

*Financial Statements*

*Arizona Department of Transportation  
Maricopa County Regional Area Road Fund*

*Fiscal Year Ended June 30, 2000*

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Financial Statements

Fiscal year ended June 30, 2000

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## Report of Independent Auditors

Transportation Board of the State of Arizona  
Arizona Department of Transportation

We have audited the accompanying balance sheet of the Maricopa County Regional Area Road Fund of the Arizona Department of Transportation as of June 30, 2000, and the related statement of revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Arizona Department of Transportation's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Maricopa County Regional Area Road Fund are intended to present the financial position and results of operations of only the funds and account group of the Arizona Department of Transportation that are attributable to the transactions of the Maricopa County Regional Area Road Fund.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maricopa County Regional Area Road Fund of the Arizona Department of Transportation, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

October 13, 2000

Arizona Department of Transportation  
 Maricopa County Regional Area Road Fund  
 Balance Sheet  
 June 30, 2000

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	Construction Account (Special Revenue Fund)	Bond Account (Debt Service Fund)	General Long- Term Debt Account Group	
<b>Assets and other debits</b>				
Cash and cash equivalents on deposit with the State Treasurer	\$ 133,281,122	\$ 16,165,069	\$ -	\$ 149,446,191
Receivables:				
Notes	4,686,494	-	-	4,686,494
Accrued interest	1,194,720	1,614,159	-	2,808,879
Other	7,003,709	-	-	7,003,709
Due from U.S. Government for reimbursable construction costs	324,036	-	-	324,036
Due from other Arizona Department of Transportation funds	368,312	-	-	368,312
Due from Arizona counties, cities and other state agencies	21,291,975	-	-	21,291,975
Amount available in debt service fund for retirement of general long-term debt	-	-	17,779,228	17,779,228
Amount to be provided for retirement of general long-term debt	-	-	710,649,195	710,649,195
<b>Total assets and other debits</b>	<b>\$ 168,150,368</b>	<b>\$ 17,779,228</b>	<b>\$ 728,428,423</b>	<b>\$ 914,358,019</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Construction contracts payable	\$ 11,161,125	\$ -	\$ -	\$ 11,161,125
Accounts payable	3,011,246	-	-	3,011,246
Accrued payroll and other accrued expenditures	2,912	-	-	2,912
Due to other Arizona Department of Transportation funds	2,521,773	-	-	2,521,773
Federal arbitrage rebate	1,512,260	-	-	1,512,260
Bonds payable	-	-	728,428,423	728,428,423
<b>Total liabilities</b>	<b>18,209,316</b>	<b>-</b>	<b>728,428,423</b>	<b>746,637,739</b>
Fund balances - reserved for highway construction	149,941,052	17,779,228	-	167,720,280
<b>Total liabilities and fund balances</b>	<b>\$ 168,150,368</b>	<b>\$ 17,779,228</b>	<b>\$ 728,428,423</b>	<b>\$ 914,358,019</b>

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

Arizona Department of Transportation  
 Maricopa County Regional Area Road Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the fiscal year ended June 30, 2000

	Governmental Fund Types			Totals (Memorandum Only)
	Construction Account (Special Revenue Fund)	Bond Proceeds Account (Capital Projects Fund)	Bond Account (Debt Service Fund)	
<b>Revenues:</b>				
Transportation excise tax	\$ 248,595,990	\$ -	\$ -	\$ 248,595,990
Federal grants and reimbursements	29,854,254	-	-	29,854,254
Reimbursements from Arizona counties, cities and other state agencies	15,496,949	-	-	15,496,949
Interest	6,989,597	2,960,119	6,016,936	15,966,652
Other	2,525,795	60	-	2,525,855
<b>Total revenues</b>	<u>303,462,585</u>	<u>2,960,179</u>	<u>6,016,936</u>	<u>312,439,700</u>
<b>Expenditures:</b>				
Capital outlay - highway construction	90,895,073	123,003,897	-	213,898,970
Distributions to other state agencies	10,117,567	-	-	10,117,567
Debt Service:				
Principal	-	-	128,805,000	128,805,000
Interest	-	-	42,609,206	42,609,206
Bond issuance costs	-	-	46,400	46,400
Federal arbitrage rebate	155,863	-	-	155,863
Other	-	-	77,723	77,723
<b>Total expenditures</b>	<u>101,168,503</u>	<u>123,003,897</u>	<u>171,538,329</u>	<u>395,710,729</u>
Excess <deficiency> of revenues over <under> expenditures	202,294,082	<120,043,718>	<165,521,393>	<83,271,029>
<b>Other financing sources &lt;uses&gt;:</b>				
Operating transfers in	84,950	-	150,635,700	150,720,650
Proceeds from sale of bonds	-	119,107,028	-	119,107,028
Proceeds from refunding bonds	-	-	4,702,686	4,702,686
Payment to refunded bond escrow agent	-	-	<4,640,000>	<4,640,000>
Operating transfers out:				
Debt service	<150,635,700>	-	-	<150,635,700>
Other	<17,188,201>	<7,352,968>	-	<24,541,169>
<b>Total other financing sources &lt;uses&gt;</b>	<u>&lt;167,738,951&gt;</u>	<u>111,754,060</u>	<u>150,698,386</u>	<u>94,713,495</u>
Excess <deficiency> of revenues and other financing sources over <under> expenditures and other financing uses	34,555,131	<8,289,658>	<14,823,007>	11,442,466
Fund balances, July 1	115,385,921	8,289,658	32,602,235	156,277,814
<b>Fund balances, June 30</b>	<u>\$ 149,941,052</u>	<u>\$ -</u>	<u>\$ 17,779,228</u>	<u>\$ 167,720,280</u>

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

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements

June 30, 2000

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maricopa County Regional Area Road Fund (Fund) was established under Title 28, Chapter 17, Article 1 of the Arizona Revised Statutes. The Fund accounts for the proceeds of Transportation Excise Tax Revenue Bonds issued by the Transportation Board of the State of Arizona Department of Transportation (Transportation Board) and Transportation Excise Tax revenues.

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 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 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 financial statements present only the funds and account group 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 as applicable to governments. The following is a summary of the more significant policies:

*Fund Accounting*

The accounts of the Fund 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 balance, revenues, and expenditures. 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 transactions are accounted for in three fund types and one account group as follows:

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

GOVERNMENTAL FUNDS

- Special Revenue Fund - The Special Revenue Fund receives Maricopa County transportation excise tax monies collected by the Department of Revenue after the monthly debt service requirements are fully satisfied. These monies are expended for the construction of controlled-access highways which are included in the Regional Transportation Plan of Maricopa County and which are accepted in the Arizona highway system.
- Debt Service Fund - The Debt Service Fund administers the payment of principal and interest on all bonds outstanding under the bond resolutions and includes the Debt Service Reserve subaccount.
- Capital Projects Fund - The Capital Projects Fund administers the use of the net proceeds of any bonds issued pursuant to the bond resolutions. The bond proceeds are applied to the payment of certain bond related expenditures and construction expenditures and the funding of certain debt service reserve requirements.

ACCOUNT GROUP

- General Long-Term Debt - Long-term liabilities related to the Fund are accounted for in the General Long-Term Debt Account Group.

*Basis of Accounting*

The modified accrual basis of accounting is followed for reporting purposes. Under the modified accrual basis of accounting, expenditures, other than interest on long-term debt, are recorded when the related liability is incurred and revenues are recorded 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 pay liabilities of the current period. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are transportation excise tax, Federal grants and reimbursements, and reimbursements from Arizona counties, cities and other state agencies for construction costs incurred by the Department. Federal grant revenues 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.

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

*Budgets and Budgetary Accounting*

The expenditures 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.

The Transportation Board annually approves the five-year construction program for the Maricopa County Regional Area Road Construction and Bond Proceeds Funds. This program lists all planned construction projects for the next five years and the related program budget. Debt service payments are made in accordance with the requirements under the relevant bond resolution.

*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 Fund as a budgetary control mechanism. However, outstanding encumbrances lapse at year-end. Accordingly, no reserve for encumbrances is reflected in the accompanying financial statements.

*Transactions between Departmental Funds*

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

*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.

*Loan Losses and Revenue*

Each mortgage loan is analyzed on an individual basis to determine a reserve for loan losses based on delinquency. Interest revenues are recognized when received.



Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

*Use of Estimates*

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.

*Memorandum Only Totals*

The “Memorandum Only” total columns have been presented in the financial statements only to facilitate financial analysis. This information is not comparable to a consolidation and interfund eliminations have not been made in the aggregation of the information.

NOTE 2—CASH AND CASH EQUIVALENTS

The 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 Fund’s name. Cash equivalents are defined as short-term, highly liquid investments (investments with original maturities of three months or less). All investments are carried in the name of the State of Arizona. State statutes require the State Treasurer to maintain separate investment accounts for the portions of the Maricopa County Regional Area Road Bond and Bond Proceeds Funds relating to the Transportation Excise Tax Revenue Bond issues. These funds may be invested primarily in obligations of the U.S. Government. All investments are carried at cost, which approximates fair value.

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 assignments, on securities, aggregating \$11,064,557 in lieu of contractor retentions for construction in the Special Revenue Fund. These securities are not reflected in the accompanying financial statements.

NOTE 4—NOTES RECEIVABLE

Notes receivable represents real estate mortgage loans made to individuals purchasing homes previously owned by the Department for construction of highways that are no longer needed because the highway was canceled. The loans were made at a fixed rate and mature ten years from the date of origination.

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 5—BONDS PAYABLE

Bonds payable at June 30, 2000, related to the Maricopa County Regional Area Road Fund State of Arizona Transportation Excise Tax Revenue Bonds are comprised of the following individual issues:

1988 Series A, authorized by the Transportation Board on September 22, 1988, Capital Appreciation Bonds, face amount of \$73,000,000 less unamortized discount of \$15,081,577 due in varying annual installments beginning in 2002 at an approximate yield of 7.3 percent to 7.5 percent, through July 1, 2005	\$ 57,918,423
1992 Series A, refunding, authorized by the Transportation Board on October 1, 1992, due in varying annual installments plus semiannual interest at rates ranging from 5.4 percent to 5.8 percent, through July 1, 2005	127,020,000
1992 Series B, authorized by the Transportation Board on October 1, 1992, due in varying annual installments plus semiannual interest at rates ranging from 5.4 percent to 5.8 percent, through July 1, 2005	13,955,000
1993 Series, subordinated, refunding authorized by the Transportation Board on December 10, 1993, due in varying annual installments plus semiannual interest at rates ranging from 4.4 percent to 5.6 percent, through July 1, 2005	122,065,000
1995 Series A, subordinated, authorized by the Transportation Board on October 5, 1995, due in varying annual installments plus semiannual interest at rates ranging from 4.5 percent to 6.5 percent, through July 1, 2005	77,440,000
1995 Series B, subordinated, refunding, authorized by the Transportation Board on October 5, 1995, due in varying annual installments plus semiannual interest at rates ranging from 4.5 percent to 6.5 percent, through July 1, 2005	86,195,000
1998 Series A authorized by the Transportation Board on June 15, 1998, due in varying annual installments plus semiannual interest at rates ranging from 4.0 percent to 5.0 percent, through July 1, 2005	136,135,000
1999 Series, subordinated, authorized by the Transportation Board on June 15, 1999, due in varying annual installments plus semiannual interest at rates ranging from 4.75 percent to 5.25 percent, through July 1, 2005	<u>107,700,000</u>
	<u>\$ 728,428,423</u>

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 5—BONDS PAYABLE—Continued

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

	Balance July 1, 1999	Additions	Retirements	Amortization of Discount	Balance June 30, 2000
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	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	-	<u>124,695,000</u>	<u>16,995,000</u>	-	<u>107,700,000</u>
Total general long-term debt	<u>\$ 733,146,710</u>	<u>\$ 124,695,000</u>	<u>\$ 133,445,000</u>	<u>\$ 4,031,713</u>	<u>\$ 728,428,423</u>

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 5—BONDS PAYABLE—Continued

Future debt service requirements of the Transportation Excise Tax Revenue Bonds outstanding at June 30, 2000, related to the Fund are as follows:

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
	<u>\$ 73,000,000</u>	<u>\$ -</u>	<u>\$ 127,020,000</u>	<u>\$ 22,930,513</u>	<u>\$ 13,955,000</u>	<u>\$ 2,459,628</u>

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
	<u>\$ 122,065,000</u>	<u>\$ 18,427,495</u>	<u>\$ 77,440,000</u>	<u>\$ 14,422,075</u>	<u>\$ 86,195,000</u>	<u>\$ 17,712,513</u>

Fiscal Year	1998 Series A Bonds		1999 Series Subordinated Bonds	
	Principal	Interest	Principal	Interest
2001	\$ 37,985,000	\$ 6,697,250	\$ 31,645,000	\$ 5,356,875
2002	21,580,000	4,818,000	17,685,000	3,853,738
2003	25,865,000	3,757,000	18,555,000	2,969,487
2004	25,615,000	2,481,750	19,420,000	2,041,737
2005	25,090,000	1,217,000	20,395,000	1,070,738
	<u>\$ 136,135,000</u>	<u>\$ 18,971,000</u>	<u>\$ 107,700,000</u>	<u>\$ 15,292,575</u>

Fiscal Year	Total Bonds		
	Principal	Interest	Total
2001	\$ 135,370,000	\$ 35,406,817	\$ 170,776,817
2002	\$ 142,085,000	\$ 28,690,991	170,775,991
2003	\$ 148,690,000	\$ 22,076,380	170,766,380
2004	\$ 155,095,000	\$ 15,606,647	170,701,647
2005	\$ 162,270,000	\$ 8,434,964	170,704,964
	<u>\$ 743,510,000</u>	<u>\$ 110,215,799</u>	<u>\$ 853,725,799</u>

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 5—BONDS PAYABLE—Continued

The bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The 1993 Series Bonds, the 1995 Series A and B Bonds and the 1999 Series Bonds are subordinate to the other senior Transportation Excise Tax Revenue Bonds. The Transportation Board may issue additional subordinated Transportation Excise Tax Revenue Bonds as long as the amount of transportation excise tax deposited with the Fund (plus any other monies deposited during the period) in any 12 consecutive months out of the 18 months prior to the issuance date of the proposed bonds is not less than 120 percent of the greatest combined adjusted aggregate debt service for all senior and subordinated bonds in the current or future bond years, including any proposed bonds. The Transportation Board may issue additional senior Transportation Excise Tax Bonds if the above condition is met and also if the amount of transportation excise tax deposited (plus any other monies deposited during the period) for the same period is not less than 200 percent of the greatest adjusted aggregate debt service for all senior bonds.

Bonds aggregating \$122,065,000 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 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 \$621,445,000 are not subject to redemption.

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, which were issued by MBIA Insurance Corporation and the 1995 Series A and B Subordinated bonds which were issued by AMBAC Assurance Corporation. These policies are noncancelable and insure payment, up to the policy amount, of the bond principal and interest on their respective payment dates. The policies shall terminate on the earlier of July 1, 2005, or the date when no bonds are outstanding under the Bond Resolution.

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.

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 5—BONDS PAYABLE—Continued

On July 21, 1999, the Department issued \$124,695,000 in 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 present values of the debt service payments on the old and new debt) of \$55,927.

*Refunded Bonds*

In prior years, the Fund 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 accompanying financial statements. Refunded Bonds of the Fund outstanding as of June 30, 2000, are \$8,996,156 of the 1988 Series A Capital Appreciation Bonds.

NOTE 6—COMMITMENTS UNDER CONSTRUCTION CONTRACTS

The Fund had outstanding commitments under construction contracts of approximately \$98,490,000 at June 30, 2000.

Arizona Department of Transportation  
Maricopa County Regional Area Road Fund

Notes to Financial Statements (continued)

NOTE 7—CONTINGENCIES

Amounts received 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 Fund expects such amounts, if any, to be immaterial.

NOTE 8—TRANSPORTATION EXCISE TAX

In the 1985 regular session, the Legislature of the State of Arizona enacted transportation financing legislation. This legislation gives each county's voters the option of approving up to a 10 percent increase in existing transaction privilege taxes for highway purposes. Pursuant to this legislation, on October 8, 1985, Maricopa County (the County) voters approved a referendum providing for an increase in the transaction privilege tax (the Excise Tax) to finance the construction of certain controlled-access highways in the County. The Excise Tax is levied upon persons engaging in business activities within the County who are subject to the State of Arizona transaction privilege tax. Collection of the Excise Tax in the County commenced on January 1, 1986. The Excise Tax levy is currently scheduled to expire December 31, 2005. Revenues from the Excise Tax are collected by the Department of Revenue of the State of Arizona and are transferred to the State Treasurer for deposit into the Fund.

NOTE 9—SUBSEQUENT EVENT

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 highways within Maricopa County, Arizona and (ii) pay costs 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).