

*Financial Statements*

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

*Fiscal Years Ended June 30, 2007 and 2006*

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund

Financial Statements

Fiscal years ended June 30, 2007 and 2006

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## INDEPENDENT AUDITORS' REPORT

The Honorable Janet Napolitano  
Governor of the State of Arizona, and  
Members of the Legislature

We have audited the accompanying basic financial statements of the Arizona Department of Transportation Highway Expansion and Extension Loan Program Fund (the "Fund") as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Arizona Department of Transportation's (the "Department") management. Our responsibility is to express an opinion on the respective financial statements based on our audits.

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

As discussed in Note 1A, the financial statements of the Fund of the Department are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities of the Department that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Fund as of June 30, 2007 and 2006, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Deloitte & Touche LLP*

November 15, 2007

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis  
June 30, 2007 and 2006

As management of the Arizona Department of Transportation, Highway Expansion and Extension Loan Program (HELP) Fund, we offer readers of the Fund's financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2007 and 2006. We encourage readers to consider the information presented here in conjunction with the Fund's financial statements and the accompanying notes to the basic financial statements.

### **Financial Highlights**

- The assets of the HELP Fund exceeded its liabilities by \$71,707,711 at the end of fiscal year 2007 as compared to \$67,713,248 at fiscal year end 2006 and \$65,273,296 at fiscal year end 2005. All of this amount may be used to meet the HELP Fund's operational needs for loans or other financial assistance.
- The HELP Fund's total net assets increased by \$3,994,463 and \$2,439,952 for fiscal years 2007 and 2006, respectively.
- Total loan amounts of \$5.8 million were disbursed from July 1, 2006 to June 30, 2007 and \$35.9 million from July 1, 2005 to June 30, 2006. Of the \$5.8 million disbursed in fiscal year 2007, \$3.3 million was disbursed to the City of Goodyear for the I-10 widening project, \$2.0 million was disbursed to the City of Kingman for the North Bank Street Reconstruction project and \$0.5 million was disbursed for other projects. Of the \$35.9 million disbursed in fiscal year 2006, \$30.5 million was disbursed for projects on the Maricopa County Regional Freeway System, \$4.8 million was disbursed to Pima County for the Alvernon Way construction project, and \$0.6 million was disbursed for other projects.

### **Fund Financial Statements**

**Fund accounting** The operations of the HELP Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses. Government resources are allocated to and accounted for based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various transactions are accounted for in one fund type as follows:

**Proprietary funds** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. An enterprise fund is used by the Arizona Department of Transportation (Department) to account for the HELP operation.

The Department's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis (continued)  
June 30, 2007 and 2006

**Financial Analysis**

In governmental financial statements, net assets may serve over time as a useful indicator of a government's financial position. The HELP Fund's net assets increased by \$3,994,463 and \$2,439,952 by the end of fiscal years 2007 and 2006, respectively.

**Table 1**  
**Highway Expansion and Extension Loan Program Fund's Net Assets**  
**as of June 30, 2007, 2006 and 2005**

	Business-type Activities		
	2007	2006	2005
Current assets	\$ 204,294,154	\$ 129,218,849	\$ 116,845,564
Non-current assets	41,967,252	109,007,095	114,896,628
Total assets	<u>246,261,406</u>	<u>238,225,944</u>	<u>231,742,192</u>
Current liabilities	154,553,695	18,230	14,430
Non-current liabilities	20,000,000	170,494,466	166,454,466
Total liabilities	<u>174,553,695</u>	<u>170,512,696</u>	<u>166,468,896</u>
Net assets			
Restricted	<u>71,707,711</u>	<u>67,713,248</u>	<u>65,273,296</u>
Total net assets	<u>\$ 71,707,711</u>	<u>\$ 67,713,248</u>	<u>\$ 65,273,296</u>

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

Changes in current assets for fiscal years 2007 and 2006 primarily related to changes in the percentage of loans becoming due in less than one year and to balances of cash on deposit with the State Treasurer. In fiscal year 2007, the current portion of loans receivables increased by \$33,628,836 and the cash on deposit with the State Treasurer increased by \$41,855,718. Cash on deposit with the State Treasurer increased primarily due to the need to repay the Series 2003 Board Funding Obligation (BFO) in fiscal year 2008. In fiscal year 2006, the current portion of loans receivables increased by \$22,552,729 which was partially offset by a reduction in cash on deposit with the State Treasurer of \$6,527,192.

In fiscal year 2007, non-current assets decreased by 61.5 percent related to changes in the percentage of loans becoming due in less than one year. In fiscal year 2006, non-current assets decreased by 5 percent as the percentage of loans becoming due in less than one year increased.

In fiscal year 2007, current liabilities increased and non-current liabilities decreased due to the fact that the principal and interest on the Series 2003 is to be repaid to the State Treasurer in fiscal year 2008.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis (continued)  
June 30, 2007 and 2006

**Table 2**  
**Highway Expansion and Extension Loan Program Fund's Changes in Net Assets**  
**for fiscal years ended June 30, 2007, 2006 and 2005**

	Business-type Activities		
	2007	2006	2005
Revenues:			
Operating revenues			
Interest on loans receivables	\$ 2,909,458	\$ 3,281,361	\$ 3,008,667
Non-operating revenues			
Interest on investments	<u>5,439,624</u>	<u>3,432,020</u>	<u>2,724,486</u>
Total revenues	<u>8,349,082</u>	<u>6,713,381</u>	<u>5,733,153</u>
Expenses:			
Operating expenses			
Interest on notes payable	4,040,000	4,040,000	4,040,000
Other	<u>314,619</u>	<u>233,429</u>	<u>319,732</u>
Total expenses	<u>4,354,619</u>	<u>4,273,429</u>	<u>4,359,732</u>
Increase <decrease> in net assets	3,994,463	2,439,952	1,373,421
Net assets - July 1	<u>67,713,248</u>	<u>65,273,296</u>	<u>63,899,875</u>
Net assets - June 30	<u>\$ 71,707,711</u>	<u>\$ 67,713,248</u>	<u>\$ 65,273,296</u>

At the end of fiscal years 2007 and 2006, the HELP Fund is able to report a positive balance of net assets.

The HELP Fund's interest on loans receivables revenues decreased by 11 percent in fiscal year 2007 as compared to an increase of 9 percent in fiscal year 2006. Lower average principal balances outstanding accounted for the decrease in interest on loans in fiscal year 2007. Higher average principal balances outstanding accounted for the increase in interest on loans in fiscal year 2006.

Higher average interest rates on invested cash due to prevailing market conditions during fiscal years 2007 and 2006 resulted in increased interest on investments of \$2,007,604 for fiscal year 2007 and \$707,534 for fiscal year 2006.

There was no change in the HELP Fund's interest expense on notes payable for fiscal year 2007. Other operating expenses increased by 35 percent in fiscal year 2007; salaries and benefits went up by \$63,264 due to an increase in the number of Department staff that charge salaries and benefits to the HELP Fund. Professional and outside services went up by \$17,926. In fiscal year 2006, other operating expenses decreased by 27 percent primarily due to a reduction in the number of Department staff that charge salaries and benefits to the HELP Fund.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Management's Discussion and Analysis (continued)  
June 30, 2007 and 2006

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

**Requests for information** This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the Fund's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Controller, Arizona Department of Transportation, 206 S. 17<sup>th</sup> Avenue, Phoenix, Arizona, 85007 or by visiting our website at [http://www.azdot.gov/Inside\\_ADOT/help/statementarchives.asp](http://www.azdot.gov/Inside_ADOT/help/statementarchives.asp)

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Statements of Net Assets  
June 30, 2007 and 2006

	2007	2006
<b>Assets</b>		
Current assets:		
Restricted cash on deposit with the State Treasurer (Note 1C)	\$ 130,631,610	\$ 88,775,892
Receivables:		
Accrued interest	746,190	430,840
Loans (Note 3A)	72,715,250	39,086,414
Due from other Arizona Department of Transportation funds	78,777	805,271
Due from Arizona counties and cities	122,327	120,432
Total current assets	204,294,154	129,218,849
Non-current assets:		
Receivables:		
Loans (Note 3A)	41,967,252	109,007,095
Total non-current assets	41,967,252	109,007,095
Total assets	246,261,406	238,225,944
<b>Liabilities</b>		
Current liabilities:		
Accrued payroll and other accrued expenses	5,350	5,209
Compensated absences	13,879	13,021
Notes payable (Note 3C)	154,534,466	-
Total current liabilities	154,553,695	18,230
Non-current liabilities:		
Advance from other Arizona Department of Transportation funds (Note 3B)	20,000,000	20,000,000
Notes payable (Note 3C)	-	150,494,466
Total non-current liabilities	20,000,000	170,494,466
Total liabilities	174,553,695	170,512,696
<b>Net assets</b>		
Restricted for loans and other financial assistance	71,707,711	67,713,248
Total net assets	\$ 71,707,711	\$ 67,713,248

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



Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Statements of Activities  
For the fiscal years ended June 30, 2007 and 2006

	2007	2006
<b>Operating revenues:</b>		
Interest on loans receivables	\$ 2,909,458	\$ 3,281,361
Total operating revenues	2,909,458	3,281,361
<b>Operating expenses:</b>		
Salaries and related benefits	197,042	133,778
Supplies	1,144	962
Professional and outside services	31,000	29,553
Travel	886	667
Interest on notes payable	4,040,000	4,040,000
Other	1,311	1,753
Total operating expenses	4,271,383	4,206,713
Operating loss	<1,361,925>	<925,352>
<b>Non-operating revenues &lt;expenses&gt;:</b>		
Interest on investments	5,439,624	3,432,020
Investment expense	<83,236>	<66,716>
Total non-operating revenues <expenses>	5,356,388	3,365,304
Change in net assets	3,994,463	2,439,952
Total net assets - July 1	67,713,248	65,273,296
<b>Total net assets - June 30</b>	<b>\$ 71,707,711</b>	<b>\$ 67,713,248</b>

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

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Statements of Cash Flows  
For the fiscal years ended June 30, 2007 and 2006

	2007	2006
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 3,634,058	\$ 7,090,026
Receipts from other funds	31,600,000	7,033,735
Receipts from other agencies	7,608,289	12,157,669
Payments to suppliers	<32,144>	<30,515>
Payments to employees	<196,930>	<130,645>
Payments to other funds	-	<31,018,600>
Payments to other agencies	<5,797,282>	<4,836,000>
Other payments	<1,311>	<1,753>
Net cash provided <used> by operating activities	<u>36,814,680</u>	<u>&lt;9,736,083&gt;</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	5,124,274	3,273,607
Investment expense	<83,236>	<66,716>
Net cash provided by investing activities	<u>5,041,038</u>	<u>3,206,891</u>
Net increase <decrease> in cash	41,855,718	<6,529,192>
Cash - July 1	88,775,892	95,305,084
<b>Cash - June 30</b>	<u>\$ 130,631,610</u>	<u>\$ 88,775,892</u>
<b>Reconciliation of operating income to net cash provided &lt;used&gt; by operating activities:</b>		
Operating loss	\$ <1,361,925>	\$ <925,352>
Net changes in assets and liabilities:		
Receivables	33,411,007	<16,663,196>
Due from other Arizona Department of Transportation funds	726,494	3,725,939
Due from Arizona counties and cities	<1,895>	82,726
Accrued payroll and other accrued expenses	141	899
Compensated absences	858	2,901
Notes payable	4,040,000	4,040,000
Net cash provided <used> by operating activities	<u>\$ 36,814,680</u>	<u>\$ &lt;9,736,083&gt;</u>

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

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements  
June 30, 2007 and 2006

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

**A. Reporting Entity**

The Arizona Department of Transportation (Department) was authorized in 1996 to administer a State Infrastructure Bank under a cooperative agreement with the Federal Highway Administration (FHWA), pursuant to Section 350 of the National Highway System Designation Act of 1995. The Highway Expansion and Extension Loan Program (HELP) was authorized to be established as Arizona's State Infrastructure Bank under Arizona Revised Statutes, Title 28, Chapter 21. The HELP Fund (Fund) was initially capitalized with grants from FHWA and state matching funds.

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

The Transportation Board may make loans or provide other financial assistance to qualified borrowers, including the Department, from monies in the Fund for eligible projects; enter into loan repayment agreements with recipients; and apply for, accept and administer grants and other financial assistance from the United States and from other public and private sources that are made for deposit in the Fund. HELP does not increase the Transportation Board's bonding authority.

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

The State Treasurer invests the cash balances of the Department.

The financial statements present only the funds comprising the Fund and are not intended to present fairly the financial position or results of operations of the Department.

The accounting policies of the Department conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2007 and 2006

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

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The economic resources measurement focus and the accrual basis of accounting are followed for reporting purposes. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Federal grants and reimbursements are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Department uses an enterprise fund to account for the Fund and for its loan distribution operation. The Fund can receive monies from the FHWA along with applicable state matching funds, State Transportation Board Funding Obligations, direct state appropriations and other lawfully available sources. The Transportation Board may use monies in the Fund to make eligible project loans or provide other financial assistance to qualified borrowers; subsidize interest rates; provide other forms and methods of financial assistance; and pay the costs to administer the Fund.

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

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

**C. Assets, Liabilities, and Net Assets**

***Deposits and Investments***

The cash balance is on deposit with the State Treasurer for pooled investment purposes and is not evidenced by securities that exist in physical or book entry form in the Fund's name. All investments are carried in the name of the State of Arizona. State statutes require the State Treasurer to invest these pooled funds in collateralized time certificates of deposit, repurchase agreements, obligations of the U.S. Government and other permitted investments. All investments are carried at fair value. These balances are not subject to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, classification because they are included in the state's investment pool.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2007 and 2006

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

The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. As of June 30, 2007 and 2006, the state's investment pool was not rated.

The Fund's investments are included in the state investment pool and these investments are not shown in the Fund's name. Therefore, the Fund presents its equity in the internal pool as required in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

***Receivables and Payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. All other outstanding balances between the Fund and the U.S. Government, Arizona counties and cities, and other state agencies are reported as "due to/from".

***Restricted Assets***

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

***Compensated Absences***

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

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

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
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maximum benefit value is \$30,000. The benefit is paid out in annual installments over three years. The

Retiree Accumulated Sick Leave Fund is accounted for on the State's financial statements as an Internal Service Fund.

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

*Net Assets*

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

**D. Revenues and Expenses**

Revenues and expenses of proprietary funds are classified as operating and non-operating and are sub-classified by object (e.g., salaries, travel, interest on notes payable, etc). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

**NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The expenses of the Fund are not governed by appropriations of the state legislature and therefore are not subject to the limitations of a legally adopted budget.

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2007 and 2006

**NOTE 3—DETAILED NOTES**

**A. Loans Receivables**

Loans receivables represent loans made pursuant to Loan Repayment Agreements. Eighteen loans have balances outstanding or are pending as of June 30, 2007, as follows:

PROJECT SPONSOR	LOAN DATE	INTEREST RATE*	AUTHORIZED LOAN AMOUNT	FINAL MATURITY	DRAWS TO DATE	OUTSTANDING LOAN BALANCE	DUE WITHIN ONE YEAR
ADOT	09/21/2001	3.30%	\$ 50,000,000	Dec-08	\$ 50,000,000	\$ 25,000,000	\$ 25,000,000
PIMA COUNTY	05/20/2005	3.06%	4,836,000	Jun-09	4,836,000	3,714,000	2,714,000
GILA COUNTY	04/19/2002	1.43%	1,237,500	Mar-09	1,237,500	433,095	247,500
GILA COUNTY	04/19/2002	1.81%	600,000	Jun-08	600,000	200,000	200,000
GILA COUNTY	04/19/2002	3.12%	487,500	Jun-08	487,500	365,625	243,750
REGIONAL FREEWAY SYSTEM	11/21/2003	1.44%	80,500,000	Aug-08	80,500,000	73,900,000	40,000,000
TOWN OF ORO VALLEY	02/20/2004	2.52%	5,000,000	Feb 08	5,000,000	2,500,000	2,500,000
CITY OF SAFFORD	08/16/2002	2.42%	2,000,000	Oct-07	2,000,000	180,000	180,000
TOWN OF THATCHER	08/16/2002	1.56%	2,000,000	Oct-07	2,000,000	180,000	180,000
TOWN OF MARANA	11/19/2004	2.51%	7,000,000	Mar-10	7,000,000	2,900,000	1,000,000
CITY OF TUCSON	08/20/2004	To be determined	12,293,000	Jan-09	-	-	-
CITY OF TUCSON	03/16/2007	To be determined	14,000,000	Jan-11	-	-	-
ADOT	11/19/2004	To be determined	18,500,000	Jul-09	-	-	-
CITY OF KINGMAN	09/23/2005	3.11%	2,000,000	Oct-10	2,000,000	2,000,000	450,000
CITY OF TOMBSTONE	11/18/2005	To be determined	150,000	Nov-10	-	-	-
MOHAVE COUNTY	04/21/2006	To be determined	8,700,000	Jun-10	-	-	-
CITY OF PHOENIX	11/18/2005	To be determined	11,900,000	Jun-10	-	-	-
CITY OF GOODYEAR	04/21/2006	3.13%	7,369,000	Jun-10	3,309,782	3,309,782	-
<b>TOTAL</b>			<b>\$ 228,573,000</b>		<b>\$ 158,970,782</b>	<b>\$ 114,682,502</b>	<b>\$ 72,715,250</b>

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

The activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Due Within One Year
Loans receivable	\$ 148,093,509	\$ 5,797,282	\$ <39,208,289>	\$ 114,682,502	\$ 72,715,250

Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2007 and 2006

**NOTE 3—DETAILED NOTES—Continued**

Twenty-one loans had balances outstanding or were pending as of June 30, 2006, as follows:

PROJECT SPONSOR	LOAN DATE	INTEREST RATE*	AUTHORIZED LOAN AMOUNT	FINAL MATURITY	DRAWS TO DATE	OUTSTANDING LOAN BALANCE	DUE WITHIN ONE YEAR
CITY OF YUMA	04/20/2001	1.65%	\$ 1,000,000	Dec-06	\$ 1,000,000	\$ 200,000	\$ 200,000
CITY OF YUMA	06/15/2001	1.77%	2,000,000	Jul-06	2,000,000	500,000	500,000
ADOT	09/21/2001	3.30%	50,000,000	Dec-08	50,000,000	50,000,000	25,000,000
PIMA COUNTY	12/14/2001	3.23%	3,700,000	Jul-07	3,700,000	702,771	702,771
PIMA COUNTY	12/14/2001	3.23%	1,400,000	Jul-07	1,400,000	200,000	200,000
GILA COUNTY	04/19/2002	1.43%	1,237,500	Mar-09	1,237,500	680,595	247,500
GILA COUNTY	04/19/2002	1.81%	600,000	Jun-08	600,000	400,000	200,000
GILA COUNTY	04/19/2002	To be determined	487,500	Jun-08	-	-	-
REGIONAL FREEWAY SYSTEM	11/21/2003	1.44%	80,500,000	Aug-08	80,500,000	80,500,000	6,600,000
TOWN OF ORO VALLEY	02/20/2004	2.52%	5,000,000	Feb 08	5,000,000	2,604,143	104,143
CITY OF SAFFORD	08/16/2002	2.42%	2,000,000	Oct-07	2,000,000	1,285,000	1,105,000
TOWN OF THATCHER	08/16/2002	1.56%	2,000,000	Oct-07	2,000,000	1,285,000	1,105,000
TOWN OF MARANA	11/19/2004	2.51%	7,000,000	Mar-10	7,000,000	4,900,000	2,000,000
CITY OF TUCSON	08/20/2004	To be determined	12,293,000	Jan-09	-	-	-
ADOT	11/19/2004	To be determined	18,500,000	Jul-09	-	-	-
PIMA COUNTY	05/20/2005	3.60%	4,836,000	Jun-09	4,836,000	4,836,000	1,122,000
CITY OF KINGMAN	09/23/2005	To be determined	2,000,000	Oct-10	-	-	-
CITY OF TOMBSTONE	11/18/2005	To be determined	150,000	Nov-10	-	-	-
MOHAVE COUNTY	04/21/2006	To be determined	8,700,000	Jun-10	-	-	-
CITY OF PHOENIX	11/18/2005	To be determined	11,900,000	Jun-10	-	-	-
CITY OF GOODYEAR	04/21/2006	To be determined	7,369,000	Jun-10	-	-	-
<b>TOTAL</b>			<b>\$ 222,673,000</b>		<b>\$ 161,273,500</b>	<b>\$ 148,093,509</b>	<b>\$ 39,086,414</b>

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

The activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Due Within One Year
Loans receivable	\$ 131,430,313	\$ 35,854,600	\$ <19,191,404>	\$ 148,093,509	\$ 39,086,414

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

Laws 1999, Chapter 2 (SB 1002) authorized the transfer of \$20,000,000 from the State Highway Fund to the HELP Fund in fiscal year 2000. This amount is shown as Advance to Other Funds in the State Highway Fund and Advance from Other Funds in this Fund. The Advance is due no later than December 31, 2008.

**C. Notes Payable**

Laws 1999, Chapter 189 (SB 1201) and Laws 2001, Chapter 238 (HB 2636) authorized a Board Funding Obligation (BFO) of \$140,000,000 to the Fund in fiscal year 2004. Interest accrued to date is \$14,534,466. The total principal amount of the BFO and interest is shown as Notes Payable. Both of the principal and interest on the BFO are due no later than June 2, 2008.



Arizona Department of Transportation  
Highway Expansion and Extension Loan Program Fund  
Notes to Financial Statements (continued)  
June 30, 2007 and 2006

**NOTE 4—OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Fund expects such amounts, if any, to be immaterial.

**B. Subsequent Events**

In August 2007, the Department repaid \$100,000,000 principal amount of the Series 2003 BFOs plus accrued interest of \$10,400,000. Concurrent with the repayment of the first \$50,000,000 of principal amount, the Department borrowed \$50,000,000 under a new series of BFOs (Series 2007) that are payable no later than August 2011.

House Bill 2793, which passed during the 2007 Legislative Session, became effective on September 19, 2007. This bill changes the authorized uses of the HELP Fund to include rural public transit capital projects. Up to \$10,000,000 of the monies in the HELP Fund may be used to make loans for eligible transit capital projects.