levels in more than 30 years. The slower growth in HURF revenues during Fiscal Year 2000 was due mainly to non-economic factors. The decrease in the Gas Tax and Use Fuel Tax collections was a result of unusual refund activity and higher fuel

prices. The Vehicle License Tax (VLT) collections continued to benefit from population growth and strong new car sales. The Registration revenues benefited from the receipt of late motor carrier fees from states that were slow to implement the higher fees imposed under the 1997 legislative changes (Senate Bill 1144).

Arizona's population has grown at an average annual rate of 3.1 percent since 1990, reaching an estimated 4.9 million by July 2000. Arizona continues to rank as one of the fastest growing states in the nation. The economic wealth of Arizona has also increased with personal income growing at an annual average rate of 8.2 percent since 1991 compared to 5.4 percent for the United States. Arizona wage and salary employment has grown by 4.5 percent creating an average of 70,000 jobs each year for the same time period.

The Maricopa County Transportation Excise Tax funds the Maricopa County Regional Freeway System. This tax, with receipts deposited into the Maricopa County Regional Area Road Fund (RARF), is applied to business activity in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other smaller activities.

Maricopa County Transportation Excise Tax collections totaled \$249 million during Fiscal Year 2000, an increase of 8.5 percent over Fiscal Year 1999 and 0.8 percent above the forecast. Since 1991, the Maricopa County Transportation Excise Tax collections have grown by an average annual growth rate of 9.1 percent.

For the Future

With slower growth expected and higher fuel prices, the Department's forecast for Fiscal Year 2001 HURF collections totals \$1.043 billion. This represents a 2.3 percent increase over Fiscal Year 2000. The HURF average annual compound growth rate for Fiscal Years 1991 through 2000 has been 4.6 percent.

The distribution of HURF collections in Fiscal Year 2001 is estimated to be as follows: State Highway Fund \$517 million; Arizona cities and towns \$312 million; Arizona counties \$194 million; Department of Public Safety \$13 million; Prescott Regional Transportation Center \$6 million, and Economic Strength Project Fund \$1 million.

In addition, the Department's share of the non-HURF portion of the vehicle license tax is estimated at \$7 million along with a State General Fund appropriation of \$17 million. With the recent legislation to reduce the vehicle license tax rate, the State Highway Fund share has decreased and is projected to be eliminated on December 1, 2000. However, Laws 1999, Chapter 5 specifies that replacement funding in the form of a State General Fund appropriation be made to hold the State Highway Fund revenue neutral.

The Fiscal Year 2001 Transportation Excise Tax collections are projected to be \$264 million, an increase of 6.2 percent over Fiscal Year 2000. The Maricopa County economic indicators for Fiscal Year 2001 remain strong but with some moderation. The Transportation Excise Tax average annual compound growth rate for Fiscal Years 1991 through 2000 has been 9.1 percent.

Landmark Federal transportation legislation was enacted into law on June 9, 1998, providing Arizona funding through Fiscal Year 2003 under a multi-year authorization bill. This measure, the Transportation Equity Act for the 21st Century (TEA-21), provides a record level of investment for transportation infrastructure. Under TEA-21, Arizona is expected to receive \$2.7 billion over the Fiscal Year 1998-2003 period. On an annual basis, the Department expects to receive an average of \$341 million per year in Federal highway apportionments with an additional \$106 million allocated to local governments. The TEA-21 funding level for Arizona is estimated to be approximately 76 percent higher than the average Arizona received under the previous Federal Transportation Act (ISTEA).

In developing the State's transportation plans and budgets, the goal is to produce a balanced program that maximizes the investment of transportation dollars, while meeting priority needs, both in the construction and operations area. The Department has developed and implemented a strategic approach to transportation financial planning which is linked to the budget to ensure that the resources necessary to implement the plan are allocated in accordance with priorities reflected in the plan.

The framework for strategic financial planning encompasses the use of enhanced tools, models and techniques, including cash flow models, statistical and econometric models, and bond optimization modeling. Life cycle management and risk analysis are enhancements that have significantly strengthened

the planning process, further ensuring that programs remain in fiscal balance.

Through strategic planning, the Department integrates the needs of projected budgets for operations, the Five-Year Highway and Aviation Construction Programs, and Land, Building and Improvements (Facilities) into a composite plan for operating within the constraints of a dedicated, but limited, revenue stream. This planning process involves the evaluation of alternatives to ensure the efficient and effective use of limited resources. The product of this process is a deliverable plan of transportation improvements that is fiscally conservative.

MAJOR INITIATIVES

For the Year Ended

During Fiscal Year 2000, the Department continued to make significant progress in delivering quality products and services to Arizona residents and visitors. Highlighted below are the Department's most notable achievements.

During Fiscal Year 2000, a total of \$746 million was obligated for highway construction. This total included \$238 million for Maricopa Regional Freeway System projects, \$41 million for other projects in Maricopa County, and \$467 million for work statewide. At the end of Fiscal Year 2000, the Department had \$820 million in highway construction work underway.

The Regional Freeway Program in Maricopa County that was redefined in 1995 to complete 107 miles of freeways by 2006 has been advanced and expanded to include 37 additional miles on the Santan and Red Mountain freeways, previously shown in the Long Range Plan. Under the "2007 Acceleration Plan," 147 miles of new freeways are planned to be opened by the end of 2007. Currently 58 miles have been opened to traffic and 30 more miles are under construction. The acceleration is being accomplished through the use of two new financing techniques, Grant Anticipation Notes and Board Funding Obligations. The Department's Freeway Management System has added eight miles to State Route (SR) 51 during Fiscal Year 2000. The network of traffic sensors, electronic signs, computers, communications equipment, cameras and people monitor traffic conditions and notify response teams of crashes. The system now covers 50 miles of Valley freeways. Construction of an

additional 16 miles on Interstate 17, Red Mountain Freeway (Loop 202) and Price Freeway (Loop 101) is underway and will be completed in Fiscal Year 2001. A freeway management system on 11 miles of Interstate 10 and Interstate 19 in Tucson is under construction. When the Tucson system comes online in mid-2001, it will be linked to the Valley's system. The Department's freeway management system also is expanding to rural areas with the design and installation of 17 variable message signs on rural highways underway. The message signs will join an existing network of seven signs installed on rural highways to warn drivers of road conditions and incidents.

In June 2000, the Transportation Board approved a \$4.3 billion Five-Year Highway Construction Program for Fiscal Years 2001 through 2005, which provides funding for highway facilities throughout the State. The Five-Year program includes approximately: \$1.592 billion for freeway and expressway construction in Maricopa County funded in large part from the Maricopa County Regional Area Road Fund; \$1.768 billion for system improvements; \$722 million for system preservation, and \$258 million for system management on both the National Highway System and statewide system.

The Transportation Board also adopted a Five-Year \$259 million Statewide Airport Development Program that includes 606 projects at general aviation and air carrier airports located throughout the state.

For the Fiscal Year 2000, state-owned Grand Canyon National Park Airport remained the third busiest air carrier airport in the State with 159,681 takeoffs and landings and with 1,207,817 passengers enplaning and deplaning. The airport has been owned by the State since its construction in 1965. Grand Canyon Airport revenue for Fiscal Year 2000 amounted to \$1.2 million. On May 12, 1999, Governor Hull signed House Bill 2374, which created an Airport Authority (a State entity) for the Grand Canyon National Park Airport. The Airport Authority assumed operational control on October 1, 1999.

ADOT officially completed its Year 2000 (Y2K) effort in January of 2000 with no major problems or issues. All of the Department's mission critical systems, applications and networks were functioning properly on January 1, 2000, and are officially Y2K compliant. To date, there have been no system or application failures as a result of Y2K.

The Department's web site is accessed an average of 500,000 times a week by customers and business partners seeking current transportation information. In addition to the online services offered by MVD, meeting agendas of the Governor's Transportation Vision 21 Task Force and the Transportation Board are available. Visitors will also find Geographic Information System (GIS) maps, news releases and legislative summaries. Cameras showing freeway conditions have proven to be a viewing favorite. ADOTNet, the Department's Intranet site, has enabled employees to improve and expand their internal exchange of information for almost two years. By providing virus alerts, training schedules, forms, documents and information regarding current events, individuals within our organization are better informed and are enjoying a more collaborative work environment. As we progress into the future, projects underway include a Policy & Procedure database and an online bidding program for contractors.

The Motor Vehicle Division's Third Party Program continues to expand in line with the strategic direction to focus on customer service and promote competitive government by partnering with public and private sector contractors to provide certain MVD services. By the end of Fiscal Year 2000 there were 58 third party companies providing title and registration services at a rate of approximately 90,000 transactions per month. Other third parties are performing inspections on out-of-state vehicles transferring titles to Arizona, administering driver license exams, processing driver license applications and providing motor vehicle records. Overall, third parties were performing 36 percent of MVD's business by the end of the Fiscal Year.

In addition, nearly 35,000 vehicle owners per month are renewing their vehicle registration on the Internet or by interactive voice response (IVR) on the telephone with the Division's electronic service delivery system, ServiceArizona. New services added to ServiceArizona during Fiscal Year 2000 were special license plate orders, duplicate driver license orders and driver license address changes. This system has won industry awards and national recognition for its innovative use of technology to improve customer service. MVD is working to encourage even more customers to renew by mail, Internet, and IVR thereby avoiding a trip to a MVD office.

For the Future

Looking ahead, it is anticipated that increasing demands will be placed on the State's transportation infrastructure and support services, in response to an expanding population base. The Department will be challenged to maintain existing facilities, meet the demand for new or upgraded roadways, and provide needed services for its citizens. Given increasing requirements in an environment of constrained revenues, one of the Department's key strategies will focus on optimizing resources through process improvements, encouraging more competitive business practices, and leveraging existing revenues. Innovative financing and public-private partnerships will continue to play a key role in maximizing resources to better meet transportation needs. Another key strategy will be workforce development to ensure that the Department retains a high performing workforce with the skill sets to meet the changing needs of the Department.

Innovative Financing

Investment in transportation infrastructure will continue to play an important role in the strengthening of the Arizona economy in the 21st Century. In order to optimize dollars for construction, the Department has implemented several innovative financial mechanisms. These mechanisms include additional funding of the Highway Expansion and Extension Loan Program (HELP) and Grant Anticipation Notes. HELP is Arizona's state infrastructure bank and is a loan fund that is capitalized with federal and state dollars as well as Board Funding Obligations issued by the Department to the State Treasurer. Grant Anticipation Notes are a financing mechanism that leverages future receipt of Federal highway aid.

Maricopa County Regional Freeway System

Transportation serves a vital strategic role in regional development. A safe and efficient transportation system can further economic growth, enhance competitiveness in the global marketplace, and provide a better quality of life for the citizens of the region. Improved or new transportation facilities often serve as a catalyst in business location decisions. Over the fifteen-year period from Fiscal Year 1986 to 2000, the Department has spent \$3.7 billion on new regional freeway projects in the Phoenix area, financed largely with the 1985 voter approved transportation excise tax. This investment has been a powerful engine for economic growth in the region.

Between 2001 and 2007, the Department will spend an additional \$1.6 billion to build new freeways in the Phoenix area. Planned construction is highlighted below:

Pima Freeway (Loop 101)

Pima Freeway from Loop 202 to Shea Boulevard is open and construction is underway on the freeway north to Princess Drive. Interim access at Princess Drive is now available, with a final opening scheduled in the Spring of 2001. Projects totaling \$85 million are currently underway which extend the Pima Freeway across the northern edge of the Valley, linking it with Interstate 17 and the Agua Fria Freeway. Opening of the freeway between Interstate 17 and Scottsdale Road is anticipated in the Spring of 2001. The remaining section between Scottsdale Road and Princess Drive is scheduled to be completed in 2003.

Price Freeway (Loop 101)

This north-south route will be the city of Chandler's first freeway, giving this growing community direct access to the Regional Freeway System. Two projects between Guadalupe and Frye Roads are now under construction with completion estimated in early 2001. The Price Freeway interchange with the Santan Freeway (Loop 101) is expected to be completed by the end of 2004.

Red Mountain Freeway (Loop 202)

The Red Mountain Freeway continues to reach farther into the East Valley. Also known as the Loop 202, this freeway is a popular alternative to the Superstition Freeway (US 60). In August 1998, the Red Mountain Freeway opened to Country Club Drive (SR 87), making it easier for motorists to reach the State's rim country. Over the next six years, the Department will spend more than \$550 million to complete the Red Mountain Freeway to the Superstition Freeway (US 60), which will serve the rapidly growing communities of the East Valley.

Squaw Peak Freeway (SR 51)

The Squaw Peak Freeway has been opened to Bell Road, bringing the total number of open miles on this facility to eight. The remaining two

miles, which connect the Squaw Peak Freeway with the Pima Freeway (Loop 101), are scheduled for completion by the end of 2003.

Agua Fria Freeway (Loop 101)

The northwest Valley has seen major strides toward the completion of the Agua Fria Freeway. Currently, 16 miles are open between Northern Avenue and Interstate 17. The residents of the growing West Valley suburbs now have direct freeway access to downtown Phoenix. The final section of the Agua Fria freeway, which completes a connection with Interstate 10 is scheduled to be opened to traffic in October.

South Mountain Freeway (Loop 202)

The acceleration of the Regional Freeway System includes an early connection of the Interstate 10 / Santan / South Mountain interchange to the west that will connect to existing Pecos Road at 40th Street. ADOT continues developing the South Mountain corridor by initiating an Environmental Impact Statement and Design Concept Study. The proposed interim South Mountain Freeway connection between Pecos Road at 19th Avenue to Baseline Road near 59th Avenue, which will provide access to the Ahwatukee community, to and from the west will be evaluated as part of the study.

Santan Freeway (Loop 202)

Project development on the Santan Freeway, which is projected to cost approximately \$780 million, is starting with the first project scheduled to begin construction in 2001 near Interstate 10. Completion of the Santan Freeway is targeted for 2007. The Santan Freeway will provide improved mobility to the rapidly growing southeast valley.

Technology

The Department is considered a leader in the use of technology to improve traffic flow and keep drivers informed about freeway and highway conditions. Less congestion leads to safer freeways. As the Valley's freeway system grows, so does the Department's network of computer driven message boards and traffic flow detectors. The application of

Intelligent Transportation Systems (ITS) allows Department technicians in the Department's Traffic Operations Center in Phoenix to monitor traffic conditions and alert drivers to delays. Drivers can log on to Department's main web site at www.dot.state.az.us or go directly to Department's freeway management system at www.azfms.com for traffic information.

The Department, Maricopa County, Valley cities and private industry launched the AZTech initiative to install technologies to detail current traffic conditions, ease congestion, alert drivers to delays and improve public transit operations. AZTech received a \$7.5 million federal grant to help fund the \$15 million project. In the fall of 1998, AZTech launched its first phase of deployment with the development of a regional traffic management system that coordinates traffic management and incident management activities among traffic, police and emergency services across the Valley of the Sun. In the fall of 1999, AZTech completed its second phase of technology deployment by expanding its regional traffic management and traveler information systems. Valley cities are installing cameras, traffic signs and message signs on key surface street routes to monitor traffic conditions and make drivers aware of conditions ahead. New traveler information providers are developing services through the Internet, in-car devices, pagers and e-mail to provide up-to-the-minute traffic information.

FINANCIAL INFORMATION

Department management is responsible for establishing and maintaining internal control designed to help ensure that the assets of the Department are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by Department management.

The Department's internal control includes both automated controls, which are an integral component of the financial accounting system, and

comprehensive policies and procedures. In addition, the Department's Office of Audit and Analysis is an independent unit that reviews accounting controls and performs operational audits of the various divisions and units of the Department.

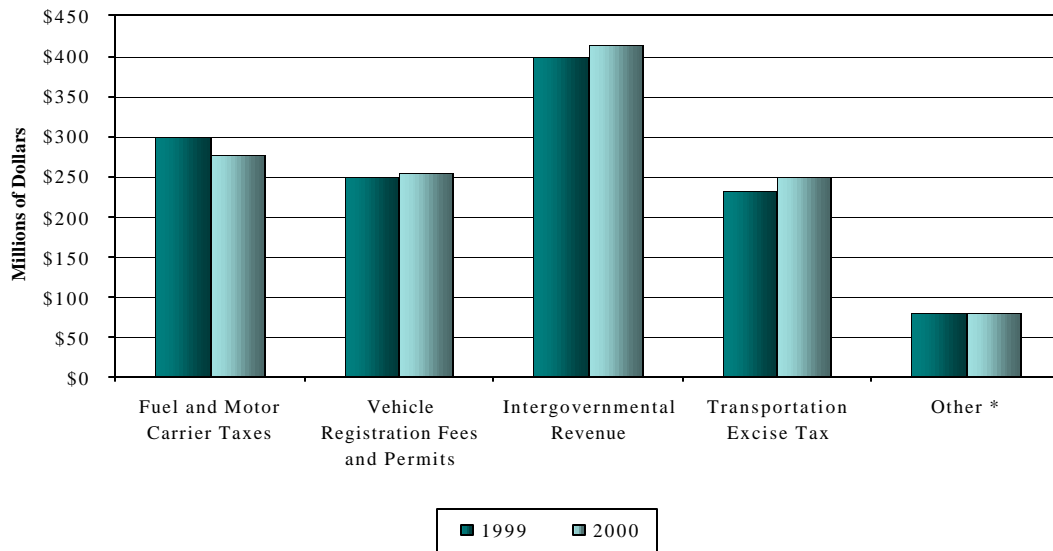
General Government Functions The following two schedules present a summary of All Governmental Fund Types, which includes the Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, revenues and expenditures, respectively, for Fiscal Year 2000, and the amount and percent of increases or decreases in relation to the prior year's amounts.

Operating revenues from all governmental funds totaled \$1,272.6 million during the Fiscal Year 2000, an increase of 1.2 percent from the preceding year. The increase in revenues can be attributed to increase in the following major sources: vehicle registration, title, license and related fees, intergovernmental revenues (primarily Federal) and transportation excise taxes. The following is a summary of the Department's governmental fund revenues.

Schedule 1
Summary Statement of Revenues
 All Governmental Fund Types
 Fiscal years ended June 30, 2000 and 1999
 (Expressed in Millions)

<u>Revenues</u>	<u>2000</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>1999</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u><Decrease></u> <u>from</u> <u>Prior Year</u>	<u>Percent</u> <u>Increase</u> <u><Decrease></u> <u>from</u> <u>Prior Year</u>
Fuel and Motor Carrier Taxes	\$ 276.2	21.7%	\$ 298.4	23.7%	\$ <22.2>	<7.4%>
Vehicle Registration, Title, License and Related Fees	255.1	20.0%	250.1	19.9%	5.0	2.0%
Intergovernmental Revenue	414.0	32.5%	401.4	31.9%	12.6	3.1%
Transportation Excise Tax	248.6	19.5%	229.5	18.2%	19.1	8.3%
Interest	41.5	3.3%	34.4	2.7%	7.1	20.6%
Other	18.0	1.4%	28.0	2.2%	<10.0>	<35.7%>
Transfers from Other State Funds	19.2	1.5%	15.8	1.3%	3.4	21.5%
Total Revenues	\$ 1,272.6	100.0%	\$ 1,257.6	100.0%	\$ 15.0	1.2%

Summary Statement of Revenues



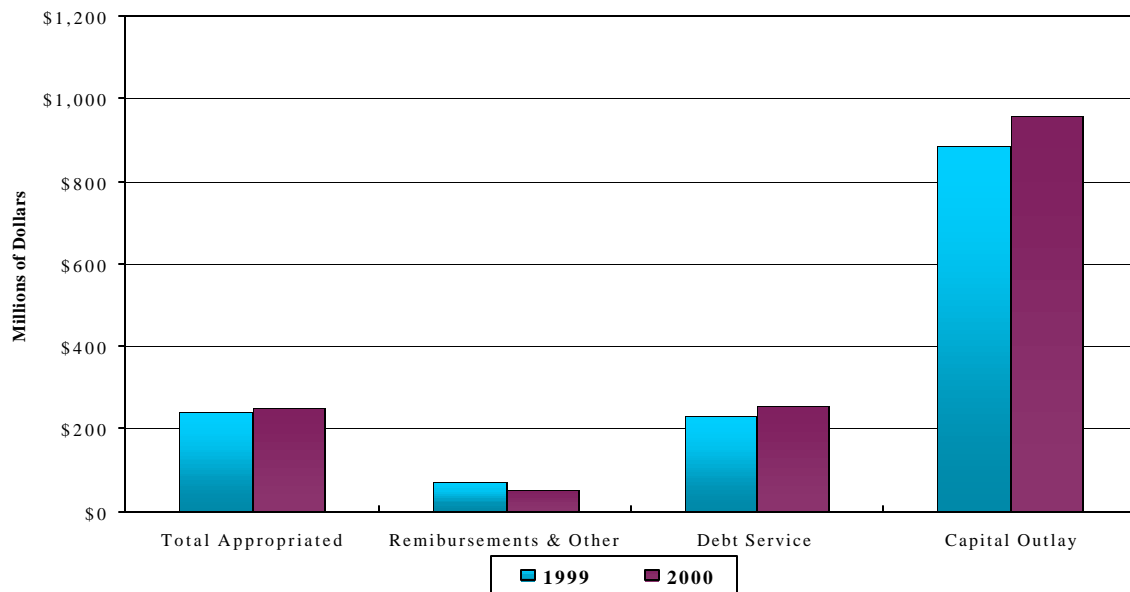
*Other revenues includes interest, transfers from other State funds and other.

Governmental expenditures totaled \$1,509.3 million during Fiscal Year 2000, a \$106.2 million increase from the previous year. The largest increase in expenditures was \$89.9 million for capital outlay. This increase is attributable to the Department's

acceleration of the completion of the freeway program by the year 2007. The total fund balance for governmental funds increased by \$17.4 million or 3.3 percent to \$545.6 million. The following is a summary of Governmental Fund expenditures.

Schedule 2						
Summary Statement of Expenditures						
All Governmental Fund Types						
Fiscal years ended June 30, 2000 and 1999						
(Expressed in Millions)						
<u>Expenditures</u>	<u>2000</u>	<u>Percent</u>	<u>1999</u>	<u>Percent</u>	<u>Increase</u>	<u>Percent</u>
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u><Decrease></u>	<u><Decrease></u>
					<u>from</u>	<u>from</u>
					<u>Prior Year</u>	<u>Prior Year</u>
Appropriated by Legislature (Operating)						
Administration	\$ 47.8	3.2%	\$ 44.7	3.9%	\$ 3.1	6.9%
Highway	42.3	2.8%	42.0	3.7%	0.3	0.7%
Highway Maintenance	83.4	5.5%	79.3	6.8%	4.1	5.2%
Motor Vehicle Division	74.5	4.9%	70.4	5.6%	4.1	5.8%
Aeronautics Division	1.8	0.1%	2.2	0.9%	<0.4>	<18.2%>
Other	0.7	-	1.4	0.1%	<0.7>	<50.0%>
Total Appropriated	250.5	16.6%	240.0	21.0%	10.5	
Reimbursements & Other	42.8	2.8%	52.0	5.4%	<9.2>	<17.7%>
Debt service	253.8	16.8%	226.9	17.8%	26.9	11.9%
Capital Outlay	955.4	63.3%	865.5	54.8%	89.9	10.4%
Not Appropriated by Legislature	6.8	0.5%	18.7	1.0%	<11.9>	<63.6%>
Total Expenditures	\$ 1,509.3	100.0%	\$ 1,403.1	100.0%	\$ 106.2	7.6%

Summary Statement of Expenditures



Budgetary Controls The Department employs a significant number of tools and techniques in its budgetary control process. Arizona Revised Statutes, Title 35, Section 113 outlines the Department's basic budgetary responsibilities. During the 1998 legislative session, the legislature changed the budget process to require a biennial submittal every even-numbered year. The first two-year budget was submitted in 1998 for Fiscal Years 2000 and 2001. During the 1999 session, the Legislature appropriated and the Governor approved \$278 million for the Department's Operating Budget for Fiscal Year 2000 and \$294 million for Fiscal Year 2001. The annual capital improvement plan, which contains proposals for State spending on land acquisition, capital projects, energy systems, energy management systems and building renewal for the building system, was also changed to a two-year budget submitted each even-numbered year.

When the Legislature convenes in "non-budget" years, the Governor may, nonetheless, submit to the Legislature any proposed revisions to the enacted operating budgets for the current and ensuing fiscal years. The revisions must include an estimate of all available monies and revenues and an explanation for any proposed changes.

The Director of the Department is also responsible for developing a Strategic Plan for the Department and for developing a Master List of programs within the Department. The Plan shall extend to the current fiscal year and the two ensuing fiscal years and shall contain a mission statement, goals, objectives and performance measures for the Department as a whole. Each program included on the Master List shall similarly include its mission statement, goals, performance measures that emphasize results and budgetary data for the current and prior fiscal years. The budgetary data shall include funding amounts, regardless of source. As noted above, a Strategic Plan (as well as a Master List) complying with these requirements was completed September 1, 1999.

Budgets are submitted to the Governor in accordance with State law. The appropriations are legally enacted after approval by the Governor and the Legislature. After passage by the Legislature, the appropriation bills are sent to the Governor for approval and signature. Upon receipt of the operating budget appropriations bill, allocations are made to organizational levels within each division, including changes such as for pay adjustments. The result is a

detailed operating budget which guides the divisions and programs in their financial operation.

The Five-Year Highway and Aviation Construction Programs are included in the Capital Improvements Appropriations bill, as a lump-sum budget without identifying individual projects. In the Land, Building and Improvements portion of that bill, each separate building project is often identified for control 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 next calendar month are charged against that prior fiscal year's budget. With a few exceptions, such as the capital budgets and highway maintenance, State appropriations typically lapse at year-end.

The Department relies on the Arizona Financial Information System (AFIS) to control total expenditures by appropriation. In addition, the Department utilizes several control features in its internal accounting system (ADVANTAGE) to ensure budgetary compliance and management control. These features include: encumbrance and pre-encumbrance capabilities, monthly or quarterly allotment controls, appropriation allocation and control capabilities to the expense budget and organization level, and management control reports from the expense budget/organizational unit level, with summary reporting capabilities by program, division, or appropriation.

A legal limitation is adopted for capital outlay including land, building and improvements for the State Highway Fund, Aviation Fund, and Safety Enforcement and Transportation Infrastructure Fund. Any balances and collections in these three funds in excess of the specific amounts appropriated in the General Appropriations Act are appropriated to the Department. The Department monitors expenditures through an internal budgetary process and the five-year construction program approved by the Transportation Board. A legal limitation is not adopted for the other special revenue funds, the debt service funds, capital projects funds, proprietary funds and fiduciary funds.

In addition, the Department's Office of Strategic Planning and Budgeting staff perform expenditure projection analyses of all appropriated and non-appropriated funds on a monthly basis. These

analyses utilize financial and management reports from both AFIS and ADVANTAGE to project total year-end expenditures by organizational unit and highlight potential problem areas. The Office also reviews progress in meeting the Department's Key Objectives and Performance measurements monthly and makes recommendations for remedial changes as necessary.

Proprietary Operations Proprietary funds are used to account for the Department's on-going organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the Department's business and quasi business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the Department is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed from sales or other revenues. The only enterprise fund of the Department is the Arizona Highways Magazine Fund.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies, or to other governments, on a cost-reimbursement basis. Internal service funds of the Department include the Equipment Revolving Fund and the Warehouse Revolving Fund.

Fiduciary Funds Fiduciary funds are used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds of the Department include the Local Agency Deposits Fund, Motor Vehicle Division Clearing Fund, Highway User Revenue Fund, Underground Storage Tank Fund, Highway Property Rentals - 24 Percent Fund, and Economic Strength Project.

The Arizona State Retirement System Board administers the Arizona State Retirement Plan (Plan), a cost sharing multi-employer public employee retirement system, for the benefit of Arizona employees and employees of certain other governmental entities. Plan provisions, including death, disability, and retirement benefits, are established by State statute. Substantially all employees of the Department are covered by the Plan. The Department's total payroll for Fiscal Year 2000 was \$148 million. The Plan is funded through payroll deductions from employees' gross earnings and amounts contributed by the Department. Retirement benefits are obligations of the Plan and not of the Department. The Arizona Revised Statutes provide statutory authority for employee and employer contributions. The employee and employer contribution rate for the year ended June 30, 2000, was actuarially computed to be 2.66 percent of covered payroll by an actuarial valuation performed at June 30, 1998. The contribution requirement for Fiscal Year 2000 was \$3.9 million by both the employees and the Department.

Debt Administration As of June 30, 2000, the Department had \$1.35 billion in outstanding bonds payable. This total included \$274.8 million in Highway Revenue Bonds "HURF bonds" secured by a first lien pledge against the Department's share of highway user revenues and \$333.9 million in subordinated bonds. In addition, the Department has \$350.1 million in Transportation Excise Tax Bonds "RARF bonds" outstanding, which are secured by a first lien pledge against the sales tax revenues flowing into the Maricopa Regional Area Road Fund, and \$393.4 million in subordinate Transportation Excise Tax Bonds secured by a second-lien pledge against those revenues flowing into the Maricopa Regional Area Road Fund.

The bonds have been sold in 18 separate issues between 1986 and 1999. All bonds issued as of June 30, 2000, are scheduled to mature not later than July 1, 2019. The bonds are obligations of the Transportation Board and are not obligations of the State of Arizona.

Of the \$3.32 billion total in bonds issued between 1986 and 1999, \$1.12 billion, or approximately 34 percent, have been refunding issues to lower debt service costs. These efforts have resulted in cumulative savings of \$57 million in current dollars and \$39 million on a present value basis.

The senior lien HURF bonds have been rated AAA/Aa1 by Standard & Poor's Ratings Services (S&P) and Moody's Investors Service, respectively. The Department's subordinate lien HURF Bonds are rated AA/Aa2. The RARF senior lien bonds are rated AA/Aa2, while the RARF subordinate bonds are rated A/Aa3.

Cash Management During Fiscal Year 2000, the Department earned over \$39 million in interest from its investment program. The interest was earned from investing on average 99.8 percent of the Department's \$675 million average cash balance during the year. An average yield of 5.7 percent was received on the Department's investments during Fiscal Year 2000.

The Cash Management Unit has responsibility for the Department's investment program in cooperation with the State Treasurer's Office. The Cash Management Unit processes investment transactions through the State Treasurer's Office by informing the Treasurer of the amount available to invest and the desired maturity date. The State Treasurer is responsible for purchasing and selling investment securities in the market and administering the collateral for the Department's investments. The Department prepares cash flow forecasts, develops cash strategies, forecasts interest rates and market conditions, and conducts cash management studies to improve collection, deposit, disbursement, and fund transfer procedures.

It is the policy of the Department, in cooperation with the State Treasurer's Office, to invest public funds for maximum return, while maintaining the safety of investment principal and adequate liquidity to meet cash flow requirements in conformity with State statutes governing investment of the Department's funds. This investment policy applies to all financial assets administered by the Department under statutory authority.

The investment program has grown from a total of six funds in 1980 to 30 funds currently invested. The system has been computerized and several daily and monthly monitoring reports have been developed. An annual Investment Planning and Monitoring Report has been developed, including annual objectives and strategies for key performance areas. The emphasis of the Investment Program has focused on maintaining 99.5 percent of cash invested and maximizing the investment yield.

Risk Management The Department continues to place emphasis in the area of risk management in order to

control exposure and losses. The Office of Risk Management is responsible for the coordination of all activities necessary within the Department, and, in conjunction with the State's Risk Management Division and Attorney General's Office, to investigate and defend the Department from all losses arising from tort liability claims.

The State has a self-insured retention workers' compensation program. The Department's Safety Office has increased its emphasis on training, accident investigation, and the handling of hazardous materials to minimize exposure and injury to employees.

The Department has first dollar replacement value on real property coverage for all losses exceeding \$100.

OTHER INFORMATION

Independent Audit Arizona Revised Statutes, Title 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 Amendments of 1996 (P.L. 104-156). The audits shall be conducted in accordance with generally accepted accounting principles and *Government Auditing Standards* and, accordingly, shall include tests of the accounting records and other auditing procedures as may be considered necessary in the circumstances. The audits shall include the issuance of suitable reports required by the Single Audit Act Amendments of 1996 (P.L. 98-502)."

In fulfillment of this requirement, the Department contracts with an independent public accounting firm to perform an annual audit of the Department and submit a "comprehensive financial report of all funds for the preceding year including a report by the independent public accounting firm attesting that the financial statements present fairly the financial position of the Department in conformity with generally accepted accounting principles." Independent audits have been conducted on an annual basis since the Department's formation in 1974.

For Fiscal Year 2000, the accounting firm of Ernst & Young LLP conducted the Department's financial audit and Single Audit as required by the Arizona Revised Statutes, Title 41-1279.03.

Ernst & Young LLP considered internal control in order to determine auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control. The consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, Ernst & Young LLP noted no matters involving internal control and its operation that they consider to be material weaknesses.

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 Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The Department's Single Audit information is included in the Single Audit of the State for the Fiscal Year ended June 30, 2000.

A requirement of the Single Audit is to ensure that adequate internal control is in place and that the Department is in compliance with applicable Federal laws and regulations. The internal control has been reviewed by the United States Department of Transportation's (U.S. DOT) Inspector General on several occasions in the past. The U.S. DOT auditors typically rely on the Department's internal audit staff in determining the scope of their review. These reviews are in addition to the comprehensive review of the Department's internal control previously mentioned.

Sincerely,

Mary E. Peters, Director
Arizona Department of Transportation

Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arizona Department of Transportation for its comprehensive annual financial report for the Fiscal Year ended June 30, 1999. This was the tenth consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments We wish 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 and Resource Management whose commitment, professionalism, and dedicated efforts contributed to the timely preparation of the Fiscal Year 2000 comprehensive annual financial report.

John E. McGee, Chief Financial Officer
Financial Management Services

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

Mary E. Peters
Director

Victor M. Mendez
Deputy Director

John A. Bogert
Chief of Staff

Edward D. Wright
State Engineer
Intermodal Transportation Division

Stacey K. Stanton
Assistant Director
Motor Vehicle Division

Mary Lynn Tischer, PhD
Assistant Director
Transportation Planning Division

Gary Adams
Assistant Director
Aeronautics Division

John E. McGee
Chief Financial Officer

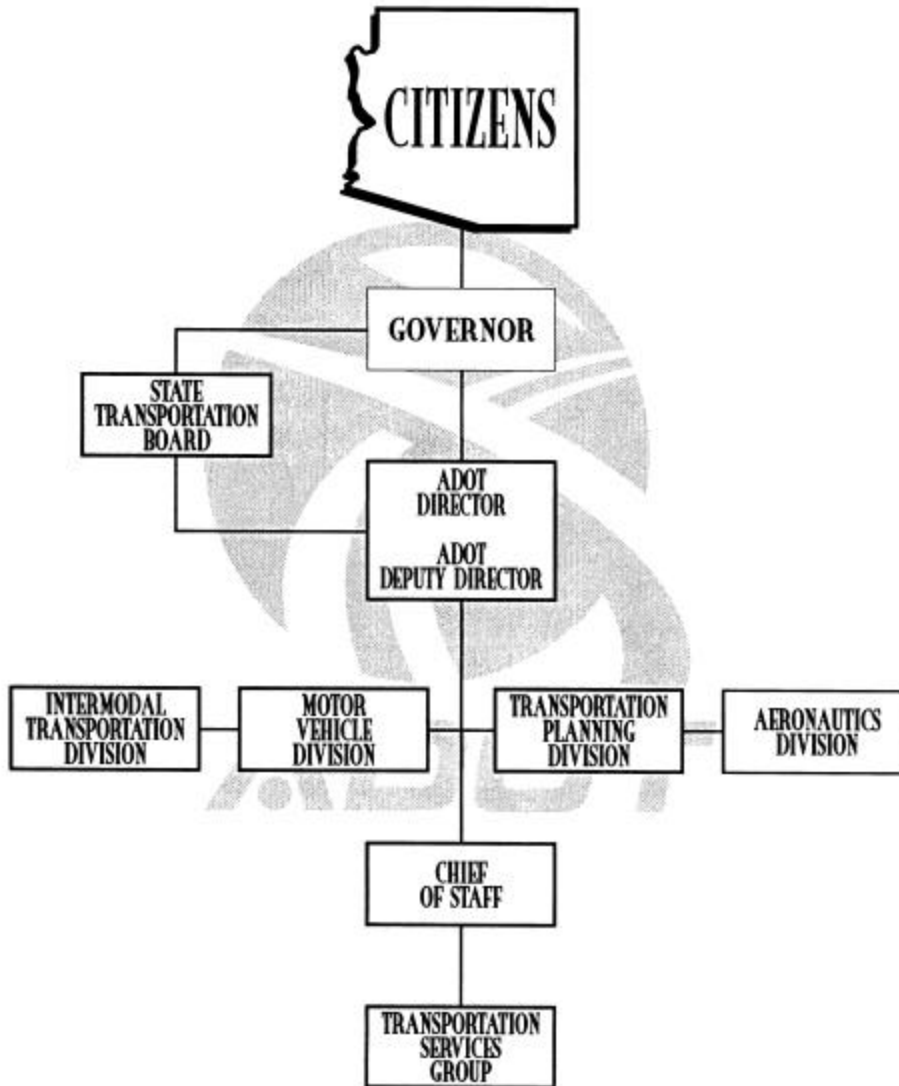
Arizona State Transportation Board

Jerry C. Williams, Chairperson	District Three
F. Rockne Arnett, Vice Chairperson	District One
Katie Dusenberry	District Two
Ingo Radicke	District Four
Bill Jeffers	District Five
Richard Hileman	District Six
Dallas Gant	District One

Dallas Gant

District One

State of Arizona-Department of Transportation
Organizational Chart



F inancial



Report of Independent Auditors

Transportation Board of the State of Arizona
Arizona Department of Transportation

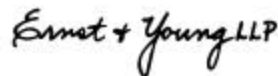
We have audited the accompanying general purpose financial statements of the Arizona Department of Transportation (Department), a department of the state of Arizona, as listed in the table of contents, as of and for the year ended June 30, 2000. These general purpose financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the general purpose financial statements of the Department are intended to present the financial position and results of operations and the cash flows of its proprietary fund types of only that portion of the funds and account groups of the state of Arizona that is attributable to the transactions of the Department.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Arizona Department of Transportation, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the financial section of the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



October 13, 2000

Arizona Department of Transportation
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 2000
 (With comparative totals at June 30, 1999)

	Governmental Fund Types			Proprietary Fund Type
	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and other debits				
Assets:				
Cash and cash equivalents on deposit with the State Treasurer	\$ 475,362,370	\$ 17,061,567	\$ 50,410,037	\$ 3,308,989
Receivables (net of allowance for uncollectibles):				
Subscriptions	-	-	-	358,776
Notes and loans (Note 5)	71,475,088	-	-	-
Accrued interest	5,411,832	2,283,842	559,451	28,205
Taxes and fees	-	-	-	-
Other	11,765,465	-	-	53,435
Due from U.S. Government for reimbursable construction costs	36,544,410	-	-	-
Due from other Arizona Department of Transportation funds (Note 6)	93,371,232	-	-	-
Due from Arizona counties, cities and other state agencies	21,308,563	-	-	-
Inventories	3,961,476	-	-	2,786,130
Prepaid items	-	-	-	668,778
Advances to other Arizona Department of Transportation funds (Note 6)	20,000,000	-	-	-
Fixed assets - net of accumulated depreciation (Note 7)	-	-	-	2,065,088
Other debits:				
Amount available in debt service funds for retirement of general long-term debt	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debits	<u>\$ 739,200,436</u>	<u>\$ 19,345,409</u>	<u>\$ 50,969,488</u>	<u>\$ 9,269,401</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		Internal Service	Agency	General Fixed Assets	General Long-Term Debt
\$ 5,092,780	\$ 89,734,280	\$ -	\$ -	\$ 640,970,023	\$ 550,320,476
-	-	-	-	358,776	463,554
-	-	-	-	71,475,088	19,872,561
34,825	426,241	-	-	8,744,396	6,803,352
-	149,085,188	-	-	149,085,188	165,884,710
256,936	481,996	-	-	12,557,832	10,264,242
-	3,072,925	-	-	39,617,335	45,975,805
68,116	36,160,854	-	-	129,600,202	159,781,268
-	108,184	-	-	21,416,747	19,907,131
2,334,406	-	-	-	9,082,012	9,157,424
-	-	-	-	668,778	606,291
-	-	-	-	20,000,000	-
45,686,282	-	194,956,023	-	242,707,393	229,252,802
-	-	-	19,345,409	19,345,409	34,736,737
-	-	-	1,328,453,809	1,328,453,809	1,231,428,357
\$ 53,473,345	\$ 279,069,668	\$ 194,956,023	\$ 1,347,799,218	\$ 2,694,082,988	\$ 2,484,454,710

(Continued)

Arizona Department of Transportation
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 2000
 (With comparative totals at June 30, 1999)

	Governmental Fund Types			Proprietary Fund Type
	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, equity and other credits				
Liabilities:				
Construction contracts payable	\$ 40,246,394	\$ -	\$ 113,965	\$ -
Accounts payable	28,432,643	-	1,020,788	163,656
Accrued payroll and other accrued expenditures/expenses	5,723,563	-	-	181,267
Due to other Arizona Department of Transportation funds (Note 6)	4,230,093	-	1,841,782	-
Due to Department of Public Safety	-	-	-	-
Due to Arizona counties, cities and other state agencies	101,995,724	-	-	-
Deferred revenue	-	-	-	4,484,216
Surety and rental deposits	-	-	-	-
Federal arbitrage rebate	1,512,260	-	-	-
Advances from other Arizona Department of Transportation funds (Note 6)	20,000,000	-	-	-
Notes and interest payable (Notes 1 and 9)	58,832,686	-	-	-
Bonds payable (Note 9)	-	-	-	-
Contracts and capital leases payable (Note 9)	-	-	-	-
Long-term accrued vacation leave (Notes 1 and 9)	-	-	-	-
Total liabilities	<u>260,973,363</u>	<u>-</u>	<u>2,976,535</u>	<u>4,829,139</u>
Equity and other credits:				
State Highway Fund contribution	-	-	-	1,538,698
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Reserved for replacement of equipment	-	-	-	-
Unreserved	-	-	-	2,901,564
Fund balances:				
Reserved for:				
Highway construction	244,961,822	19,345,409	47,992,953	-
Inventories	3,961,476	-	-	-
Loans and other financial assistance	55,508,591	-	-	-
Unreserved, undesignated	173,795,184	-	-	-
Total equity and other credits	<u>478,227,073</u>	<u>19,345,409</u>	<u>47,992,953</u>	<u>4,440,262</u>
Total liabilities, equity and other credits	<u>\$ 739,200,436</u>	<u>\$ 19,345,409</u>	<u>\$ 50,969,488</u>	<u>\$ 9,269,401</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		
		Internal Service	Agency	General Fixed Assets	General Long-Term Debt	2000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,360,359	\$ 74,595,290
-	8,245,055	-	-	-	37,862,142	30,587,378
727,092	-	-	-	-	6,631,922	9,676,170
-	123,528,327	-	-	-	129,600,202	159,781,268
-	2,685,000	-	-	-	2,685,000	1,692,500
-	142,554,569	-	-	-	244,550,293	157,678,379
-	-	-	-	-	4,484,216	4,257,611
-	2,056,717	-	-	-	2,056,717	2,109,581
-	-	-	-	-	1,512,260	1,356,397
-	-	-	-	-	20,000,000	-
9,530,079	-	-	-	-	68,362,765	7,785,561
-	-	-	1,337,108,423	-	1,337,108,423	1,257,491,710
-	-	-	2,065,773	-	2,065,773	443,175
-	-	-	8,625,022	-	8,625,022	8,230,209
<u>10,257,171</u>	<u>279,069,668</u>	<u>-</u>	<u>1,347,799,218</u>	<u>-</u>	<u>1,905,905,094</u>	<u>1,715,685,229</u>
5,793,237	-	-	-	-	7,331,935	7,645,338
-	-	194,956,023	-	-	194,956,023	191,511,390
9,985,210	-	-	-	-	9,985,210	9,985,210
27,437,727	-	-	-	-	30,339,291	30,981,361
-	-	-	-	-	312,300,184	266,455,523
-	-	-	-	-	3,961,476	3,781,392
-	-	-	-	-	55,508,591	46,316,591
-	-	-	-	-	173,795,184	212,092,676
<u>43,216,174</u>	<u>-</u>	<u>194,956,023</u>	<u>-</u>	<u>-</u>	<u>788,177,894</u>	<u>768,769,481</u>
<u>\$ 53,473,345</u>	<u>\$ 279,069,668</u>	<u>\$ 194,956,023</u>	<u>\$ 1,347,799,218</u>	<u>\$ -</u>	<u>\$ 2,694,082,988</u>	<u>\$ 2,484,454,710</u>

Arizona Department of Transportation
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types
 For the fiscal year ended June 30, 2000
 (With comparative totals for the fiscal year ended June 30, 1999)

	Governmental Fund Types			Totals (Memorandum Only)	
	Special Revenue	Debt Service	Capital Projects	2000	1999
Revenues:					
Transportation excise tax	\$ 248,595,990	\$ -	\$ -	\$ 248,595,990	\$ 229,470,201
Vehicle registration, title, license and related fees	255,087,892	-	-	255,087,892	250,120,838
Fuel and motor carrier taxes and fees	276,188,840	-	-	276,188,840	298,393,657
Reimbursements of construction expenditures -					
Federal aid	372,411,938	-	-	372,411,938	354,209,698
Other Federal grants and reimbursements	41,602,960	-	-	41,602,960	47,254,925
State match	396,600	-	-	396,600	24,794
Reimbursements from Arizona counties, cities and					
other state agencies	18,608,709	-	-	18,608,709	14,879,540
State appropriations	179,690	-	-	179,690	868,443
Interest on loans receivable	1,591,725	-	-	1,591,725	28,798
Interest	24,715,652	8,592,130	6,634,413	39,942,195	34,363,516
Other	18,011,517	-	60	18,011,577	27,985,390
Total revenues	<u>1,257,391,513</u>	<u>8,592,130</u>	<u>6,634,473</u>	<u>1,272,618,116</u>	<u>1,257,599,800</u>
Expenditures:					
Current:					
Transportation - appropriated by State legislature	250,508,766	-	-	250,508,766	240,049,735
Transportation - not appropriated by State legislature	6,820,619	-	-	6,820,619	9,847,965
Capital outlay:					
Highway construction	772,989,156	-	168,924,342	941,913,498	862,546,466
Land, buildings and improvements -					
appropriated by State legislature	10,956,144	-	-	10,956,144	11,488,854
Contracts and capital leases payable	2,577,187	-	-	2,577,187	282,248
Arizona Department of Public Safety distributions -					
appropriated by State legislature	12,500,000	-	-	12,500,000	12,500,000
Year 2000 computer projects	-	-	-	-	6,527,900
Debt service:					
Principal	-	175,075,000	-	175,075,000	150,570,000
Interest	-	76,603,575	-	76,603,575	74,341,597
Bond issuance cost	-	308,200	-	308,200	659,778
Federal arbitrage rebate	155,863	-	-	155,863	1,356,397
Distributions to Arizona counties, cities and other					
state agencies	30,070,861	-	-	30,070,861	32,854,388
Interest on loan payable	1,679,790	-	-	1,679,790	-
Other	-	172,834	-	172,834	116,215
Total expenditures	<u>1,088,258,386</u>	<u>252,159,609</u>	<u>168,924,342</u>	<u>1,509,342,337</u>	<u>1,403,141,543</u>
Excess <deficiency> of revenues over <under> expenditures	169,133,127	<243,567,479>	<162,289,869>	<236,724,221>	<145,541,743>
Other financing sources <uses>:					
Proceeds from sale of bonds	-	-	250,499,349	250,499,349	152,572,363
Proceeds from refunding bonds	-	26,172,174	-	26,172,174	28,825,844
Payment to refunded bond escrow agent	-	<25,115,000>	-	<25,115,000>	<27,390,000>
Proceeds from contracts and capital leases payable	2,577,187	-	-	2,577,187	282,248
Operating transfers in	67,507,352	227,118,977	-	294,626,329	270,272,566
Operating transfers out:					
Debt service	<227,118,977>	-	-	<227,118,977>	<226,501,081>
Other	<19,001,167>	-	<48,506,185>	<67,507,352>	<43,742,764>
Total other financing sources <uses>	<u><176,035,605></u>	<u>228,176,151</u>	<u>201,993,164</u>	<u>254,133,710</u>	<u>154,319,176</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	<6,902,478>	<15,391,328>	39,703,295	17,409,489	8,777,433
Fund balances, July 1	485,879,551	34,736,737	8,289,658	528,905,946	520,128,513
Residual equity transfer out	<750,000>	-	-	<750,000>	-
Fund balances, June 30	\$ 478,227,073	\$ 19,345,409	\$ 47,992,953	\$ 545,565,435	\$ 528,905,946

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

Arizona Department of Transportation
 Combined Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)
 Budgeted Special Revenue Funds
 For the fiscal year ended June 30, 2000

	Special Revenue Funds		
	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
Revenues:			
Vehicle registration, title, license and related fees	\$ 251,653,200	\$ 255,486,184	\$ 3,832,984
Fuel and motor carrier taxes and fees	282,814,300	288,412,244	5,597,944
Interest	1,612,000	1,771,690	159,690
Flight property tax	8,188,000	6,709,385	<1,478,615>
Grand Canyon Airport	84,000	341,110	257,110
Other	32,000	62,434	30,434
Total revenues	<u>544,383,500</u>	<u>552,783,047</u>	<u>8,399,547</u>
Expenditures appropriated by State legislature in 2000 budget:			
Transportation:			
Administration	47,628,800	47,029,711	599,089
Highway	42,745,800	42,376,704	369,096
Highway Maintenance	85,213,978	82,627,322	2,586,656
Motor Vehicle Division	71,784,153	71,205,181	578,972
Aeronautics Division	1,293,200	1,108,867	184,333
Air Quality Program	45,200	45,200	-
General Fund Program	97,582	94,070	3,512
Total transportation	<u>248,808,713</u>	<u>244,487,055</u>	<u>4,321,658</u>
Capital outlay - land, buildings and improvements:			
Highway	14,141,246	10,956,144	3,185,102
Arizona Department of Public Safety transfers	12,500,000	12,500,000	-
Expenditures appropriated by State legislature by carryover of previous years' unexpended budgets			
Total expenditures	<u>1,055,409</u>	<u>505,991</u>	<u>549,418</u>
Total expenditures	<u>276,505,368</u>	<u>268,449,190</u>	<u>8,056,178</u>
Excess of revenues over expenditures	<u>\$ 267,878,132</u>	<u>\$ 284,333,857</u>	<u>\$ 16,455,725</u>

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

Arizona Department of Transportation
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 All Proprietary Fund Types
 For the fiscal year ended June 30, 2000
 (With comparative totals for the fiscal year ended June 30, 1999)

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2000	1999
Operating revenues:				
Equipment rentals	\$ -	\$ 26,104,085	\$ 26,104,085	\$ 24,289,009
Equipment sales	-	504,746	504,746	165,711
Magazine sales	6,223,932	-	6,223,932	6,039,340
Sales of related products	4,489,024	-	4,489,024	4,269,466
Other	475,953	3,624,687	4,100,640	4,002,742
Total operating revenues	<u>11,188,909</u>	<u>30,233,518</u>	<u>41,422,427</u>	<u>38,766,268</u>
Operating expenses:				
Equipment operations	-	22,548,005	22,548,005	20,469,378
Cost of sales	10,177,574	-	10,177,574	10,133,092
General and administrative	1,253,531	-	1,253,531	1,225,226
Depreciation	366,702	8,099,211	8,465,913	7,022,003
Total operating expenses	<u>11,797,807</u>	<u>30,647,216</u>	<u>42,445,023</u>	<u>38,849,699</u>
Operating <loss>	<608,898>	<413,698>	<1,022,596>	<83,431>
Non-operating revenues <expenses>:				
Interest	172,456	223,384	395,840	382,502
Loss on sale/disposal of fixed assets	<68,953>	-	<68,953>	<373,735>
Total non-operating revenues	<u>103,503</u>	<u>223,384</u>	<u>326,887</u>	<u>8,767</u>
<Loss> before Legislative transfer	<505,395>	<190,314>	<695,709>	<74,664>
Legislative transfer out	-	-	-	<500,000>
Net <loss>	<505,395>	<190,314>	<695,709>	<574,664>
Retained earnings, July 1	3,406,959	37,613,251	41,020,210	41,594,874
Retained earnings, June 30	<u>\$ 2,901,564</u>	<u>\$ 37,422,937</u>	<u>\$ 40,324,501</u>	<u>\$ 41,020,210</u>

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

Arizona Department of Transportation
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the fiscal year ended June 30, 2000
 (With comparative totals for the fiscal year ended June 30, 1999)

	Proprietary Fund Types		Totals	
			(Memorandum Only)	
	Enterprise	Internal Service	2000	1999
Cash flows from operating activities:				
Operating <loss>	\$ <608,898>	\$ <413,698>	\$ <1,022,596>	\$ <83,431>
Adjustments to reconcile operating <loss> to net cash provided by <used for> operating activities:				
Depreciation	366,702	8,099,211	8,465,913	7,022,003
Changes in assets and liabilities:				
Due from other Arizona Department of Transportation funds	-	1,707,231	1,707,231	187,662
Due from other state agencies	-	20,254	20,254	93,910
Other receivables	174,862	<169,433>	5,429	48,849
Inventories	29,064	226,432	255,496	<235,069>
Prepaid expenses	<62,487>	-	<62,487>	<285,063>
Accounts payable	<82,585>	<557,157>	<639,742>	<155,177>
Accrued payroll and other accrued expenses	<56,578>	<181,804>	<238,382>	83,459
Due to other Arizona Department of Transportation funds	<1,808>	-	<1,808>	<503>
Deferred revenue	226,605	-	226,605	<109,266>
Net cash provided by <used for> operating activities	<u><15,123></u>	<u>8,731,036</u>	<u>8,715,913</u>	<u>6,567,374</u>
Cash flows from capital and related financing activities:				
Acquisition of fixed assets	<80,349>	<9,970,100>	<10,050,449>	<5,750,167>
Proceeds from sale of fixed assets	-	1,035,668	1,035,668	448,628
Reduction of contributed capital	-	-	-	<500,000>
Legislative transfer out	-	-	-	<500,000>
Net cash used for capital and related financing activities	<u><80,349></u>	<u><8,934,432></u>	<u><9,014,781></u>	<u><6,301,539></u>
Cash flows from investing activities:				
Interest	<u>182,909</u>	<u>230,384</u>	<u>413,293</u>	<u>444,432</u>
Net cash provided by investing activities	<u>182,909</u>	<u>230,384</u>	<u>413,293</u>	<u>444,432</u>
Net increase in cash and cash equivalents	87,437	26,988	114,425	710,267
Cash and cash equivalents, July 1	<u>3,221,552</u>	<u>5,065,792</u>	<u>8,287,344</u>	<u>7,577,077</u>
Cash and cash equivalents, June 30	<u>\$ 3,308,989</u>	<u>\$ 5,092,780</u>	<u>\$ 8,401,769</u>	<u>\$ 8,287,344</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

The 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 highways. Assistance in the development of local airports, registering motor vehicles and aircraft, licensing drivers and the publishing of the *Arizona Highways Magazine* are also responsibilities of the Department.

The Financial Services Division of the Arizona Department of Administration controls expenditures and adherence to annual budgets. The State Treasurer invests the cash balances of the Department.

The general purpose financial statements of the Department have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The more significant of the Department's accounting policies are described below.

Fund accounting

The accounts of the Department are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Department are grouped, in the financial statements, into six fund types and two account groups within four categories as follows:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Department's expendable financial resources and the related current liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds (special revenue, debt service, and capital projects). All governmental funds are accounted for using a current financial resources measurement focus.

Governmental funds are, in essence, accounting segregations of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "Fund Balance."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds - Special revenue funds, excluding the State Highway Fund, are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State Highway Fund is used to account for all financial transactions applicable to the 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 registration, title, licenses and related fees; and Federal grants. Other special revenue funds of the Department include the State Aviation Fund, Safety Enforcement and Transportation Infrastructure Fund, Highway Expansion and Extension Loan Program Fund, Maricopa Regional Area Road Construction Fund, Motor Carrier Safety Revolving Fund, Motor Vehicle Liability Insurance Enforcement Fund, and Vehicle Inspection and Title Enforcement Fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Debt service funds include the Highway Revenue Bond Principal Redemption and Interest Fund which accounts for the State of Arizona highway improvement bonds and revenue bonds, and the Maricopa Regional Area Road Bond Fund which accounts for the State of Arizona transportation excise tax revenue bonds.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The capital projects funds of the Department are the

Highway Revenue Bond Proceeds Fund, which accounts for transactions related to the issuance and use of the proceeds from Arizona Transportation Board Highway Revenue Bonds, and the Maricopa Regional Area Road Bond Proceeds Fund, which accounts for the issuance and use of the proceeds from the State of Arizona Transportation Excise Tax Revenue Bonds.

PROPRIETARY FUNDS

Proprietary funds are used to account for the Department's on-going organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the Department's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position and cash flows.

Enterprise Fund - An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Department is that the costs (including depreciation) of providing goods and/or services to the general public on a continuing basis be financed from sales or other revenues. The only enterprise fund of the Department is the Arizona Highways Magazine Fund. The fund publishes a monthly magazine, *Arizona Highways Magazine*, as well as a number of books and sells several related products.

Internal Service Fund - An internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Department, or to other governments, on a cost-

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

reimbursement basis. The internal service fund of the Department is the Equipment Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the Department in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds of the Department include the Local Agency Deposits Fund, Motor Vehicle Division Clearing Fund, Highway User Revenue Fund, Underground Storage Tank Fund, Highway Property Rentals 24 Percent Fund, and Economic Strength Project Fund.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the Department's general fixed assets and unmatured principal of its general long-term debt.

General Fixed Assets - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

General Long-Term Debt - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

Basis of accounting

The modified accrual basis of accounting is used for all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. Reimbursements of construction expenditures, due primarily from the Federal government on a percentage of costs incurred basis, are recognized when the related obligation is incurred.

Those revenues susceptible to accrual are Federal grants, reimbursable county, city and other state agency construction costs incurred by the Department. Federal grant monies are received after the incurrence of qualifying expenditures. As a result, the Federal share of all qualifying goods or services received or performed prior to year end has been accrued.

All proprietary funds are accounted for using the accrual basis of accounting. Under this basis, revenues are recorded when they are earned and expenses are recorded when incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and budgetary accounting

Biennial budgets for the operating expenditures and capital outlay including land, building and improvements for the State Highway Fund, Aviation Fund, Safety Enforcement and Transportation Infrastructure Fund, Air Quality and General Fund are submitted to the Governor in accordance with State law. The budgets are legally enacted as appropriations after approval by the Legislature and signature by the Governor. The legal level of control is at the program level and expenditure budgets are appropriated using a lump sum format with special line items. Expenditure details for personal services, employee related expenditures and all other operating expenditures are specifically budgeted within most divisions. In certain divisions, other specific programs are budgeted in addition to these categories. Revenue budgets are developed internally by the Department and are not a part of the appropriation process

Amendments to the approved appropriations require Legislative approval. However, since the Agency's appropriation is a lump sum appropriation by program, the allocation of funds between personal services, employee-related expenses, and other operating expenses is an internal decision for the program manager. Accordingly, transfers between line items such as personal services and other operating expenses within a particular program may be done by the program manager. Transfers of funds between programs require the approval of the Joint Legislative Budget Committee. Absent an amendment to the Agency's appropriated amount by the full legislature, 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 next calendar month are charged against the prior fiscal year's budget. Most State appropriations lapse at year end.

For financial reporting purposes, the accompanying financial statements present the legally adopted budget for those operations subject to legislative appropriation.

A legal limitation is adopted for capital outlay including land, building and improvements for the State Highway Fund, Aviation Fund, and Safety Enforcement and Transportation Infrastructure Fund. Any balances and collections in these three funds in excess of the specific amounts appropriated in the general appropriations act are appropriated to the Department. The Department monitors expenditures through an internal budgetary process and the five-year construction program approved by the Transportation Board. A legal limitation is not adopted for the other special revenue funds, the debt service funds, capital projects funds, proprietary funds and fiduciary funds.

Encumbrance accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable fund balance, is used by the Department as a budgetary control mechanism. However, outstanding encumbrances lapse at year-end. Accordingly, no reserve for encumbrances is reflected in the accompanying financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of FASB pronouncements to proprietary activities

The Department has elected, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

Cash and cash equivalents

The Department's cash and cash equivalents balance is on deposit with the State Treasurer for pooled investment purposes and is not evidenced by securities that exist in physical or book entry form in the Department's name. All investments are carried in the name of the State of Arizona. State statutes require the State Treasurer to invest these pooled funds in collateralized time certificates of deposit, repurchase agreements or obligations of the U.S. Government. All investments are carried at cost, which approximates fair value.

State statutes require the State Treasurer to maintain separate investment accounts for the portions of the highway bond proceeds fund relating to the highway revenue bond issues and the Maricopa Regional Area Road Bond Fund relating to the transportation excise tax revenue bond issues. These funds may be invested by the Treasurer in the State's investment pool.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments (investments with original maturities of three months or less).

The Department's investments are included in the State investment pool and these investments are not shown in the Department's name. 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.
Inventories*

The State Highway Fund inventory is valued at cost, which approximates market, using the first-in, first-out (FIFO) method. This inventory is accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

Proprietary fund inventories are stated at the lower of cost or market. Cost of enterprise fund inventories consisting of resale products and supplies are generally determined by moving average cost and specific identification methods, respectively. Costs of internal service funds' inventories (consisting of vehicle parts and supplies, fuels and lubricants, and other supplies) are determined by moving average cost methods.

Fixed assets

General fixed assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. Land is recorded primarily at cost. If cost is not determinable based on previously acquired property, estimated cost is used. Other general fixed assets are stated at either actual or estimated costs. Contributed fixed assets are recorded in the General Fixed Assets Account Group at estimated fair value on the date received. Public domain (infrastructure) general fixed assets consisting of roads and bridges are not capitalized, as these assets are immovable and of value only to the government. No depreciation is provided on general fixed assets.

Property and equipment of the proprietary funds are stated at cost, or estimated historical cost if original cost is not available; and, if donated, are stated at estimated fair value on the date received. Depreciation

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

is provided using the straight-line method based on
estimated useful life as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings	40 years
Buildings improvements	20 years
Furniture and fixtures	5 years
Mobile equipment	3-15 years
Shop tool, office and computer equipment and software	5 years

The cost of additions, improvements, and renewals which substantially extend the useful life of a particular asset are capitalized in the property accounts. Repairs and maintenance expenditures are charged to operations as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are eliminated from the property accounts and any resultant gain or loss is recognized as revenue or loss.

Bond premiums, discounts and issuance costs

Premiums or discounts on bond issuances are netted against the bond proceeds in the capital projects fund. The bonds are recorded at their face value in the General Long-Term Debt Account Group, except in the case of Capital Appreciation bonds. These bonds are initially recorded net of their discount. The discount is amortized over the life of the issue using the effective interest method. All costs related to bond issuance are recorded as debt service expenditures in the appropriate fund as incurred.

Deferred revenue

Deferred revenue relates to unearned subscription income associated with the enterprise fund. Unearned subscription income is recorded when subscription orders are received and is amortized into income over the terms of the related subscriptions. Costs associated with the procurement of subscriptions are expensed in the year incurred.

Long-term obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

Compensated absences

Effective July 1, 1998, State employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25 percent for 500 hours to a maximum of 50 percent for 1,500 hours. The maximum benefit value is \$30,000. The benefit is paid out in annual installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the State's financial statements as an Expendable Trust Fund. As of June 30, 2000, employees had accumulated \$7,506,438 of nonvested unpaid sick leave.

Employees are allowed to accumulate up to 240 hours of vacation leave (320 hours for exempt employees) which is paid when vacation is taken or upon termination of employment at the individual's current rate of pay. An accrual for vacation leave has been made and the current portion is included under the caption "Accrued payroll and other accrued expenditures/expenses." For governmental funds, the portion of the vacation normally taken in the first

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

sixty days of the next fiscal year is recorded as a current liability. The amount of long-term accrued vested vacation leave recorded in the General Long-Term Debt Account Group represents that portion which is not expected to be liquidated with expendable available financial resources. For proprietary funds, all of the outstanding vacation accrual is recorded as a current liability.

Fund equity

Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. There were no designated fund balances at June 30, 2000.

The Department has reserved \$9,985,210 of the Equipment Revolving Fund retained earnings. This reserve is comprised of \$7,829,167 for replacement of fleet equipment and \$2,156,043 for replacement of two airplanes.

Administrative expenditures

The Department renders certain services (primarily administrative services as trustee or agent) to counties and cities of Arizona as well as to other agencies of the State of Arizona, the costs of which are accounted for in the State Highway Fund, a special revenue fund. No charges are made for these services. The Department receives certain services (primarily claims processing and treasury services) without cost from other Arizona state agencies.

The Arizona Highways Magazine Fund provides promotional magazines to other Arizona state agencies without charge.

Transactions between funds

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

Nonrecurring or nonroutine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. Residual equity transfers to proprietary funds are treated as contributed capital, and such transfers from proprietary funds are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other transactions are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Certain services, including accounting and investment services and claims, are furnished to certain funds by various other funds of the Department without charge.

Operations of the internal service fund are conducted in facilities recorded in the General Fixed Assets Account Group, the costs of which are accounted for in the State Highway Fund, a special revenue fund of the Department. The internal service fund pays the costs of repairs and maintenance of those facilities, but no rental charges are made to the funds for the use thereof.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan losses and revenue

Each mortgage loan is analyzed on an individual basis to determine a reserve for loan losses based on delinquency. Interest revenue is recognized when received and is included under the caption "Interest revenue."

Use of estimates

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

Memorandum and comparative totals

Total columns for 2000 and 1999 included in the accompanying combined financial statements are captioned memorandum only to indicate they are presented only to facilitate financial analysis. The information in the columns is not intended to present

financial position, results of operations or cash flows of its proprietary fund types in conformity with GAAP. This information is not comparable to a consolidation and interfund eliminations have not been made in the aggregation of the information.

Reclassifications

Certain 1999 amounts have been reclassified to conform to the 2000 presentation. Adjustments were made for Warehouse Revolving Fund, Local Agency Deposits Fund and Privilege Tax Fund. The Warehouse Revolving Fund was shown as an Internal Service Fund in fiscal year 1999 and has been reclassified as a Special Revenue Fund in fiscal year 2000. The Local Agency Deposits Fund was shown as an Expendable Trust Fund in fiscal year 1999 and has been reclassified as an Agency Fund in fiscal year 2000. The Privilege Tax Fund was shown as an Agency Fund in fiscal year 1999 and has been reclassified as a Special Revenue Fund in fiscal year 2000. The Warehouse Revolving Fund and Privilege Tax Fund are now included in the State Highway Fund, a Special Revenue Fund.

NOTE 2. BUDGET BASIS OF ACCOUNTING

The Department prepares its annual budget on a basis that differs from GAAP. The budget and the actual results of transactions are presented in accordance with the Department's method (budget basis) in the Combined Statement of Revenues and Expenditures - Budget and Actual (Budget Basis) - Budgeted Special Revenue Funds in order to provide a meaningful

comparison of actual results with the budget. The adjustments required to convert the revenues and expenditures for the budgeted special revenue funds from the GAAP basis to the budgetary basis consist of accrual to cash basis adjustments and the exclusion of funds not budgeted through legislative appropriation.

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

NOTE 2. BUDGET BASIS OF ACCOUNTING (Continued)

Adjustments necessary to convert the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2000, on a GAAP basis to budget basis is as follows:

	<u>Special Revenue Funds</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses — GAAP basis	<u>\$ <6,902,478></u>
Basis differences	
Net increase in accounts payable, accrued payroll and other accruals not recognized as expenditures on budget basis	3,271,336
Net increase in receivables related to fuel and motor carrier taxes and fees, vehicle registration, title, license, and related fees not recognized as revenue on budget basis	<u>15,680,887</u>
Total basis differences	<u>18,952,223</u>
Perspective differences	
Revenues and other financing sources not recognized on budget basis:	
Reimbursements of construction expenditures - Federal aid	<372,411,938>
Other Federal grants and reimbursements	<11,748,706>
Reimbursements from Arizona counties, cities, and other state agencies	<3,111,760>
State appropriations	<179,690>
Interest	<16,064,947>
Other	<10,361,880>
Proceeds from contracts and capital leases payable	<2,577,187>
Operating transfers in	<67,422,402>
Expenditures and other financing uses not recognized on budget basis:	
Transportation - not appropriated by State legislature	6,820,619
Capital outlay - highway construction	682,094,083
Capital outlay - contracts and capital leases payable	2,577,187
Distributions to Arizona counties, cities and other state agencies	19,844,994
Other	1,679,790
Debt service transfer out	76,483,277
Other operating transfers out	<u>1,812,966</u>
Total perspective differences	<u>307,434,406</u>
Entity differences	
Less excess of revenues over expenditures for funds for which no annual budgets are prepared	<u><35,150,294></u>
Excess of revenues over expenditures — budget basis	<u>\$ 284,333,857</u>

NOTE 2. BUDGET BASIS OF ACCOUNTING (Continued)

Throughout the fiscal year, the Legislature may revise the budget. The following schedule reflects the original budgeted expenditures, subject to legislative limitations and cumulative revisions during the current fiscal year:

	Special Revenue Funds
Original Budget	\$ 273,995,555
Cumulative Revisions	2,509,813
Revised Budget	\$ 276,505,368

NOTE 3. SECURITIES HELD IN LIEU OF RETENTION

In accordance with Arizona law, a contractor may assign to the Department, in lieu of contract retention, time certificates of deposit in federally insured banks licensed by the State of Arizona or securities of the United States of America, the State of Arizona, its counties, municipalities and school districts or deposits in savings and loan institutions authorized to transact business in the State of Arizona. At June 30, 2000, the Trustee held assignment on

securities aggregating \$35,287,992, \$861,718 and \$38,466 in lieu of contractor retentions for construction in the special revenue funds, capital projects fund, and agency fund, respectively. Additional securities aggregating \$346,960 were on deposit but not assigned to a specific project. These additional securities are not reflected in the accompanying financial statements.

NOTE 4. RESTRICTION OF USE OF THE STATE HIGHWAY FUND CASH

Effective July 1, 1981, State law required accumulation of at least 15 percent, which in fiscal year 1996 was modified to 12.6 percent, of the revenues allocated each year to the State Highway Fund (special revenue fund) from the Highway User Revenue Fund (agency fund) for the design, purchase of right-of-way or construction of controlled-access highways which are

included in the regional transportation plan of counties with populations in excess of 400,000 (Maricopa and Pima counties). At June 30, 2000, approximately \$95,000,000 including interest, of the fund balance was reserved, representing such unspent monies.

NOTE 5. NOTES AND LOANS RECEIVABLES

Notes receivable represent real estate mortgage loans made to individuals purchasing homes previously owned by the Department for highway construction purposes. The loans were made at a fixed rate and mature ten years from the date of origination.

Loans receivable represent loans made pursuant to Loan Repayment Agreements in the Highway Expansion and Extension Loan Program Fund. Eight loans have been authorized and four loans

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

NOTE 5. NOTES AND LOANS RECEIVABLE (Continued)

were outstanding as of June 30, 2000, to ADOT and the cities of Chino Valley and Tucson.

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at June 30, 2000, follows:

	Interfund Receivables	Interfund Payables
Special Revenue Funds:		
State Highway Fund:		
Due from Highway User Revenue Fund for taxes and fees	\$ 83,824,001	\$ -
Due from Highway Expansion & Extension Loan Program Fund	1,389,051	9,119
Other	7,305,131	308,950
Total State Highway Fund	92,518,183	318,069
State Aviation Fund	120,287	-
Safety Enforcement and Transportation Infrastructure Fund	77,042	-
Highway Expansion & Extension Loan Program Fund	9,119	1,389,051
Maricopa Regional Area Road Construction Fund	368,312	2,521,773
Motor Vehicle Liability Insurance Enforcement Fund	167,669	-
Vehicle Inspection and Title Enforcement Fund	110,620	1,200
Total Special Revenue Funds	93,371,232	4,230,093
Capital Projects Fund:		
Highway Revenue Bonds Proceeds Fund	-	1,841,782
Internal Service Funds:		
Equipment Revolving Fund	68,116	-
Agency Funds:		
Motor Vehicle Division Clearing Fund	654,106	39,655,730
Rental Tax & Bond Fund	-	162
Highway User Revenue Fund	32,120,113	83,872,435
Underground Storage Tank Fund	3,386,635	-
Total Agency Funds	36,160,854	123,528,327
Total All Funds	\$ 129,600,202	\$ 129,600,202

Advances

Senate bill 1201 authorized the transfer of \$20,000,000 from the State Highway Fund in fiscal year 2000. This amount is shown as Advances to other Arizona Department of Transportation funds in the State

Highway Fund and Advances from other Arizona Department of Transportation funds in Highway Expansion and Extension Loan Program Fund. The advance is due no later than December 31, 2008.

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

NOTE 7. FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 1999	Additions	Disposals (1)	Balance June 30, 2000
Land	\$ 10,863,072	\$ 2,635,972	\$ -	\$ 13,499,044
Building and improvements	110,107,920	23,090,804	-	133,198,724
Improvements other than buildings	31,086,260	749,627	<22,432,360>	9,403,527
Machinery and equipment	39,454,138	4,864,417	<5,463,827>	38,854,728
Total General Fixed Assets	<u>\$ 191,511,390</u>	<u>\$ 31,340,820</u>	<u>\$ <27,896,187></u>	<u>\$ 194,956,023</u>

Summary of proprietary fund type fixed assets at June 30, 2000:

	Enterprise Fund	Internal Service Fund
Land	\$ 7,900	\$ -
Buildings	981,156	-
Furniture and fixtures	-	-
Shop tools, office and computer equipment, and software	2,421,779	2,444,191
Mobile equipment	10,059	108,402,954
	3,420,894	110,847,145
Less accumulated depreciation	<1,355,806>	<65,160,863>
Total proprietary fund fixed assets	<u>\$ 2,065,088</u>	<u>\$ 45,686,282</u>

(1) The disposal of assets includes the transfer of \$19,569,077 in facilities located at the Grand Canyon Airport to the Grand Canyon Airport Authority in fiscal year 2000. These facilities have been transferred back to ADOT in fiscal year 2001.

NOTE 8. FUND EQUITY

Fund equity for the proprietary funds consists of the following:

Enterprise Fund:

	Arizona Highways Magazine Fund			
	Contributed Capital	Retained Earnings	Totals	
			2000	1999
Balance, July 1, 1999	\$ 1,538,698	\$ 3,406,959	\$ 4,945,657	\$ 6,297,820
Reduction of contributed capital	-	-	-	<500,000>
Net <loss> income	-	<505,395>	<505,395>	<852,163>
Balance, June 30, 2000	<u>\$ 1,538,698</u>	<u>\$ 2,901,564</u>	<u>\$ 4,440,262</u>	<u>\$ 4,945,657</u>

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

NOTE 8. FUND EQUITY (Continued)

Internal Service Fund:

	Contributed Capital	Reserved Retained Earnings	Equipment Fund	Totals	
			Unreserved Retained Earnings	2000	1999
Balance, July 1, 1999	\$ 5,793,237	\$ 9,985,210	\$ 27,628,041	\$ 43,406,488	\$ 43,128,989
Net income <loss>	-	-	<190,314>	<190,314>	277,499
Balance, June 30, 2000	\$ 5,793,237	\$ 9,985,210	\$ 27,437,727	\$ 43,216,174	\$ 43,406,488

Arizona Revised Statutes, Section 28-7315, established an Arizona Highways Magazine Fund. The Fund consists of monies appropriated by the Legislature from the State Highway Fund, a special revenue fund, not to exceed \$500,000 annually, in addition to all Arizona Highways Magazine revenues received less expenses. The balance of contributed

capital represents contributions from the State Highway Fund of \$38,698 and \$2,000,000 during 1991 and 1990, respectively less a reduction of \$500,000 in fiscal year 1999. Balances remaining in the Fund at the end of the fiscal year do not revert to the State of Arizona General Fund or the State Highway Fund.

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

NOTE 9. GENERAL LONG-TERM DEBT AND OTHER OBLIGATIONS

The following is a summary of changes in general long-term debt for the fiscal year ended June 30, 2000:

	Balance July 1, 1999	Additions	Retirements /Refundings	Amortization of Discount	Balance June 30, 2000
Bonds:					
Highway Revenue Bonds:					
1990	\$ 17,560,000	\$ -	\$ 17,560,000	\$ -	\$ -
1991 Series A, Subordinated	21,905,000	-	11,410,000	-	10,495,000
1992 Series A, Subordinated, Refunding	48,965,000	-	23,760,000	-	25,205,000
1992 Series B, Subordinated	36,560,000	-	-	-	36,560,000
1993 Series, Refunding	135,810,000	-	11,550,000	-	124,260,000
1993 Series A, Subordinated, Refunding	228,545,000	-	1,925,000	-	226,620,000
1993 Series B, Subordinated, Refunding	35,000,000	-	-	-	35,000,000
1999 Series	-	151,080,000	540,000	-	150,540,000
Transportation Excise Tax Revenue Bonds:					
1988 Series A, Capital Appreciation	53,886,710	-	-	4,031,713	57,918,423
1989 Series A, Subordinated	25,620,000	-	25,620,000	-	-
1991 Series A	9,000,000	-	9,000,000	-	-
1992 Series A, Refunding	165,185,000	-	38,165,000	-	127,020,000
1992 Series B	16,335,000	-	2,380,000	-	13,955,000
1993 Series, Subordinated Refunding	130,595,000	-	8,530,000	-	122,065,000
1995 Series A, Subordinated	90,640,000	-	13,200,000	-	77,440,000
1995 Series B, Subordinated, Refunding	86,440,000	-	245,000	-	86,195,000
1998 Series A	155,445,000	-	19,310,000	-	136,135,000
1999 Series, Subordinated	-	124,695,000	16,995,000	-	107,700,000
Total Bonds Payable	1,257,491,710	275,775,000	200,190,000	4,031,713	1,337,108,423
Other long-term liabilities:					
Contracts and capital leases payable	443,175	2,577,187	954,589	-	2,065,773
Long-term accrued vacation leave	8,230,209	394,813	-	-	8,625,022
Total General Long-Term Debt	<u>\$ 1,266,165,094</u>	<u>\$ 278,747,000</u>	<u>\$ 201,144,589</u>	<u>\$ 4,031,713</u>	<u>\$ 1,347,799,218</u>

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

NOTE 9. GENERAL LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Bonds payable

Bonds payable are due in varying annual principal amounts plus varying semiannual interest amounts, except for the 1988 Series A Capital Appreciation Bonds which are due in annual installments of

\$21,500,000 in 2002 through 2004 with the balance of \$8,500,000 due in 2005. Bonds payable at June 30, 2000, are comprised of the following individual issues:

<u>Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Balance at June 30, 2000</u>
State of Arizona Highway Revenue Bonds:			
1991 Series A, Subordinated	8.8%	07/01/2004	\$ 10,495,000
1992 Series A, Subordinated, Refunding	6.1%	07/01/2001	25,205,000
1992 Series B, Subordinated	6.1% - 8.0%	07/01/2006	36,560,000
1993 Series, Refunding	4.7% - 5.3%	07/01/2009	124,260,000
1993 Series A, Subordinated, Refunding	4.3% - 6.0%	07/01/2011	226,620,000
1993 Series B, Subordinated, Refunding	5.1% - 6.0%	07/01/2011	35,000,000
1999 Series	4.5% - 6.3%	07/01/2019	150,540,000
Total Highway Revenue Bonds			<u>608,680,000</u>
State of Arizona Transportation Excise Tax Revenue Bonds:			
1988 Series A Capital Appreciation Bonds (maturity value of \$73,000,000)	7.3% - 7.5%	07/01/2005	57,918,423
1992 Series A, Refunding	5.4% - 5.8%	07/01/2005	127,020,000
1992 Series B	5.4% - 5.8%	07/01/2005	13,955,000
1993 Series, Subordinated, Refunding	4.4% - 5.6%	07/01/2005	122,065,000
1995 Series A, Subordinated	4.5% - 6.5%	07/01/2005	77,440,000
1995 Series B, Subordinated, Refunding	4.5% - 6.5%	07/01/2005	86,195,000
1998 Series A	4.0% - 5.0%	07/01/2005	136,135,000
1999 Series, Subordinated	4.8% - 5.3%	07/01/2005	107,700,000
Total Transportation Excise Tax Revenue Bonds			728,428,423
Total Bonds Payable			\$ 1,337,108,423

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 State Highway Fund, a special revenue fund. Arizona Revised Statutes prohibit the

total principal amount of Arizona Highway Revenue Bonds, excluding refunded bonds, from exceeding \$800,000,000.

NOTE 9. GENERAL LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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

Bonds aggregating \$426,710,000 (\$304,645,000 of Highway Revenue Bonds and \$122,065,000 of Transportation Excise Tax Revenue Bonds, respectively) are subject to redemption prior to their maturity dates, at the option of the Transportation Board, in whole at any time, or in part at various interest payment dates. These bonds may be redeemed at various redemption prices ranging from 100 percent to 102 percent of principal, plus accrued interest to the date fixed for redemption. Bonds aggregating \$925,480,000 are not subject to redemption prior to maturity.

The Bond Resolution adopted by the Transportation Board on July 25, 1986, established a debt service reserve requirement equal to the maximum annual interest due in the current year or future years on any series of outstanding Transportation Excise Tax Revenue Bonds. The Second Supplemental Transportation Excise Tax Revenue Bond Resolution adopted by the Transportation Board on September 22, 1988, gives the Transportation Board the option, which it has elected, of acquiring debt service reserve insurance policies in lieu of the debt service reserve requirement. Accordingly, no debt service reserve is reflected in the accompanying financial statements. The policies (aggregating \$70,063,698 at June 30, 2000) were issued by Financial Guaranty Insurance Company, except for the 1993 Series Subordinated Bonds policies, which were issued by MBIA Insurance Corporation, and the 1995 Series A and Series B Subordinated Bonds policies which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond interest on their respective payment dates. The

policies shall terminate on the earlier of July 1, 2005, or the date when no respective bonds are outstanding under the bond resolution. The premiums on these insurance policies are recorded as expenditures in the year of payment.

The carrying basis of the 1988 Series A Capital Appreciation Bonds increases as a result of accretion of the original issuance discount. At June 30, 2000, the carrying basis was \$57,918,423. At maturity on July 1, 2005, the carrying basis will equal the maturity amount of \$73,000,000.

On July 21, 1999, the Department issued \$124,695,000 in Subordinated Transportation Excise Tax Revenue Bonds (1999 Series) to (i) advance refund portions of the Transportation Board's outstanding Senior Bonds, (ii) finance the acquisition of land and the design and construction of certain controlled access highways within Maricopa County, Arizona and (iii) pay costs of issuing the 1999 Series Bonds. The 1999 Series Bonds are due July 1, 2000 through 2005.

Net proceeds totaled \$126,690,457 (after receipt of \$2,112,418 of reoffering premium and payment of \$116,961 in underwriting fees). Net proceeds of \$4,711,545 were used to advance refund \$4,640,000 of the 1991 Series A, Senior Transportation Excise Tax Revenue Bonds (Refunded Bonds). State and Local Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The Department advance refunded the Refunded Bonds to reduce its total debt service payments over the next two years by \$57,463 and to obtain an economic gain (difference between the

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

present values of the debt service payments on the old and new debt) of \$55,927.

NOTE 9. GENERAL LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

On November 16, 1999, the Department issued \$151,080,000 in Highway Revenue Bonds (Series 1999) to (i) finance portions of the Transportation Board's five year capital program, (ii) advance refund portions of the Transportation Board's outstanding Senior Bonds and Subordinated Bonds and (iii) pay costs of issuing the 1999 Series Bonds. The 1999 Series Bonds are due July 1, 2001 through 2019.

Government securities were purchased with these proceeds and were deposited in an irrevocable trust with an escrow agent to provide for the partial future debt service payments on the above-referenced bonds. As a result, the Refunded Bonds will be considered defeased and the liability for these bonds will be removed from the General Long-Term Debt Account Group. The Department advance refunded the Refunded Bonds to reduce its total debt service payments over the next 3 years by \$491,359 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$407,420.

Net proceeds totaled \$151,926,437 (after receipt of \$1,781,810 of reoffering premium and payment of \$935,373 in underwriting fees). Net proceeds of \$21,408,821 were used to advance refund \$9,065,000 of the Senior Series 1990 Bonds and \$11,410,000 of the Subordinated Series 1991A Bonds. State and Local

Future debt service requirements of bonds outstanding at June 30, 2000, are as follows:

Fiscal Year	Highway Revenue Bonds		Transportation Excise Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 52,055,000	\$ 33,102,540	\$ 135,370,000	\$ 35,406,817	\$ 187,425,000	\$ 68,509,357
2002	37,790,000	30,275,485	142,085,000	28,690,991	179,875,000	58,966,476
2003	39,595,000	28,457,374	148,690,000	22,076,380	188,285,000	50,533,754
2004	41,465,000	26,107,772	155,095,000	15,606,647	196,560,000	41,714,419
2005	44,315,000	23,743,076	162,270,000	8,434,964	206,585,000	32,178,040
2006	46,760,000	21,298,257	-	-	46,760,000	21,298,257
2007	49,355,000	18,705,278	-	-	49,355,000	18,705,278
2008	51,825,000	16,233,809	-	-	51,825,000	16,233,809
2009	54,780,000	13,283,226	-	-	54,780,000	13,283,226
2010	58,105,000	10,488,813	-	-	58,105,000	10,488,813
2011	61,310,000	7,280,597	-	-	61,310,000	7,280,597
2012	7,195,000	4,252,638	-	-	7,195,000	4,252,638
2013	7,625,000	3,825,262	-	-	7,625,000	3,825,262
2014	8,080,000	3,367,763	-	-	8,080,000	3,367,763
2015	8,575,000	2,872,862	-	-	8,575,000	2,872,862
2016	9,110,000	2,336,925	-	-	9,110,000	2,336,925
2017	9,680,000	1,767,550	-	-	9,680,000	1,767,550
2018	10,235,000	1,210,950	-	-	10,235,000	1,210,950
2019	10,825,000	622,438	-	-	10,825,000	622,438
	<u>\$ 608,680,000</u>	<u>\$ 249,232,615</u>	<u>\$ 743,510,000</u>	<u>\$ 110,215,799</u>	<u>\$ 1,352,190,000</u>	<u>\$ 359,448,414</u>

NOTE 9. GENERAL LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Refunded bonds

In prior years, the Transportation Board refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal 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 the defeased bonds are not reflected in the financial statements of the Department.

Refunded bonds of the Department outstanding at June 30, 2000, are as follows:

<u>Original Issue Date</u>	<u>Type</u>	<u>Escrow Maturity Date</u>	<u>Balance Outstanding</u>
1990	Highway Revenue Bonds	July 1, 2000	\$ 150,325,000
1991 Series A, Subordinated	Highway Revenue Bonds	July 1, 2001	160,645,000
1992 Series B, Subordinated	Highway Revenue Bonds	July 1, 2002	52,350,000
1988 Series A	Transportation Excise Tax Revenue Bonds Capital Appreciaton Bonds	July 1, 2005	8,996,156
	Total refunded bonds outstanding		<u>\$ 372,316,156</u>

Contracts and capital leases payable

Modular buildings and other equipment totaling \$3,139,484 acquired through purchase contracts are recorded in the General Fixed Assets Account Group. Payments are due in monthly installments through

June 2005 with interest rates ranging from 4.71 percent to 12.40 percent.

At June 30, 2000, remaining annual principal payments under purchase contracts were as follows:

2001	\$ 766,971
2002	684,122
2003	282,101
2004	221,893
2005	110,686
Total Outstanding	<u>\$ 2,065,773</u>

Notes Payable

Notes payable represent \$58,832,686 in the State Highway Fund for the Highway Expansion and Extension Loan Program (HELP) Fund loan and

\$9,530,079 in the Equipment Fund for heavy equipment purchases with third party financing. The HELP loan principal and interest payments are due monthly. The interest rates vary from 3.588 percent to

Arizona Department of Transportation
Notes to Financial Statements (Continued)
June 30, 2000

4.50 percent with the final payments due in 2005. The heavy equipment loan payments are due in

NOTE 9. GENERAL LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

monthly installments through January 2005 with interest rates ranging from 4.71 percent to 5.41 percent.

NOTE 10. OPERATING LEASES

The Department leases data processing and other equipment and certain facilities from various lessors. The majority of the leases are for a one-year term, renewable annually. Total rental expenditures (excluding interfund transactions) for the year ended June 30, 2000, approximated \$2,996,000.

In Fiscal Year 2000, the Department has entered into a long term lease for a facility located on Washington Street in Phoenix. The future operating lease commitments are as follows:

	2001	\$ 981,780
	2002	1,206,772
	2003	1,247,679
	2004	1,288,586
	2005	1,329,494
	Thereafter	<u>2,781,710</u>
Future operating leasing commitments		\$ 8,836,021

Various funds also rent mobile equipment from the Equipment Revolving Fund on an as-needed basis. Rental income for mobile equipment for the year ended June 30, 2000, is as follows:

State Highway Fund	\$ 24,951,428
Arizona Highways Magazine Fund	34,033
Other	<u>1,118,624</u>
Total operating leases	\$ 26,104,085

NOTE 11. RETIREMENT PLANS

The Arizona State Retirement System Board administers the Arizona State Retirement Plan (Plan), a cost sharing multi-employer defined benefit pension plan, for the benefit of Arizona employees and employees of certain other governmental entities. Plan provisions, including death, disability, and retirement benefits, are established by State statute. Substantially all employees of the Department are covered by the Plan.

The Arizona State Retirement System (System) issues a Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P. O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

NOTE 11. RETIREMENT PLANS (Continued)

Arizona Revised Statutes provide statutory authority for employee and employer contributions. The employee and employer contribution rate for the year ended June 30, 2000, was computed to be 2.66 percent of covered payroll by an actuarial valuation performed

at June 30, 1998. Contributions for the years ended June 30, 1998, 1999 and 2000 were \$4,668,911, \$4,705,156 and \$3,877,921, respectively for both the employees and the Department, which were equal to the required contributions for each year.

NOTE 12. CONTINGENT LIABILITIES

Risk management insurance losses

The Department is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is a participant in the State's self-insurance program, and, in the opinion of the Department's management, any unfavorable outcomes from these claims and actions would be covered by the self-insurance program. Accordingly, the Department has no risk of loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona's Comprehensive Annual Report.

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.

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's fund types.

On August 5, 1999, in *Hurley Trucking Co., Inc. v. State*, the Tax Court of the State ruled in favor of a refund claim for motor vehicle use fuel (diesel) taxes and motor carrier taxes (based on vehicle weight and mileage) paid to the State (the "Disputed Revenues"). Several trucking companies have additionally filed refund claims. The claimants assert that the applicable statutes at the time did not permit the State to collect Disputed Revenues for certain tax years prior to 1997 relating to travel on state maintained roads crossing Federal lands. The Arizona Legislature subsequently clarified the statutes in 1997. The State filed its notice of appeal to the Arizona Court of Appeals on September 3, 1999. Oral argument was held May 23, 2000. The Department disputes the claimants' interpretation of the applicable statutes and intends to assert a vigorous defense. However, if the plaintiff in the *Hurley* case were to prevail, the maximum potential amount of the claim is difficult to predict with certainty because the amount of each claim would vary based on the nature of the actual roads used and mileage of each claimant. If the

NOTE 12. CONTINGENT LIABILITIES (Continued)

plaintiff were to prevail on both counts and all existing claimants were to receive a lump sum payment in a single fiscal year, the Department does not believe that the maximum potential payment from the Arizona Highway User Revenue Fund would reduce the amount of State Highway Fund revenues

by more than ten percent (10%) for the single fiscal year in which such payment were made.

Commitments under construction contracts

The Department's outstanding commitments under construction contracts were approximately \$687,565,000 at June 30, 2000.

NOTE 13. SUBSEQUENT EVENTS

On July 11, 2000, the Department issued \$39,405,000 in Grant Anticipation Notes (Series 2000A) to (i) pay a portion of the costs of acquiring right-of-way for, design and construction of certain controlled-access highways in the City of Phoenix, Arizona, and (ii) a portion of the costs of issuing the Series 2000A Notes. The Series 2000A Notes are due January 1, 2003 and January 1, 2004. Net proceeds totaled \$39,200,196 (after payment of \$34,804 original issue discount and \$170,000 underwriting fees).

On September 15, 2000, the Department issued \$113,690,000 in Transportation Excise Tax Revenue Bonds (2000 Series) to (i) finance the acquisition of land and the design and construction of certain controlled access highway within Maricopa County, Arizona and (ii) pay cost of issuing the 2000 Series Bonds. The 2000 Series Bonds are due July 1, 2001 through 2005. Net proceeds totaled \$115,001,157 (after receipt of \$1,960,638 of reoffering premium and payment of \$649,481 in underwriting fees).

Special Revenue Funds

The State Highway 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 for 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 engineering, construction, improvement and maintenance of state highways, parts of highways forming state routes and highways under cooperative agreements with the United States.

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 certain airports. The State Aviation Fund monies are used to build and maintain airport facilities.

The Safety Enforcement and Transportation Infrastructure Fund

is appropriated by the legislature and receives monies from the registration of vehicles of nonresidents for enforcement of vehicle safety requirements, maintenance of transportation facilities and upgrades of transportation facilities, including roads, streets, and highways, approved by the Transportation Board within twenty-five miles of the border between Arizona and Mexico.

The Highway Expansion and Extension Loan Program Fund

is an innovative financing mechanism to administer funds designated to provide loan and credit enhancement assistance to sponsors of local transportation projects.

The Maricopa Regional Area Road Construction Fund

receives Maricopa County transportation excise tax monies collected by the Department of Revenue. These monies are used for the construction of state highways within Maricopa County.

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 Motor Vehicle Liability Insurance Enforcement Fund

receives fees and interest to administer the State's Mandatory Liability Insurance Program.

The Vehicle Inspection and Title Enforcement Fund

are monies for continuing appropriation to be used to defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement and other enforcement related issues.



Arizona Department of Transportation
Special Revenue Funds
Combining Balance Sheet
June 30, 2000
(With comparative totals at June 30, 1999)

	<u>Budgeted</u>				
	<u>State Highway Fund</u>	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Highway Expansion and Extension Loan Program Fund</u>	<u>Maricopa Regional Area Road Construction Fund</u>
Assets					
Cash and cash equivalents on deposit with the State Treasurer	\$ 202,584,064	\$ 16,504,653	\$ 5,009,835	\$ 116,479,199	\$ 133,281,122
Receivables:					
Notes and loans	-	6,766,575	-	60,022,019	4,686,494
Accrued interest	1,852,881	263,504	50,220	2,050,507	1,194,720
Other	4,685,421	76,335	-	-	7,003,709
Due from U.S. Government for reimbursable construction costs	36,220,374	-	-	-	324,036
Due from other Arizona Department of Transportation funds	92,518,183	120,287	77,042	9,119	368,312
Due from Arizona counties, cities and other state agencies	-	-	-	16,588	21,291,975
Inventories	3,961,476	-	-	-	-
Advances to other Arizona Department of Transportation funds	20,000,000	-	-	-	-
Total assets	<u>\$ 361,822,399</u>	<u>\$ 23,731,354</u>	<u>\$ 5,137,097</u>	<u>\$ 178,577,432</u>	<u>\$ 168,150,368</u>
Liabilities and fund balances					
Liabilities:					
Construction contracts payable	\$ 29,085,269	\$ -	\$ -	\$ -	\$ 11,161,125
Accounts payable	25,236,497	79,225	8,751	-	3,011,246
Accrued payroll and other accrued expenditures	5,664,102	15,198	10,889	-	2,912
Due to other Arizona Department of Transportation funds	318,069	-	-	1,389,051	2,521,773
Due to Arizona counties, cities and other state agencies	315,934	-	-	101,679,790	-
Federal arbitrage rebate	-	-	-	-	1,512,260
Advances from other Arizona Department of Transportation funds	-	-	-	20,000,000	-
Notes and interest payable	58,832,686	-	-	-	-
Total liabilities	<u>119,452,557</u>	<u>94,423</u>	<u>19,640</u>	<u>123,068,841</u>	<u>18,209,316</u>
Fund balances:					
Reserved for highway construction	95,020,770	-	-	-	149,941,052
Reserved for inventories	3,961,476	-	-	-	-
Reserved for loans and other financial assistance	-	-	-	55,508,591	-
Unreserved, undesignated	143,387,596	23,636,931	5,117,457	-	-
Total fund balances	<u>242,369,842</u>	<u>23,636,931</u>	<u>5,117,457</u>	<u>55,508,591</u>	<u>149,941,052</u>
Total liabilities and fund balances	<u>\$ 361,822,399</u>	<u>\$ 23,731,354</u>	<u>\$ 5,137,097</u>	<u>\$ 178,577,432</u>	<u>\$ 168,150,368</u>

Motor Carrier Safety Revolving Fund	Motor Vehicle Liability Insurance Enforcement Fund	Vehicle Inspection and Title Enforcement Fund	Totals	
			2000	1999
\$ 57,293	\$ 712,523	\$ 733,681	\$ 475,362,370	\$ 388,421,719
-	-	-	71,475,088	19,872,561
-	-	-	5,411,832	3,500,232
-	-	-	11,765,465	9,498,053
-	-	-	36,544,410	44,110,269
-	167,669	110,620	93,371,232	106,459,635
-	-	-	21,308,563	19,510,343
-	-	-	3,961,476	3,781,392
-	-	-	20,000,000	-
\$ 57,293	\$ 880,192	\$ 844,301	\$ 739,200,436	\$ 595,154,204
\$ -	\$ -	\$ -	\$ 40,246,394	\$ 64,170,642
-	50,000	46,924	28,432,643	16,863,188
-	7,768	22,694	5,723,563	8,529,429
-	-	1,200	4,230,093	10,241,346
-	-	-	101,995,724	328,090
-	-	-	1,512,260	1,356,397
-	-	-	20,000,000	-
-	-	-	58,832,686	7,785,561
-	57,768	70,818	260,973,363	109,274,653
-	-	-	244,961,822	223,429,128
-	-	-	3,961,476	3,781,392
-	-	-	55,508,591	46,316,591
57,293	822,424	773,483	173,795,184	212,352,440
57,293	822,424	773,483	478,227,073	485,879,551
\$ 57,293	\$ 880,192	\$ 844,301	\$ 739,200,436	\$ 595,154,204

Arizona Department of Transportation
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2000
(With comparative totals for the fiscal year ended June 30, 1999)

	<u>Budgeted</u>				
	<u>State Highway Fund</u>	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Highway Expansion and Extension Loan Program Fund</u>	<u>Maricopa Regional Area Road Construction Fund</u>
Revenues:					
Transportation excise tax	\$ -	\$ -	\$ -	\$ -	\$ 248,595,990
Vehicle registration, title, license and related fees	245,943,047	2,957,310	3,239,688	-	-
Fuel and motor carrier taxes and fees	275,661,282	527,558	-	-	-
Reimbursement of construction expenditures - Federal aid	372,411,938	-	-	-	-
Other Federal grants and reimbursements	5,180,895	6,500	-	6,561,311	29,854,254
State match	-	-	-	396,600	-
Reimbursements from Arizona counties, cities and other state agencies	3,111,760	-	-	-	15,496,949
State appropriations	179,690	-	-	-	-
Interest on loans receivable	-	-	-	1,591,725	-
Interest	12,284,145	1,430,221	230,887	3,780,802	6,989,597
Flight property tax	-	6,709,385	-	-	-
Grand Canyon Airport	-	346,040	-	-	-
Other	8,373,555	56,742	-	-	2,525,795
Total revenues	<u>923,146,312</u>	<u>12,033,756</u>	<u>3,470,575</u>	<u>12,330,438</u>	<u>303,462,585</u>
Expenditures:					
Current:					
Transportation - appropriated by State legislature:					
Administration	47,847,296	-	-	-	-
Highway	42,302,275	-	-	-	-
Highway Maintenance	83,397,548	-	-	-	-
Motor Vehicle Division	71,345,034	-	902,715	-	-
Aeronautics Division	-	1,814,658	-	-	-
Other	654,856	-	-	-	-
Total Transportation - appropriated by State legislature	<u>245,547,009</u>	<u>1,814,658</u>	<u>902,715</u>	<u>-</u>	<u>-</u>
Transportation - not appropriated by State legislature	6,751,022	-	-	69,597	-
Capital outlay:					
Highway construction	682,094,083	-	-	-	90,895,073
Land, buildings and improvements - appropriated by State legislature	10,956,144	-	-	-	-
Contracts and capital leases payable	2,577,187	-	-	-	-
Federal arbitrage rebate	-	-	-	-	155,863

Motor Carrier Safety Revolving Fund	Motor Vehicle Liability Insurance Enforcement Fund	Vehicle Inspection and Title Enforcement Fund	Totals	
			2000	1999
\$ -	\$ -	\$ -	\$ 248,595,990	\$ 229,470,201
4,800	1,714,378	1,228,669	255,087,892	250,120,838
-	-	-	276,188,840	298,393,657
-	-	-	372,411,938	354,209,698
-	-	-	41,602,960	47,254,925
-	-	-	396,600	24,794
-	-	-	18,608,709	14,879,540
-	-	-	179,690	868,443
-	-	-	1,591,725	28,798
-	-	-	24,715,652	22,274,747
-	-	-	6,709,385	7,489,832
-	-	-	346,040	1,052,578
-	-	-	10,956,092	19,371,455
<u>4,800</u>	<u>1,714,378</u>	<u>1,228,669</u>	<u>1,257,391,513</u>	<u>1,245,439,506</u>
-	-	-	47,847,296	44,648,035
-	-	-	42,302,275	42,034,947
-	-	-	83,397,548	79,304,434
22,020	1,399,069	823,295	74,492,133	70,438,046
-	-	-	1,814,658	2,235,913
-	-	-	654,856	1,388,563
<u>22,020</u>	<u>1,399,069</u>	<u>823,295</u>	<u>250,508,766</u>	<u>240,049,938</u>
-	-	-	6,820,619	9,847,965
-	-	-	772,989,156	714,305,201
-	-	-	10,956,144	11,488,854
-	-	-	2,577,187	282,248
-	-	-	155,863	1,356,397

(continued)

Arizona Department of Transportation
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2000
(With comparative totals for the fiscal year ended June 30, 1999)

	<u>Budgeted</u>				
	<u>State Highway Fund</u>	<u>State Aviation Fund</u>	<u>Safety Enforcement and Transportation Infrastructure Fund</u>	<u>Highway Expansion and Extension Loan Program Fund</u>	<u>Maricopa Regional Area Road Construction Fund</u>
Arizona Department of Public Safety distributions - appropriated by State legislature	12,500,000	-	-	-	-
Year 2000 computer projects	-	-	-	-	-
Distributions to Arizona counties, cities and other state agencies	19,756	19,825,238	-	-	10,117,567
Interest expense	-	-	-	1,679,790	-
Total expenditures	<u>960,445,201</u>	<u>21,639,896</u>	<u>902,715</u>	<u>1,749,387</u>	<u>101,168,503</u>
Excess <deficiency> of revenues over <under> expenditures	<37,298,889>	<9,606,140>	2,567,860	10,581,051	202,294,082
Other financing sources <uses>:					
Proceeds from contracts and capital leases payable	2,577,187	-	-	-	-
Operating transfers in	67,255,008	167,394	-	-	84,950
Operating transfers out:					
Debt service	<76,483,277>	-	-	-	<150,635,700>
Other	<61,195>	<167,394>	<195,326>	<1,389,051>	<17,188,201>
Total other financing sources <uses>	<u><6,712,277></u>	<u>-</u>	<u><195,326></u>	<u><1,389,051></u>	<u><167,738,951></u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	<44,011,166>	<9,606,140>	2,372,534	9,192,000	34,555,131
Fund balances, July 1	286,381,008	33,243,071	3,494,923	46,316,591	115,385,921
Residual equity transfer out	-	-	<750,000>	-	-
Fund balances, June 30	<u>\$ 242,369,842</u>	<u>\$ 23,636,931</u>	<u>\$ 5,117,457</u>	<u>\$ 55,508,591</u>	<u>\$ 149,941,052</u>

Motor Carrier Safety Revolving Fund	Motor Vehicle Liability Insurance Enforcement Fund	Vehicle Inspection and Title Enforcement Fund	Totals	
			2000	1999
-	-	-	12,500,000	12,500,000
-	-	-	-	6,527,900
600	-	107,700	30,070,861	32,854,388
-	-	-	1,679,790	-
<u>22,620</u>	<u>1,399,069</u>	<u>930,995</u>	<u>1,088,258,386</u>	<u>1,029,212,891</u>
<17,820>	315,309	297,674	169,133,127	216,226,615
-	-	-	2,577,187	282,248
-	-	-	67,507,352	43,771,485
-	-	-	<227,118,977>	<226,501,081>
-	-	-	<19,001,167>	<40,062,960>
-	-	-	<176,035,605>	<222,510,308>
<17,820>	315,309	297,674	<6,902,478>	<6,283,693>
75,113	507,115	475,809	485,879,551	492,163,244
-	-	-	<750,000>	-
<u>\$ 57,293</u>	<u>\$ 822,424</u>	<u>\$ 773,483</u>	<u>\$ 478,227,073</u>	<u>\$ 485,879,551</u>

Arizona Department of Transportation
Special Revenue Funds
Combining Schedule of Revenues and Expenditures - Budget and Actual (Budget Basis)
For the fiscal year ended June 30, 2000

	State Highway Fund			State Aviation Fund		
	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
Revenues:						
Vehicle registration, title, license and related fees	\$ 245,889,200	\$ 249,120,527	\$ 3,231,327	\$ 2,175,000	\$ 3,102,292	\$ 927,292
Fuel and motor carrier taxes and fees	282,268,300	287,930,650	5,662,350	546,000	481,594	<64,406>
Interest	-	-	-	1,587,000	1,560,208	<26,792>
Flight property tax	-	-	-	8,188,000	6,709,385	<1,478,615>
Grand Canyon Airport	-	-	-	84,000	341,110	257,110
Other	-	-	-	32,000	62,434	30,434
Total revenues	<u>528,157,500</u>	<u>537,051,177</u>	<u>8,893,677</u>	<u>12,612,000</u>	<u>12,257,023</u>	<u><354,977></u>
Expenditures appropriated by State legislature in 1999 budget:						
Administration:						
Personal services	17,070,580	17,069,666	914	-	-	-
Employee related expenditures	3,622,755	3,622,603	152	-	-	-
Other operating expenditures	26,935,465	26,337,442	598,023	-	-	-
Risk management premiums	-	-	-	-	-	-
Total Administration	<u>47,628,800</u>	<u>47,029,711</u>	<u>599,089</u>	<u>-</u>	<u>-</u>	<u>-</u>
Highway:						
Personal services	28,604,000	28,571,952	32,048	-	-	-
Employee related expenditures	6,066,800	6,034,907	31,893	-	-	-
Other operating expenditures	7,669,100	7,363,877	305,223	-	-	-
Radio communication	405,900	405,968	<68>	-	-	-
Total Highway	<u>42,745,800</u>	<u>42,376,704</u>	<u>369,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
Highway Maintenance:						
Personal services	27,040,500	26,432,441	608,059	-	-	-
Employee related expenditures	6,847,800	6,531,996	315,804	-	-	-
Other operating expenditures	50,046,500	48,383,707	1,662,793	-	-	-
Highway Maintenance (nonreverting balance forward)	1,279,178	1,279,178	-	-	-	-
Total Highway Maintenance	<u>85,213,978</u>	<u>82,627,322</u>	<u>2,586,656</u>	<u>-</u>	<u>-</u>	<u>-</u>
Motor Vehicle Division:						
Personal services	40,447,300	40,442,711	4,589	-	-	-
Employee related expenditures	10,164,000	10,163,600	400	-	-	-
Other operating expenditures	15,475,400	15,086,110	389,290	-	-	-
License plates and tabs	2,295,300	2,295,297	3	-	-	-
Medical advisory board	200,000	200,000	-	-	-	-
Abandoned Vehicle	422,700	413,642	9,058	-	-	-
Attorney General Legal	125,800	124,117	1,683	-	-	-
Special Projects	1,633,053	1,602,185	30,868	-	-	-
Desktop Computer Replacement	-	-	-	-	-	-
Total Motor Vehicle Division	<u>70,763,553</u>	<u>70,327,662</u>	<u>435,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Air Quality Program:						
Personal services	35,600	35,600	-	-	-	-
Employee related expenditures	9,400	9,400	-	-	-	-
Other operating expenditures	200	200	-	-	-	-
Total Air Quality Program	<u>45,200</u>	<u>45,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Safety Enforcement and Transportation Infrastructure Fund			Totals		
Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
\$ 3,589,000	\$ 3,263,365	\$ <325,635>	\$ 251,653,200	\$ 255,486,184	\$ 3,832,984
-	-	-	282,814,300	288,412,244	5,597,944
25,000	211,482	186,482	1,612,000	1,771,690	159,690
-	-	-	8,188,000	6,709,385	<1,478,615>
-	-	-	84,000	341,110	257,110
-	-	-	32,000	62,434	30,434
<u>3,614,000</u>	<u>3,474,847</u>	<u><139,153></u>	<u>544,383,500</u>	<u>552,783,047</u>	<u>8,399,547</u>
-	-	-	17,070,580	17,069,666	914
-	-	-	3,622,755	3,622,603	152
-	-	-	26,935,465	26,337,442	598,023
-	-	-	-	-	-
-	-	-	<u>47,628,800</u>	<u>47,029,711</u>	<u>599,089</u>
-	-	-	28,604,000	28,571,952	32,048
-	-	-	6,066,800	6,034,907	31,893
-	-	-	7,669,100	7,363,877	305,223
-	-	-	405,900	405,968	<68>
-	-	-	<u>42,745,800</u>	<u>42,376,704</u>	<u>369,096</u>
-	-	-	27,040,500	26,432,441	608,059
-	-	-	6,847,800	6,531,996	315,804
-	-	-	50,046,500	48,383,707	1,662,793
-	-	-	1,279,178	1,279,178	-
-	-	-	<u>85,213,978</u>	<u>82,627,322</u>	<u>2,586,656</u>
519,900	482,742	37,158	40,967,200	40,925,453	41,747
126,200	111,854	14,346	10,290,200	10,275,454	14,746
374,500	282,923	91,577	15,849,900	15,369,033	480,867
-	-	-	2,295,300	2,295,297	3
-	-	-	200,000	200,000	-
-	-	-	422,700	413,642	9,058
-	-	-	125,800	124,117	1,683
-	-	-	1,633,053	1,602,185	30,868
-	-	-	-	-	-
<u>1,020,600</u>	<u>877,519</u>	<u>143,081</u>	<u>71,784,153</u>	<u>71,205,181</u>	<u>578,972</u>
-	-	-	35,600	35,600	-
-	-	-	9,400	9,400	-
-	-	-	200	200	-
-	-	-	<u>45,200</u>	<u>45,200</u>	-

(Continued)

Arizona Department of Transportation
Special Revenue Funds
Combining Schedule of Revenues and Expenditures - Budget and Actual (Budget Basis)
For the fiscal year ended June 30, 2000

	State Highway Fund			State Aviation Fund		
	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
State General Fund Program:						
Public transit:						
Personal services	54,600	54,346	254	-	-	-
Employee related expenditures	19,000	16,067	2,933	-	-	-
Other operating expenditures	8,900	8,575	325	-	-	-
Other transit planning	15,082	15,082	-	-	-	-
Total State General Fund Program	<u>97,582</u>	<u>94,070</u>	<u>3,512</u>	<u>-</u>	<u>-</u>	<u>-</u>
Aeronautics Division:						
Personal services	-	-	-	566,800	535,225	31,575
Employee related expenditures	-	-	-	126,000	105,173	20,827
Other operating expenditures	-	-	-	600,400	468,469	131,931
Reimbursement to State Highway Fund	-	-	-	-	-	-
Total Aeronautics Division	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,293,200</u>	<u>1,108,867</u>	<u>184,333</u>
Capital outlay - land, buildings and improvements	14,141,246	10,956,144	3,185,102	-	-	-
Arizona Department of Public Safety transfers	12,500,000	12,500,000	-	-	-	-
Expenditures appropriated by State legislature by carryover of previous years' unexpended budgets	1,055,409	505,991	549,418	-	-	-
Total expenditures	<u>274,191,568</u>	<u>266,462,804</u>	<u>7,728,764</u>	<u>1,293,200</u>	<u>1,108,867</u>	<u>184,333</u>
Excess <deficiency> of revenues over <under> expenditures	<u>\$ 253,965,932</u>	<u>\$ 270,588,373</u>	<u>\$ 16,622,441</u>	<u>\$ 11,318,800</u>	<u>\$ 11,148,156</u>	<u>\$ <170,644></u>

Safety Enforcement and Transportation Infrastructure Fund			Totals		
Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>	Budget	Actual Non-GAAP	Variance - Favorable <Unfavorable>
-	-	-	54,600	54,346	254
-	-	-	19,000	16,067	2,933
-	-	-	8,900	8,575	325
-	-	-	15,082	15,082	-
-	-	-	97,582	94,070	3,512
-	-	-	566,800	535,225	31,575
-	-	-	126,000	105,173	20,827
-	-	-	600,400	468,469	131,931
-	-	-	-	-	-
-	-	-	1,293,200	1,108,867	184,333
-	-	-	14,141,246	10,956,144	3,185,102
-	-	-	12,500,000	12,500,000	-
-	-	-	1,055,409	505,991	549,418
1,020,600	877,519	143,081	276,505,368	268,449,190	8,056,178
\$ 2,593,400	\$ 2,597,328	\$ 3,928	\$ 267,878,132	\$ 284,333,857	\$ 16,455,725

Debt Service Funds

The Highway Revenue Bond Principal Redemption and Interest Fund

administers all payments of principal and interest for bonds issued by the Arizona Transportation Board and secured by highway user revenues including the Subordinated Highway Revenue Bonds Series 1991A, Subordinated Highway Revenue Bonds Series 1992A & 1992B, Subordinated Highway Revenue Refunding Bonds Series 1993A & 1993B, Highway Revenue Refunding Bonds Series 1993, and Highway Revenue Bonds Series 1999.

The Maricopa Regional Area Road Bond Fund

administers all payments of principal and interest for bonds issued by the Transportation Board of the State of Arizona and secured by transportation excise tax revenues including the 1988 Series A Bonds, 1992 Series A & 1992 Series B Bonds, Subordinated 1993 Series Bonds, Subordinated 1995 Series A & 1995 Series B Bonds, 1998 Series A Bonds, and Subordinated 1999 Series A Bonds.



Arizona Department of Transportation
Debt Service Funds
Combining Balance Sheet
June 30, 2000
(With comparative totals at June 30, 1999)

	Highway Revenue Bond Fund	Maricopa Regional Area Road Bond Fund	Totals	
			2000	1999
Assets				
Cash and cash equivalents on deposit with the State Treasurer	\$ 896,498	\$ 16,165,069	\$ 17,061,567	\$ 32,541,511
Accrued interest receivable	669,683	1,614,159	2,283,842	2,195,226
Total assets	\$ 1,566,181	\$ 17,779,228	\$ 19,345,409	\$ 34,736,737
Fund balances				
Reserved for highway construction	\$ 1,566,181	\$ 17,779,228	\$ 19,345,409	\$ 34,736,737
Total fund balances	\$ 1,566,181	\$ 17,779,228	\$ 19,345,409	\$ 34,736,737

Arizona Department of Transportation
Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2000
(With comparative totals for the fiscal year ended June 30, 1999)

	Highway Revenue Bond Fund	Maricopa Regional Area Road Bond Fund	Totals	
			2000	1999
Revenues:				
Interest	\$ 2,575,194	\$ 6,016,936	\$ 8,592,130	\$ 7,648,833
Expenditures:				
Debt service:				
Principal	46,270,000	128,805,000	175,075,000	150,570,000
Interest	33,994,369	42,609,206	76,603,575	74,341,597
Bond issuance cost	261,800	46,400	308,200	659,778
Other	95,111	77,723	172,834	114,023
Total expenditures	<u>80,621,280</u>	<u>171,538,329</u>	<u>252,159,609</u>	<u>225,685,398</u>
Deficiency of revenues under expenditures	<78,046,086>	<165,521,393>	<243,567,479>	<218,036,565>
Other financing sources <uses>:				
Operating transfers in	76,483,277	150,635,700	227,118,977	226,501,081
Proceeds from refunding bonds	21,469,488	4,702,686	26,172,174	28,825,844
Payment to refunded bond escrow agent	<20,475,000>	<4,640,000>	<25,115,000>	<27,390,000>
Operating transfers out	-	-	-	<3,128,892>
Total other financing sources <uses>	<u>77,477,765</u>	<u>150,698,386</u>	<u>228,176,151</u>	<u>224,808,033</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	<568,321>	<14,823,007>	<15,391,328>	6,771,468
Fund balances, July 1	2,134,502	32,602,235	34,736,737	27,965,269
Fund balances, June 30	<u>\$ 1,566,181</u>	<u>\$ 17,779,228</u>	<u>\$ 19,345,409</u>	<u>\$ 34,736,737</u>

Capital Projects Funds

The Highway Revenue Bond Proceeds Fund

is used to administer bond proceeds from the Series 1999 Arizona Transportation Board Highway Revenue Bonds issue. These monies are expended for the construction of Federal, State and local highways.

The Maricopa Regional Area Road Bond Proceeds Fund

is used to administer bond proceeds from the 1998 Series A and the 1999 Series A Transportation Board of the State of Arizona Subordinated Transportation Excise Tax Revenue Bond issues. These monies are spent on the construction of state highways within Maricopa County.



Arizona Department of Transportation
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2000
 (With comparative totals at June 30,1999)

	Highway Revenue Bond Proceeds Fund	Maricopa Regional Area Road Bond Proceeds Fund	Totals	
			2000	1999
Assets				
Cash and cash equivalents on deposit with the State Treasurer	\$ 50,410,037	\$ -	\$ 50,410,037	\$ 18,770,317
Accrued interest receivable	559,451	-	559,451	554,801
Due from other Arizona Department of Transportation Funds	-	-	-	5,875,596
Total assets	\$ 50,969,488	\$ -	\$ 50,969,488	\$ 25,200,714
Liabilities and fund balances				
Liabilities:				
Construction contracts payable	\$ 113,965	\$ -	\$ 113,965	\$ 8,463,402
Accounts payable	1,020,788	-	1,020,788	6,772,019
Due to other Arizona Department of Transportation Funds	1,841,782	-	1,841,782	1,675,635
Total liabilities	2,976,535	-	2,976,535	16,911,056
Fund balances - reserved for highway construction	47,992,953	-	47,992,953	8,289,658
Total liabilities and fund balances	\$ 50,969,488	\$ -	\$ 50,969,488	\$ 25,200,714

Arizona Department of Transportation
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the fiscal year ended June 30, 2000
 (With comparative totals for the fiscal year ended June 30, 1999)

	Highway Revenue Bond Proceeds Fund	Maricopa Regional Area Road Bond Proceeds Fund	Totals	
			2000	1999
Revenues:				
Interest	\$ 3,674,294	\$ 2,960,119	\$ 6,634,413	\$ 4,439,936
Other	-	60	60	71,525
Total revenues	<u>3,674,294</u>	<u>2,960,179</u>	<u>6,634,473</u>	<u>4,511,461</u>
Expenditures:				
Capital outlay - highway construction	45,920,445	123,003,897	168,924,342	148,241,265
Other	-	-	-	1,989
Total expenditures	<u>45,920,445</u>	<u>123,003,897</u>	<u>168,924,342</u>	<u>148,243,254</u>
Deficiency of revenues under expenditures	<42,246,151>	<120,043,718>	<162,289,869>	<143,731,793>
Other financing sources <uses>:				
Proceeds from sale of bonds	131,392,321	119,107,028	250,499,349	152,572,363
Operating transfers out	<41,153,217>	<7,352,968>	<48,506,185>	<550,912>
Total other financing sources <uses>	<u>90,239,104</u>	<u>111,754,060</u>	<u>201,993,164</u>	<u>152,021,451</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	47,992,953	<8,289,658>	39,703,295	8,289,658
Fund balances, July 1	-	8,289,658	8,289,658	-
Fund balances, June 30	<u><u>\$ 47,992,953</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 47,992,953</u></u>	<u><u>\$ 8,289,658</u></u>

Enterprise Fund

***The Arizona Highways
Magazine Fund***

publishes and markets the *Arizona Highways Magazine* and various other products that promote the State of Arizona.



Arizona Department of Transportation
Arizona Highways Magazine Fund
Comparative Balance Sheets
June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Assets		
Current assets:		
Cash and cash equivalents on deposit with the State Treasurer	\$ 3,308,989	\$ 3,221,552
Subscriptions receivable, less allowance for doubtful accounts of \$7,300 in 2000 and 1999	358,776	463,554
Accrued interest receivable	28,205	38,658
Accounts receivable - retail/commercial, less allowance for returns of \$10,000 in 2000 and 1999	53,435	123,519
Inventories	2,786,130	2,815,194
Prepaid expenses	668,778	606,291
Total current assets	<u>7,204,313</u>	<u>7,268,768</u>
Fixed assets, net of accumulated depreciation	<u>2,065,088</u>	<u>2,420,394</u>
Total assets	<u>\$ 9,269,401</u>	<u>\$ 9,689,162</u>
Liabilities and fund equity		
Current liabilities:		
Accounts payable	\$ 163,656	\$ 246,241
Accrued payroll and other accrued expenses	181,267	237,845
Due to other Arizona Department of Transportation funds	-	1,808
Deferred revenue - unearned subscription revenue	4,484,216	4,257,611
Total current liabilities	<u>4,829,139</u>	<u>4,743,505</u>
Fund equity:		
Contributed capital	1,538,698	1,538,698
Retained earnings	2,901,564	3,406,959
Total fund equity	<u>4,440,262</u>	<u>4,945,657</u>
Total liabilities and fund equity	<u>\$ 9,269,401</u>	<u>\$ 9,689,162</u>

Arizona Department of Transportation
Arizona Highways Magazine Fund
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings
For the fiscal years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Magazine sales	\$ 6,223,932	\$ 6,039,340
Sales of related products	4,489,024	4,269,466
Other	<u>475,953</u>	<u>607,749</u>
Total operating revenues	<u>11,188,909</u>	<u>10,916,555</u>
Operating expenses:		
Publication and promotional costs	5,644,967	5,685,205
Salaries and wages	2,122,261	2,011,090
Employee benefits	466,296	466,812
Shipping and postage	1,944,050	1,969,985
Supplies	112,112	107,401
Equipment rental	90,776	79,249
Temporary help, professional and outside services	541,960	513,544
Repairs and maintenance	83,058	63,800
Travel	26,397	23,951
Write-off of uncollectible accounts	91,127	68,521
Other	308,101	368,760
Depreciation	<u>366,702</u>	<u>358,265</u>
Total operating expenses	<u>11,797,807</u>	<u>11,716,583</u>
Operating loss	<608,898>	<800,028>
Non-operating revenues <expenses>:		
Interest	172,456	227,854
Loss on disposal of fixed assets	<u><68,953></u>	<u><279,989></u>
Total non-operating revenues <expenses>	<u>103,503</u>	<u><52,135></u>
Net <loss>	<505,395>	<852,163>
Retained earnings, July 1	<u>3,406,959</u>	<u>4,259,122</u>
Retained earnings, June 30	<u>\$ 2,901,564</u>	<u>\$ 3,406,959</u>

Arizona Department of Transportation
Arizona Highways Magazine Fund
Comparative Statements of Cash Flows
For the fiscal years ended June 30, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Operating loss	\$ <608,898>	\$ <800,028>
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	366,702	358,265
Changes in current assets and liabilities:		
Accounts receivable	174,862	9,330
Inventories	29,064	<43,299>
Prepaid expenses	<62,487>	<285,063>
Accounts payable	<82,585>	58,554
Accrued payroll and other accrued expenses	<56,578>	2,464
Due to other Arizona Department of Transportation funds	<1,808>	<503>
Deferred revenue	226,605	<109,266>
Total adjustments	593,775	<9,518>
Net cash used for operating activities	<15,123>	<809,546>
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	<80,349>	<224,214>
Reduction of contributed capital	-	<500,000>
Net cash used for capital and related financing activities	<80,349>	<724,214>
Cash flows from investing activities:		
Interest	182,909	275,238
Net cash provided by investing activities	182,909	275,238
Net increase <decrease> in cash and cash equivalents	87,437	<1,258,522>
Cash and cash equivalents, July 1	3,221,552	4,480,074
Cash and cash equivalents, June 30	\$ 3,308,989	\$ 3,221,552

Internal Service Fund

The Equipment Fund

purchases and maintains equipment and materials to be used by other funds.



Arizona Department of Transportation
Equipment Fund
Comparative Balance Sheets
June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Assets		
Current assets:		
Cash and cash equivalents on deposit with the State Treasurer	\$ 5,092,780	\$ 5,065,792
Receivables:		
Accrued interest	34,825	41,789
Other	256,936	87,503
Due from other Arizona Department of Transportation funds	68,116	1,775,347
Due from other state agencies	-	20,254
Inventories	2,334,406	2,560,838
Total current assets	<u>7,787,063</u>	<u>9,551,523</u>
Fixed assets, net of accumulated depreciation	<u>45,686,282</u>	<u>35,321,018</u>
Total assets	<u>\$ 53,473,345</u>	<u>\$ 44,872,541</u>
Liabilities and fund equity		
Liabilities:		
Accounts payable	\$ -	\$ 557,157
Accrued payroll and other accrued expenses	727,092	908,896
Notes payable	9,530,079	-
Total liabilities	<u>10,257,171</u>	<u>1,466,053</u>
Fund equity:		
Contributed capital	5,793,237	5,793,237
Retained earnings <deficit>:		
Reserved for replacement of equipment	9,985,210	9,985,210
Unreserved	27,437,727	27,628,041
Total fund equity	<u>43,216,174</u>	<u>43,406,488</u>
Total liabilities and fund equity	<u>\$ 53,473,345</u>	<u>\$ 44,872,541</u>

Arizona Department of Transportation
Equipment Fund
Comparative Statements of Revenues, Expenses and Changes in Retained Earnings
For the fiscal years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Equipment rentals	\$ 26,104,085	\$ 24,289,009
Equipment sales	504,746	165,711
Other	<u>3,624,687</u>	<u>3,394,993</u>
Total operating revenues	<u>30,233,518</u>	<u>27,849,713</u>
Operating expenses:		
Equipment maintenance	5,712,905	5,813,831
Fuel and lubricants	4,871,554	3,162,837
Salaries and related benefits	8,933,988	8,826,969
Supplies	368,417	224,049
Professional and outside services	505,538	460,658
Insurance	605,300	855,600
Travel	106,650	116,161
Other	1,443,653	1,009,273
Depreciation	<u>8,099,211</u>	<u>6,663,738</u>
Total operating expenses	<u>30,647,216</u>	<u>27,133,116</u>
Operating income	<413,698>	716,597
Non-operating revenues <expenses>:		
Interest	223,384	154,648
Loss on disposal of fixed assets	-	<93,746>
Legislative transfer out	<u>-</u>	<u><500,000></u>
Total non-operating revenues <expenses>	<u>223,384</u>	<u><439,098></u>
Net income <loss>	<190,314>	277,499
Retained earnings, July 1	<u>37,613,251</u>	<u>37,335,752</u>
Retained earnings, June 30	<u>\$ 37,422,937</u>	<u>\$ 37,613,251</u>

Arizona Department of Transportation
Equipment Fund
Comparative Statements of Cash Flows
For the fiscal years ended June 30, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Operating income <loss>	\$ <413,698>	\$ 716,597
Adjustments to reconcile operating income <loss> to net cash provided by operating activities		
Depreciation	8,099,211	6,663,738
Changes in assets and liabilities:		
Due from other Arizona Department of Transportation funds	1,707,231	187,662
Due from other state agencies	20,254	93,910
Other receivables	<169,433>	39,519
Inventories	226,432	<191,770>
Accounts payable	<557,157>	<213,731>
Accrued payroll and other accrued expenses	<181,804>	80,995
Total adjustments	9,144,734	6,660,323
Net cash provided by operating activities	8,731,036	7,376,920
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	<9,970,100>	<5,525,953>
Proceeds from sale of fixed assets	1,035,668	448,628
Legislative transfer out	-	<500,000>
Net cash used for capital and related financing activities	<8,934,432>	<5,577,325>
Cash flows from investing activities:		
Interest	230,384	169,194
Net cash provided by investing activities	230,384	169,194
Net increase in cash and cash equivalents	26,988	1,968,789
Cash and cash equivalents, July 1	5,065,792	3,097,003
Cash and cash equivalents, June 30	\$ 5,092,780	\$ 5,065,792

Fiduciary Funds

Agency Funds

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.

The Motor Vehicle Division Clearing Fund

accounts for the collection and disbursement of all Motor Vehicle Division revenues.

The Highway User Revenue Fund collects motor vehicle and liquid use fuel taxes and receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed to the State Highway Fund, the Department of Public Safety, the Arizona State Parks, the Economic Strength Project Fund, and various cities and counties.

The Underground Storage Tank Fund

receives certain Motor Vehicle Division revenues for distribution to the Department of Environmental Quality.

The Highway Property Rentals 24 Percent Fund

collects 24 percent of the Department's rental income from condemned properties for distribution to the local county.

The Economic Strength Project Fund collects monies from the Highway User Revenue Fund for use on approved economic strength projects recommended by the Commerce and Economic Development Commission.



Arizona Department of Transportation
Agency Funds
Combining Balance Sheet
June 30, 2000
(With comparative totals at June 30, 1999)

	Local Agency Deposits	Motor Vehicle Division Clearing	Highway User Revenue	Underground Storage Tank	Highway Property Rentals - 24%
Assets					
Cash and cash equivalents on deposit with the State Treasurer:					
Restricted	\$ 5,480,688	\$ -	\$ -	\$ 425,834	\$ -
Unrestricted	-	17,809,183	61,382,787	-	2,480,185
Receivables:					
Accrued interest	-	-	391,910	14,745	-
Taxes and fees	-	72,677,349	76,407,839	-	-
Other	443,863	-	-	-	38,133
Due from U.S. Government for reimbursable construction costs	3,072,925	-	-	-	-
Due from other Arizona Department of Transportation funds	-	654,106	32,120,113	3,386,635	-
Due from Arizona counties, cities and other state agencies	40,552	4,737	62,895	-	-
Total assets	<u>\$ 9,038,028</u>	<u>\$ 91,145,375</u>	<u>\$ 170,365,544</u>	<u>\$ 3,827,214</u>	<u>\$ 2,518,318</u>
Liabilities					
Liabilities:					
Construction contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,177,071	5,946,241	-	121,743	-
Due to other Arizona Department of Transportation funds	-	39,655,730	83,872,435	-	162
Due to Arizona Department of Public Safety	-	-	2,685,000	-	-
Due to Arizona counties, cities and other state agencies	6,860,957	43,486,687	83,808,109	3,705,471	2,518,156
Surety and rental deposits	-	2,056,717	-	-	-
Total liabilities	<u>\$ 9,038,028</u>	<u>\$ 91,145,375</u>	<u>\$ 170,365,544</u>	<u>\$ 3,827,214</u>	<u>\$ 2,518,318</u>

Exhibit F-1

Economic Strength Project	Totals	
	2000	1999
\$ 2,155,603	\$ 8,062,125	\$ 7,299,447
-	81,672,155	95,000,138
19,586	426,241	472,646
-	149,085,188	165,884,710
-	481,996	555,167
-	3,072,925	1,865,536
-	36,160,854	45,670,690
-	108,184	376,534
<u>\$ 2,175,189</u>	<u>\$ 279,069,668</u>	<u>\$ 317,124,868</u>
\$ -	\$ -	\$ 1,961,246
-	8,245,055	6,148,773
-	123,528,327	147,862,479
-	2,685,000	1,692,500
2,175,189	142,554,569	157,350,289
-	2,056,717	2,109,581
<u>\$ 2,175,189</u>	<u>\$ 279,069,668</u>	<u>\$ 317,124,868</u>

Arizona Department of Transportation
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2000

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2000</u>
Local Agency Deposits Fund				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, restricted	\$ 4,969,692	\$ 16,452,346	\$ 15,941,350	\$ 5,480,688
Accounts receivable	530,223	61,501	147,861	443,863
Due from U.S. Government for reimbursable construction costs	1,865,536	15,541,128	14,333,739	3,072,925
Due from Arizona counties, cities and other state agencies	376,534	1,634,764	1,970,746	40,552
Total assets	<u>\$ 7,741,985</u>	<u>\$ 33,689,739</u>	<u>\$ 32,393,696</u>	<u>\$ 9,038,028</u>
<u>Liabilities:</u>				
Accounts payable	\$ 126,567	\$ 2,050,504	\$ -	\$ 2,177,071
Construction contracts payable	1,961,246	13,980,104	15,941,350	-
Due to Arizona counties, cities and other state agencies	5,654,172	1,206,785	-	6,860,957
Total liabilities	<u>\$ 7,741,985</u>	<u>\$ 17,237,393</u>	<u>\$ 15,941,350</u>	<u>\$ 9,038,028</u>
Motor Vehicle Division Clearing Fund				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, unrestricted	\$ 24,363,176	\$ 876,342,989	\$ 882,896,982	\$ 17,809,183
Taxes and fees receivable	79,348,245	869,677,816	876,348,712	72,677,349
Due from other Arizona Department of Transportation funds	27,420	626,686	-	654,106
Due from Arizona counties, cities and other state agencies	-	18,545	13,808	4,737
Total assets	<u>\$ 103,738,841</u>	<u>\$ 1,746,666,036</u>	<u>\$ 1,759,259,502</u>	<u>\$ 91,145,375</u>
<u>Liabilities:</u>				
Accounts payable	\$ 5,935,001	\$ 75,582,560	\$ 75,571,320	\$ 5,946,241
Due to other Arizona Department of Transportation funds	50,217,237	457,054,323	467,615,830	39,655,730
Due to Arizona counties, cities and other state agencies	45,477,022	337,661,078	339,651,413	43,486,687
Surety and rental deposits	2,109,581	5,556	58,420	2,056,717
Total liabilities	<u>\$ 103,738,841</u>	<u>\$ 870,303,517</u>	<u>\$ 882,896,983</u>	<u>\$ 91,145,375</u>

(Continued)

Arizona Department of Transportation
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2000

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2000</u>
Highway User Revenue Fund				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, unrestricted	\$ 68,104,498	\$ 1,018,458,167	\$ 1,025,179,878	\$ 61,382,787
Accrued interest receivable	455,506	2,023,541	2,087,137	391,910
Taxes and fees receivable	86,536,465	605,183,251	615,311,877	76,407,839
Due from other Arizona Department of Transportation funds	42,288,533	390,950,918	401,119,338	32,120,113
Due from Arizona counties, cities and other state agencies	-	62,895	-	62,895
Total assets	<u>\$ 197,385,002</u>	<u>\$ 2,016,678,772</u>	<u>\$ 2,043,698,230</u>	<u>\$ 170,365,544</u>
<u>Liabilities:</u>				
Due to other Arizona Department of Transportation funds	\$ 97,645,242	\$ 494,697,463	\$ 508,470,270	\$ 83,872,435
Due to Arizona Department of Public Safety	1,692,500	13,622,500	12,630,000	2,685,000
Due to Arizona counties, cities and other state agencies	98,047,260	489,840,456	504,079,607	83,808,109
Total liabilities	<u>\$ 197,385,002</u>	<u>\$ 998,160,419</u>	<u>\$ 1,025,179,877</u>	<u>\$ 170,365,544</u>
Underground Storage Tank Fund				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, restricted	\$ 339,667	\$ 28,829,762	\$ 28,743,595	\$ 425,834
Accrued interest receivable	2,868	15,836	3,959	14,745
Due from other Arizona Department of Transportation funds	3,354,737	28,857,701	28,825,803	3,386,635
Total assets	<u>\$ 3,697,272</u>	<u>\$ 57,703,299</u>	<u>\$ 57,573,357</u>	<u>\$ 3,827,214</u>
<u>Liabilities:</u>				
Accounts payable	\$ 87,205	\$ 1,413,101	\$ 1,378,563	\$ 121,743
Due to Arizona counties, cities and other state agencies	3,610,067	27,460,436	27,365,032	3,705,471
Total liabilities	<u>\$ 3,697,272</u>	<u>\$ 28,873,537</u>	<u>\$ 28,743,595</u>	<u>\$ 3,827,214</u>
Highway Property Rentals - 24% Fund				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, unrestricted	\$ 2,532,464	\$ 400,443	\$ 452,722	\$ 2,480,185
Accounts receivable	24,944	413,633	400,444	38,133
Total assets	<u>\$ 2,557,408</u>	<u>\$ 814,076</u>	<u>\$ 853,166</u>	<u>\$ 2,518,318</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 203	\$ 203	\$ -
Due to other Arizona Department of Transportation funds	-	162	-	162
Due to Arizona counties, cities and other state agencies	2,557,408	413,429	452,681	2,518,156
Total liabilities	<u>\$ 2,557,408</u>	<u>\$ 413,794</u>	<u>\$ 452,884</u>	<u>\$ 2,518,318</u>

(Continued)

Arizona Department of Transportation
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2000

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Economic Strength Project Fund				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer, restricted	\$ 1,990,088	\$ 1,110,051	\$ 944,536	\$ 2,155,603
Accrued interest receivable	14,272	115,365	110,051	19,586
Due from other Arizona Department of Transportation funds	-	1,000,000	1,000,000	-
Total assets	<u>\$ 2,004,360</u>	<u>\$ 2,225,416</u>	<u>\$ 2,054,587</u>	<u>\$ 2,175,189</u>
<u>Liabilities:</u>				
Due to Arizona counties, cities and other state agencies	\$ 2,004,360	\$ 1,115,365	\$ 944,536	\$ 2,175,189
Total liabilities	<u>\$ 2,004,360</u>	<u>\$ 1,115,365</u>	<u>\$ 944,536</u>	<u>\$ 2,175,189</u>
Total - All Agency Funds				
<u>Assets:</u>				
Cash and cash equivalents on deposit with the State Treasurer:				
Restricted	\$ 7,299,447	\$ 46,392,159	\$ 45,629,481	\$ 8,062,125
Unrestricted	95,000,138	1,895,201,599	1,908,529,582	81,672,155
Receivables:				
Accrued interest	472,646	2,154,742	2,201,147	426,241
Taxes and fees	165,884,710	1,474,861,067	1,491,660,589	149,085,188
Other	555,167	475,134	548,305	481,996
Due from U.S. Government for reimbursable construction costs	1,865,536	15,541,128	14,333,739	3,072,925
Due from other Arizona Department of Transportation funds	45,670,690	421,435,305	430,945,141	36,160,854
Due from Arizona counties, cities and other state agencies	376,534	1,716,204	1,984,554	108,184
Total assets	<u>\$ 317,124,868</u>	<u>\$ 3,857,777,338</u>	<u>\$ 3,895,832,538</u>	<u>\$ 279,069,668</u>
<u>Liabilities:</u>				
Accounts payable	\$ 6,148,773	\$ 79,046,368	\$ 76,950,086	\$ 8,245,055
Construction contracts payable	1,961,246	13,980,104	15,941,350	-
Due to other Arizona Department of Transportation funds	147,862,479	951,751,948	976,086,100	123,528,327
Due to Arizona Department of Public Safety	1,692,500	13,622,500	12,630,000	2,685,000
Due to Arizona counties, cities and other state agencies	157,350,289	857,697,549	872,493,269	142,554,569
Surety and rental deposits	2,109,581	5,556	58,420	2,056,717
Total liabilities	<u>\$ 317,124,868</u>	<u>\$ 1,916,104,025</u>	<u>\$ 1,954,159,225</u>	<u>\$ 279,069,668</u>

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in individual funds. Public domain (infrastructure) assets consisting of certain improvements other than buildings (including roads, bridges, lighting systems, and similar assets) are not reported in the General Fixed Assets Account Group.



Arizona Department of Transportation
 Comparative Schedules of General Fixed Assets
 By Source
 June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
General fixed assets		
Land	\$ 13,499,044	\$ 10,863,072
Buildings and improvements	133,198,724	110,107,920
Improvements other than buildings	9,403,527	31,086,260
Machinery and equipment	<u>38,854,728</u>	<u>39,454,138</u>
Total general fixed assets	<u>\$ 194,956,023</u>	<u>\$ 191,511,390</u>
Investment in general fixed assets by source		
Special revenue funds	\$ 187,863,944	\$ 187,273,491
Proprietary funds	1,498,913	1,221,920
Third-party financing	<u>5,593,166</u>	<u>3,015,979</u>
Total investment in general fixed assets	<u>\$ 194,956,023</u>	<u>\$ 191,511,390</u>

Arizona Department of Transportation
 Schedule of General Fixed Assets - By Function and Activity
 June 30, 2000

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Administration	\$ 879,016	\$ 13,801,569	\$ 732,130	\$ 14,095,642	\$ 29,508,357
Aeronautics Division	-	21,604	4,254	176,771	202,629
Motor Vehicle Division	8,915,069	41,635,645	2,101,382	6,967,826	59,619,922
Highway:					
Highway development	-	-	-	3,341,178	3,341,178
Highway construction	141,465	4,568,931	253,581	2,388,650	7,352,627
Transportation planning and research	-	-	121,106	594,380	715,486
Materials engineering	-	4,809,846	-	2,836,279	7,646,125
Traffic engineering	-	74,428	17,942	897,647	990,017
Administrative and other services	936,421	30,106,088	825,126	3,676,012	35,543,647
Highway Maintenance	<u>2,627,073</u>	<u>38,180,613</u>	<u>5,348,006</u>	<u>3,880,343</u>	<u>50,036,035</u>
Total general fixed assets	<u>\$ 13,499,044</u>	<u>\$ 133,198,724</u>	<u>\$ 9,403,527</u>	<u>\$ 38,854,728</u>	<u>\$ 194,956,023</u>

Arizona Department of Transportation
 Schedule of Changes in General Fixed Assets - By Function and Activity
 For the fiscal year ended June 30, 2000

Function and Activity	General Fixed Assets July 1, 1999	Additions	Deductions	General Fixed Assets June 30, 2000
Administration	\$ 28,864,758	\$ 1,431,864	\$ <788,265>	\$ 29,508,357
Aeronautics Division	19,749,262	22,444	<19,569,077>	202,629
Motor Vehicle Division	56,706,152	3,456,917	<543,147>	59,619,922
Highway:				
Highway development	3,436,622	236,099	<331,543>	3,341,178
Highway construction	9,144,834	1,172,293	<2,964,500>	7,352,627
Transportation planning and research	1,500,178	2,927	<787,619>	715,486
Materials engineering	7,033,604	644,522	<32,001>	7,646,125
Traffic engineering	3,688,266	35,679	<2,733,928>	990,017
Administrative and other services	22,550,087	13,129,434	<135,874>	35,543,647
Highway Maintenance	38,837,627	11,208,641	<10,233>	50,036,035
Total general fixed assets	<u>\$ 191,511,390</u>	<u>\$ 31,340,820</u>	<u>\$ <27,896,187></u>	<u>\$ 194,956,023</u>

General Long-Term Debt Account Group

All long-term liabilities that are not presented as liabilities of a specific fund are accounted for in the General Long-Term Debt Account Group. This represents the noncurrent debt obligation of the Department.



Arizona Department of Transportation
 Schedule of Debt Service Requirements
 June 30, 2000

Subordinated Highway Revenue Bonds						
Fiscal Year	1991 Series A Bonds		1992 Series A Refunding Bonds		1992 Series B Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ -	\$ 918,313	\$ 25,205,000	\$ 1,537,506	\$ -	\$ 2,687,330
2002	-	918,312	-	-	5,990,000	2,687,330
2003	10,495,000	918,312	-	-	6,870,000	2,321,940
2004	-	-	-	-	7,300,000	1,896,000
2005	-	-	-	-	7,885,000	1,312,000
2006	-	-	-	-	8,515,000	681,200
	\$ 10,495,000	\$ 2,754,937	\$ 25,205,000	\$ 1,537,506	\$ 36,560,000	\$ 11,585,800

Highway Revenue Bonds						
Fiscal Year	1993 Series Refunding Bonds		1993 Series A and B Subordinated, Refunding Bonds		1999 Series	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 11,385,000	\$ 6,356,422	\$ 2,010,000	\$ 13,225,412	\$ 13,455,000	\$ 8,377,557
2002	13,380,000	5,821,328	13,970,000	13,138,982	4,450,000	7,709,533
2003	1,000,000	5,179,088	16,585,000	12,524,302	4,645,000	7,513,732
2004	16,760,000	5,129,088	1,620,000	11,777,976	15,785,000	7,304,708
2005	17,600,000	4,291,088	13,820,000	11,703,456	5,010,000	6,436,532
2006	14,820,000	3,367,088	18,170,000	11,053,916	5,255,000	6,196,053
2007	15,605,000	2,589,038	28,235,000	10,181,758	5,515,000	5,934,482
2008	16,425,000	1,769,776	29,610,000	8,805,300	5,790,000	5,658,733
2009	17,285,000	907,464	31,395,000	7,028,700	6,100,000	5,347,062
2010	-	-	51,685,000	5,458,950	6,420,000	5,029,863
2011	-	-	54,520,000	2,624,700	6,790,000	4,655,897
2012	-	-	-	-	7,195,000	4,252,638
2013	-	-	-	-	7,625,000	3,825,262
2014	-	-	-	-	8,080,000	3,367,763
2015	-	-	-	-	8,575,000	2,872,862
2016	-	-	-	-	9,110,000	2,336,925
2017	-	-	-	-	9,680,000	1,767,550
2018	-	-	-	-	10,235,000	1,210,950
2019	-	-	-	-	10,825,000	622,438
	\$ 124,260,000	\$ 35,410,380	\$ 261,620,000	\$ 107,523,452	\$ 150,540,000	\$ 90,420,540

(Continued)

Arizona Department of Transportation
 Schedule of Debt Service Requirements
 June 30, 2000

Fiscal Year	Highway Revenue Bonds	
	Total	
	Principal	Interest
2001	\$ 52,055,000	\$ 33,102,540
2002	37,790,000	30,275,485
2003	39,595,000	28,457,374
2004	41,465,000	26,107,772
2005	44,315,000	23,743,076
2006	46,760,000	21,298,257
2007	49,355,000	18,705,278
2008	51,825,000	16,233,809
2009	54,780,000	13,283,226
2010	58,105,000	10,488,813
2011	61,310,000	7,280,597
2012	7,195,000	4,252,638
2013	7,625,000	3,825,262
2014	8,080,000	3,367,763
2015	8,575,000	2,872,862
2016	9,110,000	2,336,925
2017	9,680,000	1,767,550
2018	10,235,000	1,210,950
2019	10,825,000	622,438
	\$ 608,680,000	\$ 249,232,615

(Continued)

Arizona Department of Transportation
 Schedule of Debt Service Requirements
 June 30, 2000

Transportation Excise Tax Revenue Bonds						
Fiscal Year	1988 Series A Capital Appreciation Bonds		1992 Series A Refunding Bonds		1992 Series B Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ -	\$ -	\$ 40,170,000	7,127,920	\$ 2,500,000	\$ 782,905
2002	21,500,000	-	110,000	4,958,740	2,635,000	647,905
2003	21,500,000	-	23,240,000	4,952,690	2,780,000	502,980
2004	21,500,000	-	24,545,000	3,651,250	2,935,000	347,300
2005	8,500,000	-	38,955,000	2,239,913	3,105,000	178,538
	\$ 73,000,000	\$ -	\$ 127,020,000	\$ 22,930,513	\$ 13,955,000	\$ 2,459,628

Transportation Excise Tax Revenue Bonds						
Fiscal Year	1993 Series Subordinated, Refunding Bonds		1995 Series A Subordinated Bonds		1995 Series B Subordinated, Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 8,890,000	\$ 5,893,205	\$ 13,925,000	\$ 4,446,125	\$ 255,000	\$ 5,102,537
2002	30,835,000	5,502,045	14,555,000	3,819,500	33,185,000	5,091,063
2003	31,180,000	3,775,285	15,355,000	3,018,975	10,215,000	3,099,963
2004	32,335,000	2,372,185	16,275,000	2,097,675	12,470,000	2,614,750
2005	18,825,000	884,775	17,330,000	1,039,800	30,070,000	1,804,200
	\$ 122,065,000	\$ 18,427,495	\$ 77,440,000	\$ 14,422,075	\$ 86,195,000	\$ 17,712,513

Transportation Excise Tax Revenue Bonds						
Fiscal Year	1998 Series A Bonds		1999 Series Subordinated Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 37,985,000	\$ 6,697,250	\$ 31,645,000	\$ 5,356,875	\$ 135,370,000	\$ 35,406,817
2002	21,580,000	4,818,000	17,685,000	3,853,738	142,085,000	28,690,991
2003	25,865,000	3,757,000	18,555,000	2,969,487	148,690,000	22,076,380
2004	25,615,000	2,481,750	19,420,000	2,041,737	155,095,000	15,606,647
2005	25,090,000	1,217,000	20,395,000	1,070,738	162,270,000	8,434,964
	\$ 136,135,000	\$ 18,971,000	\$ 107,700,000	\$ 15,292,575	\$ 743,510,000	\$ 110,215,799

(Continued)

Arizona Department of Transportation
 Schedule of Debt Service Requirements
 June 30, 2000

Fiscal Year	Total Bonds		
	Principal	Interest	Total
2001	\$ 187,425,000	\$ 68,509,357	\$ 255,934,357
2002	179,875,000	58,966,476	238,841,476
2003	188,285,000	50,533,754	238,818,754
2004	196,560,000	41,714,419	238,274,419
2005	206,585,000	32,178,040	238,763,040
2006	46,760,000	21,298,257	68,058,257
2007	49,355,000	18,705,278	68,060,278
2008	51,825,000	16,233,809	68,058,809
2009	54,780,000	13,283,226	68,063,226
2010	58,105,000	10,488,813	68,593,813
2011	61,310,000	7,280,597	68,590,597
2012	7,195,000	4,252,638	11,447,638
2013	7,625,000	3,825,262	11,450,262
2014	8,080,000	3,367,763	11,447,763
2015	8,575,000	2,872,862	11,447,862
2016	9,110,000	2,336,925	11,446,925
2017	9,680,000	1,767,550	11,447,550
2018	10,235,000	1,210,950	11,445,950
2019	10,825,000	622,438	11,447,438
	<u>\$ 1,352,190,000</u>	<u>\$ 359,448,414</u>	<u>\$ 1,711,638,414</u>



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Table I

Arizona Department of Transportation
Governmental Fund Expenditures
For the fiscal year ended June 30
(Thousands of Dollars)

Fiscal Year	Governmental Fund Expenditures								
	Administration /1	Highway /2	Motor Vehicle Division	Highway Maintenance	Highway Construction /3	Aviation	Debt Service	Other /4	Total
2000	\$ 47,847	\$ 42,302	\$ 74,492	\$ 83,398	\$ 941,913	\$ 21,640	\$ 253,823	\$ 43,927	\$ 1,509,342
1999	44,648	42,035	67,144	79,304	853,695	26,787	226,928	62,600	1,403,141
1998	43,914	41,381	63,056	76,597	602,955	30,734	199,948	65,625	1,124,210
1997	43,981	40,230	30,147	70,336	540,203	18,975	210,446	84,433	1,038,751

Fiscal Year	Governmental Fund Expenditures								
	Administrative Services /5	Highway Division /6	Motor Vehicle Division	Transportation Planning	Highway Construction	Aviation	Debt Service	Other /7	Total
1996	\$ 36,406	\$ 108,670	\$ 33,486	\$ 3,214	\$ 555,087	\$ 11,107	\$ 200,364	\$ 87,960	\$ 1,036,294
1995	36,933	108,495	35,221	3,381	418,601	9,239	182,554	57,757	852,181
1994	45,363	104,288	27,992	3,468	481,538	13,579	181,519	78,254	936,001
1993	38,473	111,188	30,776	3,589	446,676	17,279	168,684	66,274	882,939
1992	34,620	105,725	29,588	4,047	450,793	17,406	159,096	65,679	866,954
1991	32,685	107,434	29,312	3,717	569,343	12,046	149,049	66,778	970,364

SOURCE: General Purpose Financial Statements - fiscal years 1991 through 2000

NOTES: /1 Includes the Director's Office, Financial Management (formerly Administrative) Services, Transportation Support Services and the Department's Risk Management Premium.

/2 Includes Transportation Planning.

/3 For years prior to 2000, includes Expendable Trust Fund.

/4 Includes Transportation not appropriated, Land, Building & Improvements, Leases Payable and Transfers

/5 Includes the Department's Risk Management Premium.

/6 Includes Highway Maintenance.

/7 Includes Reimbursements, Transfers, Director's Office, Highway Safety Office, and Land, Buildings & Improvements.

Total Expenditures

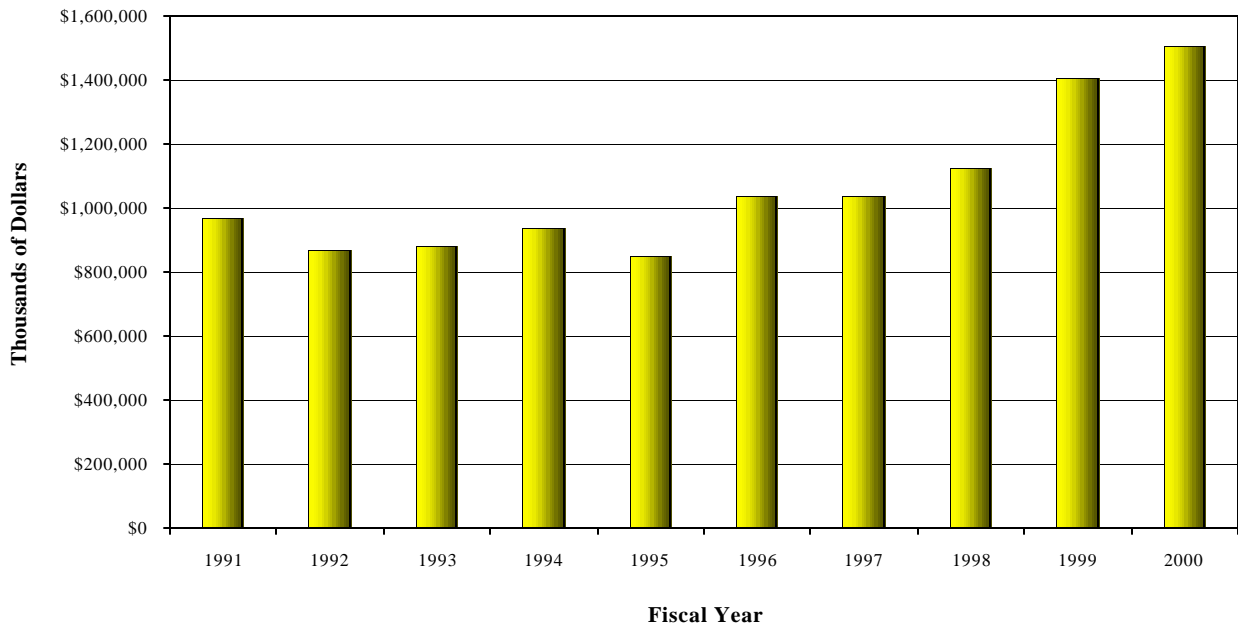


Table II

Arizona Department of Transportation
Governmental Fund Revenues
For the fiscal year ended June 30
(Thousands of Dollars)

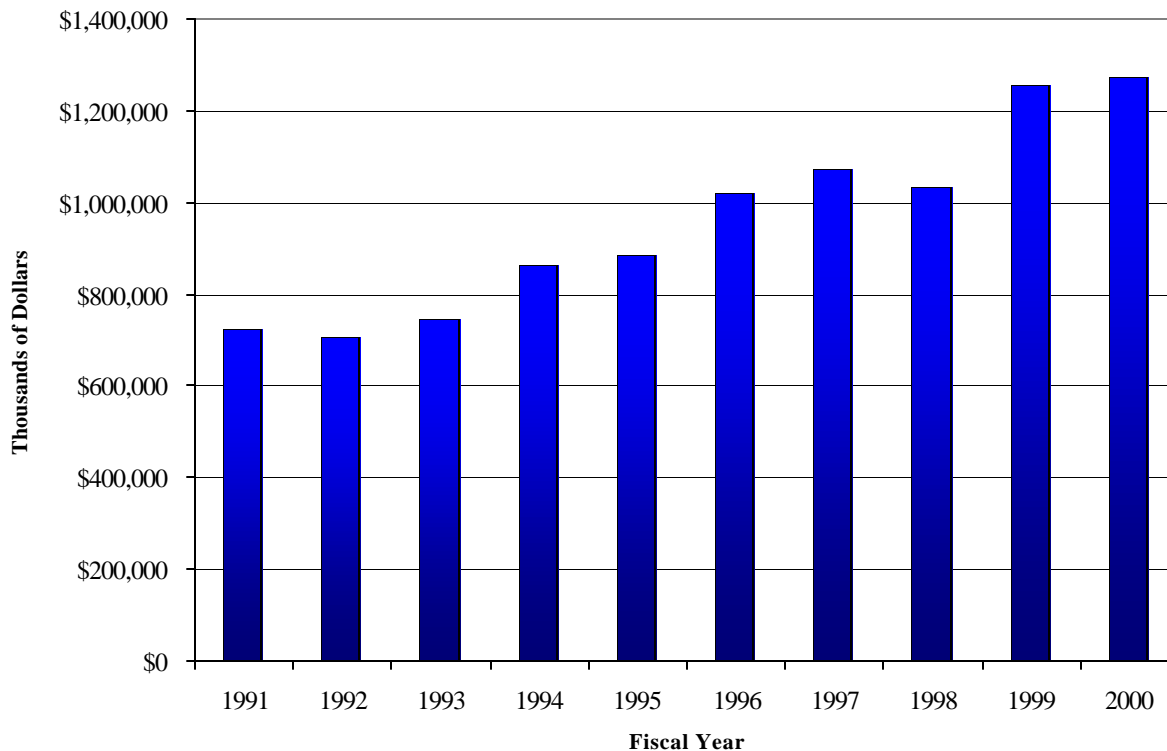
Fiscal Year	Motor Fuel Tax	Reg., Fees, Permits, Service Charges	Expenditures of Federal Awards /1	Investment Earnings	Other /1	Reimbursements	Total /2
2000	\$ 276,189	\$ 255,088	\$ 414,015	\$ 41,534	\$ 267,004	\$ 18,788	\$ 1,272,618
1999	298,394	250,121	401,464	34,377	257,479	15,748	1,257,583
1998	273,806	210,370	283,982	34,382	223,486	8,505	1,034,531
1997	288,878	198,002	305,438	33,238	231,792	15,083	1,072,431
1996	291,000	171,823	268,605	29,603	228,698	32,711	1,022,440
1995	293,870	133,689	225,607	22,340	190,498	17,808	883,812
1994	280,394	117,412	261,000	14,229	177,561	13,130	863,726
1993	264,307	102,524	183,407	18,560	153,333	22,604	744,735
1992	261,678	89,261	174,683	22,422	138,097	18,513	704,654
1991	256,521	99,389	191,899	31,799	132,707	12,632	724,947

SOURCE: General Purpose Financial Statements - Fiscal Years 1991 through 2000

NOTE: /1 For years prior to 1999, includes Expendable Trust Fund.

/2 Method of accounting for taxpayer assessed revenues has been changed due to the adoption of GASB Statement No. 22 during fiscal year 1995.

Total Revenues



Arizona Department of Transportation
Expenditures of Federal Awards /1
For the fiscal year ended June 30
(Thousands of Dollars)

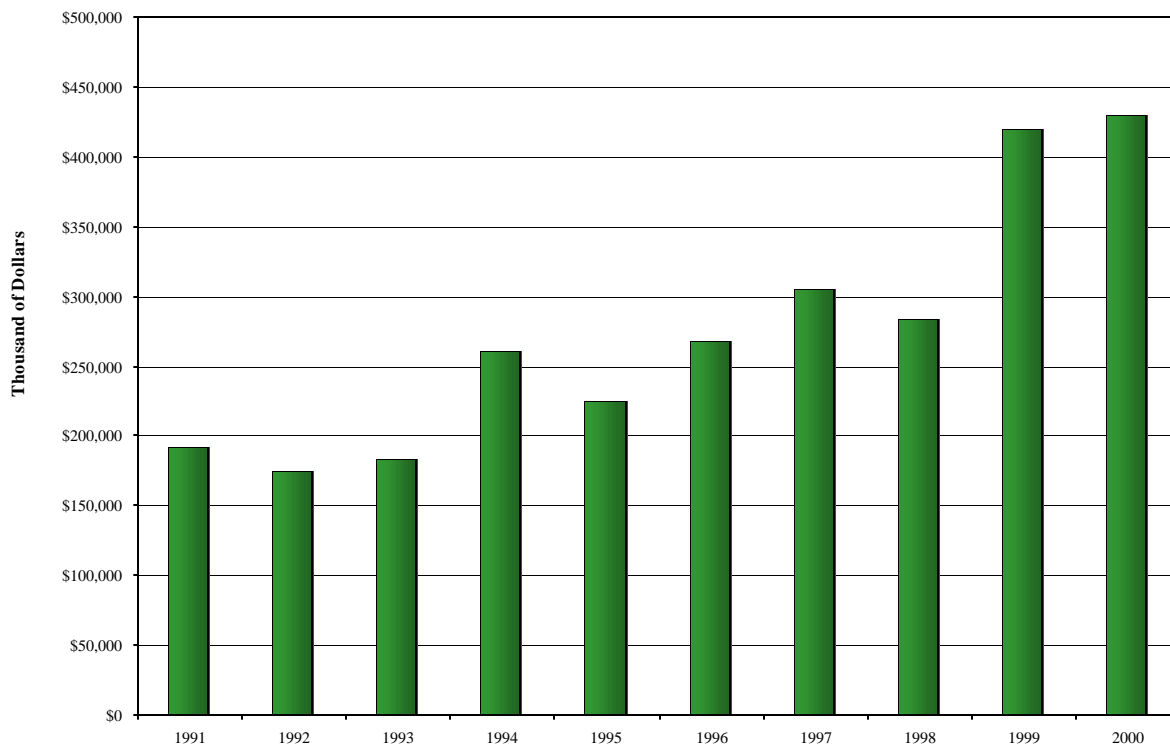
Fiscal Year	FAA	FRA	FTA	NHTSA	FHWA	BLM	BIA	Sub-total	FHWA /2	Total
2000	\$ 6	\$ 2	\$ 3,717	\$ 65	\$ 409,177	\$ -	\$ 1,048	\$ 414,015	\$ 15,219	\$ 429,234
1999	6,278	69	5,107	275	388,761	-	974	401,464	17,748	\$ 419,212
1998	2,379	14	3,392	49	278,148	-	-	283,982	-	\$ 283,982
1997	91	130	2,508	-	302,633	-	76	305,438	-	\$ 305,438
1996	506	499	3,552	-	261,820	-	2,228	268,605	-	\$ 268,605
1995	849	475	1,687	-	221,818	28	750	225,607	-	\$ 225,607
1994	129	437	3,448	-	256,986	-	-	261,000	-	\$ 261,000
1993	3,208	441	1,715	55	177,968	20	-	183,407	-	\$ 183,407
1992	4,369	12	1,097	54	169,151	-	-	174,683	-	\$ 174,683
1991	1,642	-	559	-	189,698	-	-	191,899	-	\$ 191,899

SOURCE: Single Audit Reports - fiscal years 1991 through 2000

NOTES: /1 Federal Aviation Administration (FAA); Federal Railroad Administration (FRA); Federal Transit Administration (FTA) - previously Urban Mass Transit Administration (UMTA); National Highway Transportation Safety Administration (NHTSA); Federal Highway Administration (FHWA); Bureau of Land Management (BLM); Bureau of Indian Affairs (BIA); and Department of Agriculture (DOA).

/2 Prior to 1999, the Local Agency Deposits Fund was an Expendable Trust Fund. It is now an Agency Fund.

Total Expenditures of Federal Awards



Arizona Department of Transportation
 Fuel Tax Rates
 For the fiscal year ended June 30
 (Cents per Gallon)

Fiscal Year	Effective Date	Gasoline Tax	Use Fuel Tax /1
2000	-	18	27
1999	-	18	27
1998	12/31/1997	18	27
1997	-	18	18
1996	-	18	18
1995	-	18	18
1994	-	18	18
1993	-	18	18
1992	-	18	18
1991	10/01/1990	18	18

SOURCE: Arizona Revised Statutes 28-5606, 28-5708

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

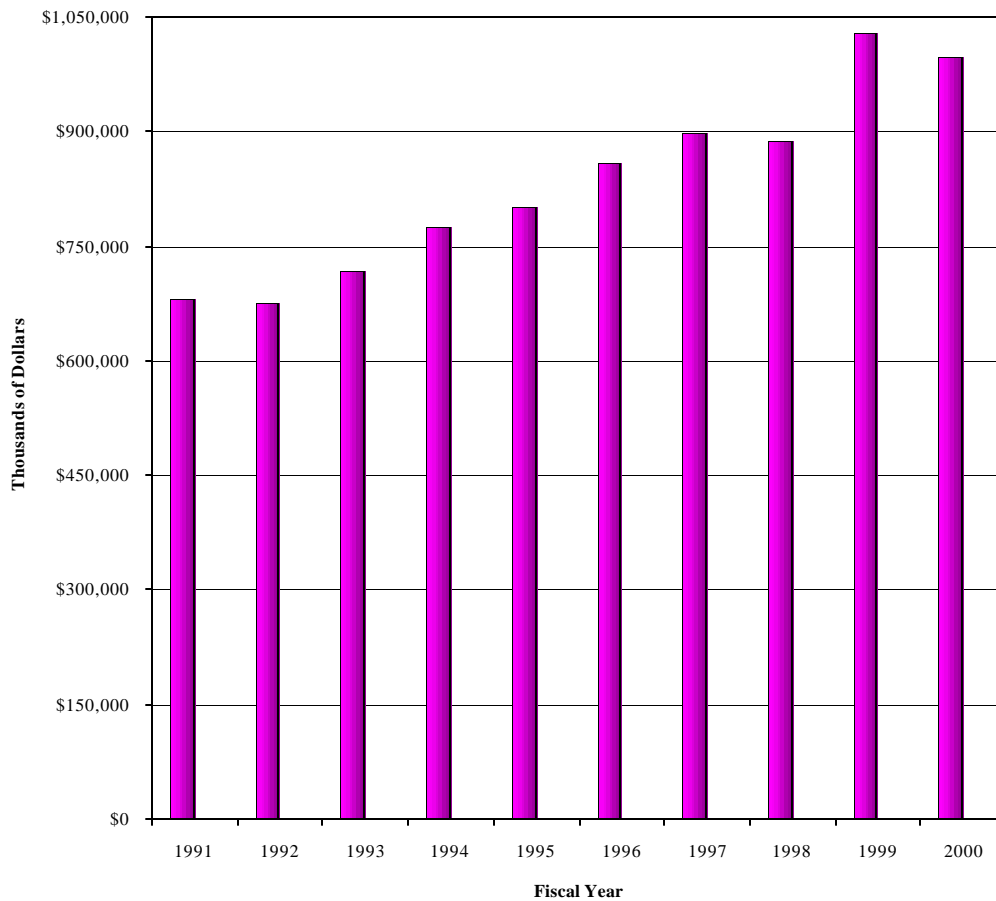
/1 Scheduled to be 26 cents per gallon on 7/1/2000.

Arizona Department of Transportation
Highway User Revenue Fund Collections
For the fiscal year ended June 30
(Thousands of Dollars)

Fiscal Year	Motor Veh. Fuel Tax Revenue	Motor Veh. Reg. Fee Revenues	Motor Carrier Tax Revenues	Motor Veh. Operators' License Fees and Other Fees	Motor Veh. License (In Lieu) Tax Revenues	Excess License and Sales Tax Revenues	Total Deposited To Arizona Hwy. User Rev. Fund
2000	\$ 545,901	\$ 158,424	\$ 15,040	\$ 43,508	\$ 235,287	\$ -	\$ 998,160
1999	636,117	145,340	14,409	15,939	217,905	-	1,029,710
1998	508,544	109,445	56,123	36,426	176,950	-	887,488
1997	488,701	101,528	90,186	41,294	175,253	-	896,962
1996	473,741	97,601	85,433	42,654	160,145	-	859,574
1995	451,089	86,159	92,103	39,238	131,562	-	800,151
1994	422,556	83,826	118,530	37,161	113,990	-	776,063
1993	387,235	80,717	120,303	24,161	105,027	-	717,443
1992	369,789	74,180	109,573	25,507	96,146	-	675,195
1991	362,018	75,657	108,655	24,033	92,826	16,632	679,821

SOURCES: General Purpose Financial Statement - Fiscal Years 1999 through 2000.
Arizona Highway User Revenue Fund Revenue Collections by Category -
Fiscal Years 1991 through 1998.

Highway User Revenue Fund Collections



Arizona Department of Transportation
Highway User Revenue Fund Distributions
For the fiscal year ended June 30
(Thousands of Dollars)

Fiscal Year	State Highway Fund /1	Cities and Towns	Counties	Department of Public Safety /2	Economic Strength Project Fund	Other /3	Total
2000	\$ 493,697	\$ 323,798	\$ 157,594	\$ 13,622	\$ 1,000	\$ 8,449	\$ 998,160
1999	512,149	295,879	199,591	12,630	1,000	8,461	1,029,710
1998	435,882	263,220	163,973	14,688	1,000	8,519	887,282
1997	444,927	268,696	167,350	17,188	1,000	9,289	908,450
1996	429,171	256,901	152,571	19,688	1,000	9,304	868,635
1995	412,206	244,512	145,349	20,000	1,000	9,084	832,151
1994	406,376	205,479	134,511	24,925	1,000	532	772,823
1993	355,304	210,531	124,468	24,928	1,000	1,212	717,443
1992	339,807	201,394	119,068	12,453	1,000	1,473	675,195
1991	346,867	208,708	123,746	-	500	-	679,821

The Highway User Revenue Fund receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed to the State Highway Fund and various counties and cities, based on statutory formulas.

SOURCES: General Purpose Financial Statement - Fiscal Years 1994 through 2000.
Highway User Revenue Fund Schedule 1 Summary for Revenue Collected - Fiscal Years 1991 through 1993.
Monthly Reports MV675580-01 fiscal years 1993 through 2000 (adjusted for accrual basis in years 1994 through 2000); Highway User Revenue Fund Report (Budgetary Basis) - fiscal years 1991 through 1992.

NOTES: /1 In fiscal year 1995, HB 2431 authorized the transfer of \$1 million for border transportation projects. The revenues beginning in fiscal year 1994 are presented on an accrual basis and are not the same as Table VII.
/2 DPS did not receive funding from HURF in fiscal year 1991 in accordance with ARS 28-6537.
/3 Appropriation to the Motor Vehicle Division for funding of mandatory insurance enforcement administration for fiscal years 1992 through 1994. In fiscal years 1995 through 2000, an appropriation for Arizona State Parks is included.

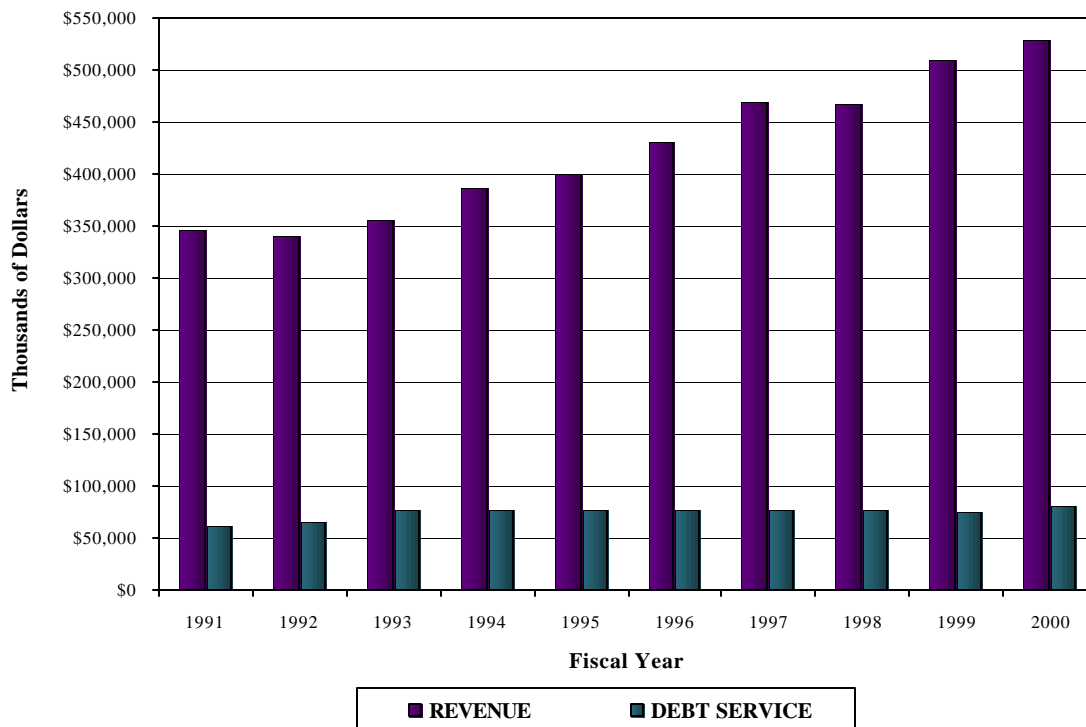
Arizona Department of Transportation
Bond Coverage
Highway User Revenue Fund Series
For the fiscal year ended June 30
(Thousands of Dollars)

Fiscal Year	Principal	Interest	Total	Pledged Revenues /1	Coverage
2000	\$ 46,270	\$ 33,994	\$ 80,264	\$ 528,721	6.6
1999	43,805	31,090	74,895	509,935	6.8
1998	43,405	33,266	76,671	468,240	6.1
1997	40,970	36,148	77,118	468,542	6.1
1996	38,430	38,770	77,200	429,825	5.6
1995	36,330	40,974	77,304	399,605	5.2
1994	33,425	44,037	77,462	385,844	5.0
1993	27,865	48,289	76,154	355,304	4.7
1992	26,185	39,957	66,142	339,807	5.1
1991	24,690	36,743	61,433	346,867	5.6

SOURCES: Highway User Revenue Fund Schedule 1 Summary For Revenue Collected Monthly Reports MV675577-1 fiscal years 1993 through 2000; Highway User Revenue Fund Report (Budgetary Basis) - fiscal years 1991 through 1992; Debt Service Funds - fiscal years 1991 through 2000.

/1 For fiscal years 1991 through 1996, net of 7% distributed to cities with a population greater than 300,000 persons. For fiscal years 1997 and after, includes vehicle license tax revenues distributed directly to the State Highway Fund.

Highway User Revenue Fund Series Bond Coverage

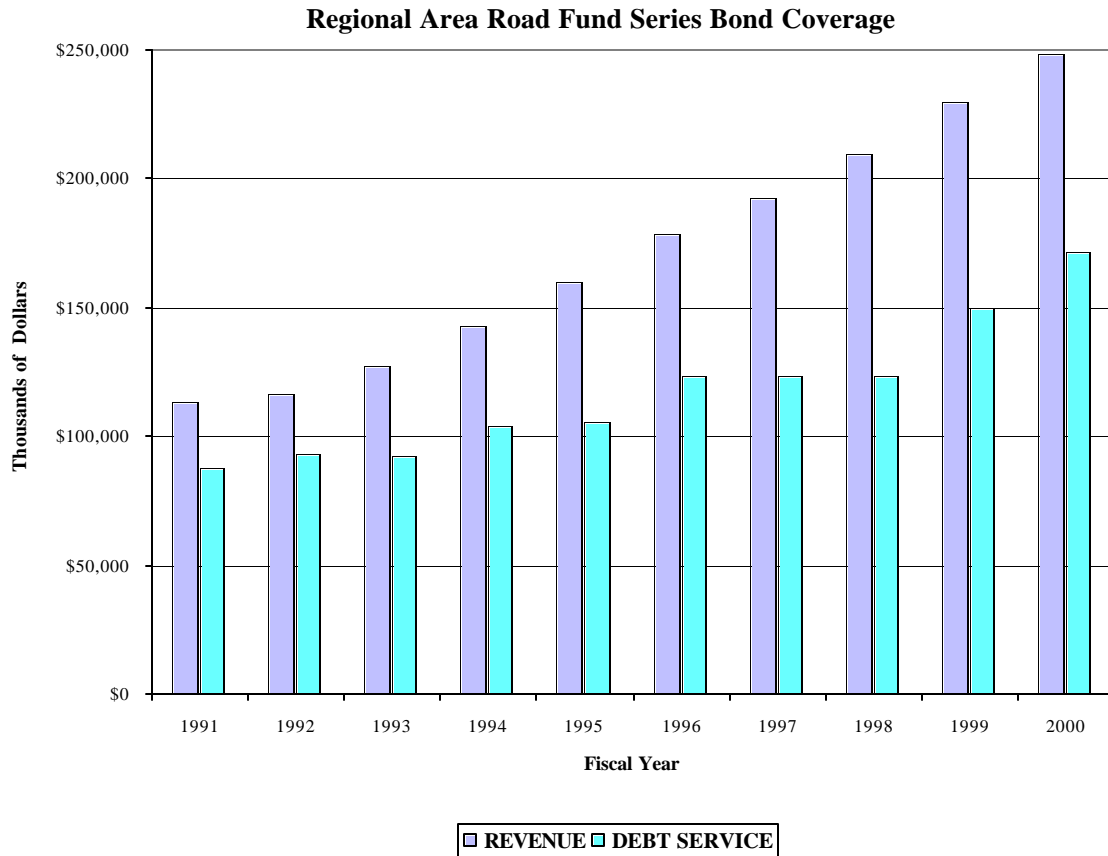


Arizona Department of Transportation
 Bond Coverage
 Regional Area Road Fund Series
 For the fiscal year ended June 30
 (Thousands of Dollars)

Fiscal Year	Principal	Interest	Total	Revenues	Coverage
2000	\$ 128,805	\$ 42,609	\$ 171,414	\$ 248,596	1.5
1999	106,765	43,251	150,016	229,470	1.5
1998	82,765	40,512	123,277	209,263	1.7
1997	78,015	45,248	123,263	192,257	1.6
1996	76,955	46,209	123,164	178,413	1.4
1995	57,930	47,320	105,250	160,319	1.5
1994	54,710	49,347	104,057	142,846	1.4
1993	45,650	46,880	92,530	127,273	1.4
1992	38,410	54,544	92,954	116,497	1.3
1991	34,480	53,136	87,616	113,335	1.3

SOURCE: Maricopa County Regional Area Road Fund Report.

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



Arizona Department of Transportation
 Total Public Road Mileage By Highway Class and Governmental Ownership
 For the calendar year ended December 31, 1999
 (With comparative totals for the calendar year ended December 31, 1998)
 (In Miles)

<u>FUNCTIONAL CLASSIFICATION</u>	<u>STATE</u>	<u>COUNTY</u>	<u>MUNICIPAL</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
					<u>1999</u>	<u>1998</u>
RURAL:						
Interstate Freeway	996	-	-	-	996	996
Principal Arterial	1,118	45	14	9	1,186	1,186
Minor Arterial	1,133	101	23		1,257	1,257
Major Collector	1,860	1,587	216	842	4,505	4,505
Minor Collector	375	1,118	51	756	2,300	2,301
Local	361	14,245	1,517	10,814	26,937	26,407
TOTAL RURAL	5,843	17,096	1,821	12,421	37,181	36,652
URBAN:						
Interstate Freeway	172	-	-	-	172	172
Urban Expressway	98	1	9	-	108	100
Principal Arterial	271	105	652	-	1,028	1,028
Minor Arterial	129	275	866	5	1,275	1,274
Urban Collector	5	508	1,220	16	1,749	1,749
Local	102	865	11,947	30	12,944	12,995
TOTAL URBAN	777	1,754	14,694	51	17,276	17,318
STATEWIDE COMPOSITE:						
Freeways and Expressways	1,266	1	9	-	1,276	1,268
Arterials	2,651	526	1,555	14	4,746	4,745
Collectors	2,240	3,213	1,487	1,614	8,554	8,555
Locals	463	15,110	13,464	10,844	39,881	39,402
TOTAL STATEWIDE	6,620	18,850	16,515	12,472	54,457	53,970

Source: Arizona's Highway Performance Monitoring System (HPMS); 1999 & 1998 Data

ACKNOWLEDGMENTS

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

Craig Rudolphy, MBA, CGFM, CPA
Theresa Simms, MBA, CGFM, CPA
Lawrence H. Ehrke, Jr., MBA
Stanley Brown, MS
Richard Gromoll, MBA
Elaine Buenvich

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State of Arizona
Department of Transportation
206 S. 17th Avenue Phoenix, AZ 85007