

## OFFICIAL STATEMENT

**NEW ISSUE – BOOK-ENTRY-ONLY**

**RATINGS: S&P's: "AA+"**

**Moody's: "Aa1"**

**See "Ratings" herein**

**\$794,775,000**

**ARIZONA TRANSPORTATION BOARD  
HIGHWAY REVENUE AND REVENUE REFUNDING BONDS  
SERIES 2026**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside front cover page**

The Highway Revenue and Revenue Refunding Bonds, Series 2026 (the "Series 2026 Bonds") are being issued by the Arizona Transportation Board (the "Board") pursuant to the Senior Bond Resolution described below. The Series 2026 Bonds will be dated the date of initial delivery thereof, will mature on July 1 of the years and in the amounts, and will bear interest from their dated date at the rates per annum, all as shown on the inside front cover page hereof. Initially, the Series 2026 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2026 Bonds. Purchases of beneficial interests in the Series 2026 Bonds will be made in book-entry-only form in denominations of \$5,000 of principal or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Series 2026 Bonds.

Interest on the Series 2026 Bonds will be payable on July 1, 2026 and on each January 1 and July 1 thereafter until maturity or prior redemption. Principal of the Series 2026 Bonds will be payable annually in accordance with the schedule set forth on the inside front cover page. So long as the Series 2026 Bonds are registered in the name of DTC, or its nominee, payments of the principal of and interest on the Series 2026 Bonds will be made directly by the paying agent, initially U.S. Bank Trust Company, National Association, to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Series 2026 Bonds, as described herein.

The Series 2026 Bonds are subject to redemption prior to their stated maturity dates as described under the "THE SERIES 2026 BONDS – Redemption Provisions" herein.

The Series 2026 Bonds are issued pursuant to a resolution adopted by the Board on May 1, 1980, as supplemented (the "Senior Bond Resolution"), on a parity as to security and source of payment with the previously issued Series 2016 Bonds, Series 2020 Bonds and Series 2023 Bonds of the Board to be outstanding after issuance of the Series 2026 Bonds, and any additional Senior Bonds subsequently issued on a parity therewith (collectively, the "Senior Bonds"). Proceeds of the Series 2026 Bonds are intended to be used for the purposes of (i) financing portions of the Board's Five-Year Capital Program; (ii) refunding the Bonds to be Refunded (as defined herein) in advance of their respective maturity dates; and (iii) paying costs of issuing the Series 2026 Bonds. See "PLAN OF FINANCE" and "PLAN OF REFUNDING" herein.

**The Series 2026 Bonds and all other Senior Bonds are special obligations of the Board payable from and secured solely by a first lien on and pledge of the Pledged Revenues (as defined herein), which consist of a portion of the moneys derived from fees, excises, or license taxes relating to registration, operation or use of vehicles on the public highways of the State of Arizona (the "State"), and from motor vehicle fuel taxes that are deposited into the State Highway Fund, all as described herein. The Series 2026 Bonds are not obligations, general, special or otherwise, of the State, do not constitute a legal debt of the State, and are not enforceable against the State out of any moneys other than Pledged Revenues, as provided in the Senior Bond Resolution.**

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2026 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and (ii) interest on the Series 2026 Bonds is exempt from Arizona state income taxes. Interest on the Series 2026 Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

This cover page contains only a brief description of the Series 2026 Bonds and the security therefor. It is not a summary of material information with respect to the Series 2026 Bonds. Investors should read this entire Official Statement to obtain information necessary to make an informed investment decision.

*The Series 2026 Bonds are offered when, as and if issued and received by the underwriters identified below (collectively, the "Underwriters"), subject to the opinion on certain legal matters relating to their issuance by Squire Patton Boggs (US) LLP, Bond Counsel to the Board, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP. It is expected that the Series 2026 Bonds will be available for delivery in book-entry form through the facilities of DTC or its agent, on or about April 7, 2026.*

**Wells Fargo Securities  
Morgan Stanley  
Jefferies  
Piper Sandler**

**J.P. Morgan  
Stifel  
Loop Capital Markets  
Siebert Williams Shank**

March 3, 2026

**\$794,775,000**  
**ARIZONA TRANSPORTATION BOARD**  
**HIGHWAY REVENUE AND REVENUE REFUNDING BONDS**  
**SERIES 2026**

**MATURITY SCHEDULE**

<b>Year (July 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP <sup>(a)</sup> (040654)</b>
2027	\$57,440,000	5.00%	2.17%	YQ2
2028	61,190,000	5.00	2.20	YR0
2029	61,305,000	5.00	2.25	YS8
2030	62,520,000	5.00	2.30	YT6
2031	36,890,000	5.00	2.37	YU3
2032	36,700,000	5.00	2.51	YV1
2033	40,635,000	5.00	2.60	YW9
2034	42,670,000	5.00	2.69	YX7
2035	43,125,000	5.00	2.81	YY5
2036	42,460,000	5.00	2.92	YZ2
2037	38,165,000	5.00	3.02 <sup>(b)</sup>	ZA6
2038	40,070,000	5.00	3.15 <sup>(b)</sup>	ZB4
2039	25,000,000	5.00	3.29 <sup>(b)</sup>	ZC2
2040	25,375,000	5.00	3.33 <sup>(b)</sup>	ZD0
2041	26,645,000	5.00	3.43 <sup>(b)</sup>	ZE8
2042	27,975,000	5.00	3.55 <sup>(b)</sup>	ZF5
2043	29,375,000	5.00	3.67 <sup>(b)</sup>	ZG3
2044	30,845,000	5.00	3.77 <sup>(b)</sup>	ZH1
2045	32,385,000	5.00	3.91 <sup>(b)</sup>	ZJ7
2046	34,005,000	5.00	4.03 <sup>(b)</sup>	ZK4

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(b) Yield calculated to the first optional redemption date of July 1, 2036.

## STATE OF ARIZONA

Katie Hobbs  
*Governor*

### ARIZONA TRANSPORTATION BOARD

Ted Maxwell  
*Chair*

Jenny Howard  
*Vice Chair*

Bruce Bracker  
*Member*

Sam Elters  
*Member*

John Giles  
*Member*

Alexis Hermosillo  
*Member*

Jamescita Peshlakai  
*Member*

### STATE OF ARIZONA DEPARTMENT OF TRANSPORTATION

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Greg D. Byres, P.E.  
*Deputy Director for Business  
Enterprise*

Wayde Webb  
*Deputy Director and Chief  
Operating Officer*

Tim Newton  
*Assistant Director of Financial  
Management Services and Chief  
Financial Officer*

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*Deputy Director and State  
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Jeromy Neumann  
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Multimodal Planning Division*

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Delivery and Operations Division*

Steve West  
*Assistant Director of  
Information Technology Group*

### MUNICIPAL ADVISOR

RBC Capital Markets, LLC  
Phoenix, Arizona

### BOND COUNSEL

Squire Patton Boggs (US) LLP  
Phoenix, Arizona

### CONTACT PERSON CONCERNING THIS OFFERING:

Arizona Department of Transportation  
Tim Newton  
(602) 712-6721

No dealer, broker, person or other salesperson has been authorized to give any information or to make any representations, other than those contained in this Official Statement, including the cover page, inside front cover page and Appendices attached hereto, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the State of Arizona, the Arizona Transportation Board (the “Board”), or the State of Arizona Department of Transportation (the “Department”). This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the Board’s Highway Revenue and Revenue Refunding Bonds, Series 2026 (the “Series 2026 Bonds”), by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been obtained from the Board, the Department and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. **This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. This Official Statement contains projections and forecasts which are forward looking statements concerning facts which may or may not occur in the future. All such forward looking statements may not be realized and must be viewed with an abundance of caution.** The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Arizona, the Board, or the Department since the date hereof.

The Board and the Department have undertaken to provide continuing disclosure with respect to the Series 2026 Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE UNDERTAKING” and APPENDIX C – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

The information in APPENDIX D – “BOOK-ENTRY-ONLY SYSTEM” attached hereto has been furnished by The Depository Trust Company and no representation has been made by the Board, the Department, the Underwriters, the Municipal Advisor or any of their counsel or agents, as to the accuracy or completeness of such information.

A wide variety of other information, including financial information, concerning the Board and the Department is available from publications and websites of the Board and the Department and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.

The Series 2026 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has passed upon the accuracy of this Official Statement.

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
THE SERIES 2026 BONDS .....	2
General Description .....	2
Redemption Provisions .....	3
Exchange and Transfer .....	4
Defeasance .....	4
PLAN OF FINANCE.....	5
PLAN OF REFUNDING.....	5
VERIFICATION OF MATHEMATICAL COMPUTATIONS .....	6
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS .....	6
Legal Authority.....	6
General.....	7
Special Obligations.....	7
Pledged Revenues.....	7
Additional Bonds .....	8
Amendments to 2026 Resolution.....	10
SOURCES AND APPLICATION OF PLEDGED REVENUES.....	11
Arizona Highway User Revenue Fund .....	11
Arizona Highway User Revenues .....	13
Legislative Modifications .....	14
Funds and Accounts and Application of Pledged Revenues.....	16
REVENUES AND DEBT SERVICE COVERAGE .....	19
Historical Revenues .....	19
Projected Revenues.....	19
Debt Service Requirements, Forecasted Pledged Revenues and Projected Debt Service Coverage...	22
MANAGEMENT OF STATE HIGHWAY PROGRAM .....	23
Arizona Transportation Board .....	23
Arizona Department of Transportation .....	24
Summary of Revenues, Expenditures and Changes in Fund Balances .....	30
Sunset Laws .....	32
Factors and Events that Could Impact Department Revenues .....	32
LITIGATION.....	34
LEGAL INVESTMENT.....	34
TAX MATTERS.....	34
Risk of Future Legislative Changes and/or Court Decisions .....	35
Original Issue Discount and Original Issue Premium .....	36
INDEPENDENT AUDITORS.....	36
CONTINUING DISCLOSURE UNDERTAKING .....	36
RATINGS .....	37
CERTAIN LEGAL MATTERS.....	37
MUNICIPAL ADVISOR .....	38
UNDERWRITING .....	38
MISCELLANEOUS .....	39
APPENDIX A – ARIZONA DEPARTMENT OF TRANSPORTATION – FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025 WITH REPORT OF INDEPENDENT AUDITORS	
APPENDIX B – PROPOSED FORM OF BOND COUNSEL OPINION	
APPENDIX C – FORM OF CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX D – BOOK-ENTRY-ONLY SYSTEM	

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## OFFICIAL STATEMENT

**\$794,775,000**

### **ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE AND REVENUE REFUNDING BONDS SERIES 2026**

#### **INTRODUCTION**

*This Introduction is not a summary of this Official Statement, but is only a brief description of and a guide to, and is qualified by, more complete information contained in this entire Official Statement which includes the cover page, inside front cover page and appendices hereto, and the documents described herein.*

This Official Statement provides certain information in connection with the original sale and issuance by the Arizona Transportation Board (the “Board”) of its Highway Revenue and Revenue Refunding Bonds, Series 2026 (the “Series 2026 Bonds”).

The Series 2026 Bonds are issued pursuant to the State Highway Bonding Authorization Law, Title 28, Chapter 21, Article 1, Arizona Revised Statutes, as amended (the “Act”), and under and pursuant to a resolution adopted by the Board on May 1, 1980, as supplemented to date, including by a supplemental resolution adopted on January 16, 2026 (the “2026 Resolution”) authorizing the Series 2026 Bonds (collectively, the “Senior Bond Resolution”).

Proceeds of the Series 2026 Bonds are intended to be used for the purposes of (i) financing portions of the Board’s Five-Year Capital Program in an approximate amount of \$690.5 million; (ii) refunding the Bonds to be Refunded (as defined herein) in advance of their respective maturity dates; and (iii) paying the costs of issuing the Series 2026 Bonds. See “PLAN OF FINANCE” and “PLAN OF REFUNDING” herein.

The Series 2026 Bonds are special obligations of the Board. The principal of, premium, if any, and interest on the Series 2026 Bonds, together with the Outstanding Senior Bonds (as defined herein), are payable solely from and secured solely by a first pledge of and lien on the Pledged Revenues as provided in the Senior Bond Resolution, as defined and as more fully described under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS.” Additional bonds may be issued on a parity with the Board’s Outstanding Senior Bonds (“Additional Senior Bonds”) under the conditions and in the manner provided in the Senior Bond Resolution and pursuant to State of Arizona (the “State”) statutes. The Series 2026 Bonds, the Outstanding Senior Bonds and any Additional Senior Bonds are collectively referred to as the “Senior Bonds.”

**The Series 2026 Bonds are not obligations, general, special or otherwise, of the State, do not constitute a legal debt of the State and are not enforceable against the State, nor shall payment thereof be enforceable out of any funds of the State, the Board, or the State of Arizona Department of Transportation (the “Department”) other than the Pledged Revenues, as provided in the Senior Bond Resolution.**

The Series 2026 Bonds are issued on a parity as to security and source of payment with the Board’s Outstanding Senior Bonds to be outstanding immediately after the delivery of the Series 2026 Bonds, being the: Highway Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), Highway Revenue Refunding Bonds, Taxable Series 2020 (the “Series 2020 Bonds”), and Highway Revenue and Revenue Refunding Bonds, Series 2023 (the “Series 2023 Bonds”).

Prior to the delivery of the Series 2026 Bonds, the Board is planning to defease \$199,820,000 principal amount of the Series 2020 Bonds maturing on July 1, 2027 through July 1, 2038 in a separate transaction using unrestricted cash balances of the Board (the “Cash Defeasance”). The aggregate principal amount of Senior Bonds that will be outstanding immediately after delivery of the Series 2026 Bonds, and after giving effect to the Cash Defeasance and the refunding of the Bonds to be Refunded will be \$1,119,385,000.

In addition, the Board may issue bonds payable solely from and secured solely by a subordinated and junior lien on the Pledged Revenues (the “Subordinated Bonds”), which may be issued under and pursuant to the Act and a resolution adopted by the Board on September 27, 1991, as supplemented (the “Subordinated Bond Resolution”). The Subordinated Bond Resolution and the Senior Bond Resolution are sometimes hereinafter referred to as the “Bond Resolutions.” Subordinated Bonds are payable solely from and secured solely by a lien on and pledge of the Pledged Revenues which is subordinate in all respects to payments required for the benefit of the Owners of the Subordinated Bonds. No Subordinated Bonds are currently outstanding.

Payments on the Series 2026 Bonds are not subject to annual appropriation by the Legislature of the State nor are payments on the Series 2026 Bonds subject to any constitutional or statutory limitation on expenditures.

The Arizona Legislature has previously and may in the future amend the Act and other statutes that govern Pledged Revenues. However, any such amendments would be subject to the covenants of the Board in the Bond Resolutions that the State will not limit or alter the rights vested in the Board to collect such fees and taxes as may be necessary to produce sufficient revenues to fulfill the terms of such Bond Resolutions and any agreements made with the Owners of the Senior Bonds and the Subordinated Bonds or in any way impair the rights and remedies of such Owners until all Senior Bonds and Subordinated Bonds, together with interest thereon and interest on unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of any Owners, are fully met and discharged. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS – Pledged Revenues.”

This Official Statement describes the terms of and security for the Series 2026 Bonds and the use of proceeds of the Series 2026 Bonds. Also included are summaries of certain provisions of the Bond Resolutions and of certain State statutes. These descriptions do not purport to be comprehensive or definitive. All references herein to the Bond Resolutions are qualified in their entirety by reference to the definitive forms thereof, all references to the Series 2026 Bonds are qualified by the forms thereof contained in the Bond Resolutions and are further qualified in their entirety by reference to bankruptcy and other laws and principles of equity relating to or affecting the enforceability of creditors’ rights. Capitalized terms not defined herein shall have the meanings set forth in the Bond Resolutions. Copies of the Bond Resolutions may be obtained as set forth under “MISCELLANEOUS.”

## **THE SERIES 2026 BONDS**

### **General Description**

The Series 2026 Bonds are issuable as fully registered bonds. The Series 2026 Bonds will bear interest from their respective dates of initial delivery, at the rates, and will mature on the dates and in the amounts, all as set forth on the inside front cover page hereof. As described in APPENDIX D – “BOOK-ENTRY-ONLY SYSTEM,” the Series 2026 Bonds will be registered in the name of Cede & Co., as registered Owner and nominee of The Depository Trust Company (“DTC”). So long as DTC, or its nominee, Cede & Co., is registered Owner of all of the Series 2026 Bonds, all payments with respect to the Series 2026 Bonds will be made directly to DTC.

So long as Cede & Co. is the registered Owner of the Series 2026 Bonds references herein to “Owners” or registered owners of the Series 2026 Bonds (other than under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the owners of book-entry-only interests in the Series 2026 Bonds as described in APPENDIX D (the “Beneficial Owners”). When notices are given under the Senior Bond Resolution, they will be sent by the Board or the paying agent or bond registrar, initially U.S. Bank Trust Company, National Association (and its successors the “Paying Agent” or “Bond Registrar”) to DTC only, as the Owner. When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes.

The Series 2026 Bonds initially will be dated as shown on the cover page, and will be issued in denominations of \$5,000 of principal or any integral multiple thereof. Interest on the Series 2026 Bonds will be payable on July 1, 2026 and on each January 1 and July 1 thereafter (each such date is referred to herein as an “Interest Payment Date”) until maturity or prior redemption. Interest on the Series 2026 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2026 Bonds will be payable by the Paying Agent on each Interest Payment Date to the Owners thereof as shown on the registration books maintained by the Bond Registrar, at

the address appearing therein, at the close of business of the Bond Registrar on the 15<sup>th</sup> day next preceding such Interest Payment Date (the “Regular Record Date”). So long as the Series 2026 Bonds are registered in the name of Cede & Co., payments of the principal of and interest on the Series 2026 Bonds will be made directly by the Paying Agent to Cede & Co.

## **Redemption Provisions**

### *Optional Redemption.*

The Series 2026 Bonds maturing on or prior to July 1, 2036 are not subject to optional redemption prior to their stated maturity. The Series 2026 Bonds maturing on or after July 1, 2037 are subject to optional redemption, prior to their stated maturity, at the election of the Board, in whole or in part, at any time, on or after July 1, 2036, at a redemption price equal to the principal amount of the Series 2026 Bonds to be redeemed plus accrued interest to the date fixed for redemption, but without premium.

### *Purchase in Lieu of Redemption.*

If any Series 2026 Bond is called for optional redemption in whole or in part, the Board may elect to have such Series 2026 Bond purchased in lieu of redemption as follows. No notice of the purchase in lieu of redemption shall be required to be given to the Owner other than the required notice of redemption as described below under “–Notice of Redemption.”

The Authorized Board Representative may direct the Paying Agent, or another agent appointed by the Authorized Board Representative, to purchase all or such lesser portion of the Series 2026 Bonds called for optional redemption. Any such direction must be in writing; if less than all of the Series 2026 Bonds called for redemption are to be purchased, identify those Series 2026 Bonds to be purchased by maturity date and outstanding principal amount in authorized denominations; and be received by the Paying Agent no later than 12:00 noon one Business Day prior to the scheduled redemption date thereof. If so directed, the Paying Agent shall purchase such Series 2026 Bonds on the date which otherwise would be the redemption date of such Series 2026 Bonds. Any of the Series 2026 Bonds called for redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required on such redemption date. On or prior to the scheduled redemption date, any such direction to the Paying Agent may be withdrawn by the Authorized Board Representative by written notice to the Paying Agent and the scheduled redemption of such Series 2026 Bonds shall occur.

If such purchase is directed by the Authorized Board Representative, the purchase shall be made for the account of the Board or its designee. The purchase price of the Series 2026 Bonds shall be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Series 2026 Bonds on the scheduled redemption date for such redemption. The Paying Agent shall not purchase the Series 2026 Bonds if by no later than the redemption date, sufficient available moneys have not been deposited with the Paying Agent.

### *Notice of Redemption.*

The Bond Registrar shall give notice by mail of the redemption of any Series 2026 Bonds, not less than 30 days prior to the redemption date, to the registered Owners of any Series 2026 Bonds or portions thereof to be redeemed at their last address appearing on the bond register of the Board. Such notice shall specify the maturities of the Series 2026 Bonds to be redeemed, the redemption date, the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2026 Bonds of a maturity are to be redeemed, the particular Series 2026 Bonds or portions thereof to be redeemed. Any defect in the notice to the Owner of any Series 2026 Bond which is to be redeemed shall not affect the validity of the proceedings for the redemption of any other Series 2026 Bond. Any notice of redemption which is mailed shall be presumed to be given, whether or not such notice is received. Any failure on the part of a nominee of an Owner of a Series 2026 Bond to notify the Owner shall not affect the validity of the redemption of such Series 2026 Bond.

So long as the Series 2026 Bonds are held under the book-entry-only system (See APPENDIX D –“BOOK-ENTRY-ONLY SYSTEM”), notice of redemption shall be sent to Cede & Co., as the registered Owner. If on the

redemption date, money for the redemption of the Series 2026 Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date, is held by the Paying Agent and is available to pay the redemption price of the Series 2026 Bonds or portions thereof to be redeemed on the redemption date, and if notice of redemption has been given as described in the preceding paragraph, then, from and after the redemption date, interest on the Series 2026 Bonds or portions thereof so called for redemption shall cease to accrue.

If at the time of mailing of notice of an optional redemption of any Series 2026 Bonds there has not been deposited with the Paying Agent moneys or Defeasance Securities (as defined below) sufficient to redeem all the Series 2026 Bonds called for optional redemption, then such notice shall state that the optional redemption is conditional upon the deposit of moneys or Defeasance Securities sufficient for the redemption with the Paying Agent or Escrow Agent not later than the opening of business on the redemption date, and such notice will be of no effect and such Series 2026 Bonds shall not be optionally redeemed unless such moneys or Defeasance Securities are so deposited.

So long as the Series 2026 Bonds are registered in book-entry-only form in the name of a nominee of DTC, where a portion of a maturity of the Series 2026 Bonds will be redeemed, selection of which bonds of a maturity will be redeemed will be determined by DTC in accordance with DTC's procedures.

### **Exchange and Transfer**

If the Series 2026 Bonds are not in book-entry-only form, the following paragraph will be applicable.

The registration of any Series 2026 Bond may be transferred upon the bond register of the Board by the Owner thereof, in person or by his or her duly authorized attorney, upon surrender of such Series 2026 Bond at the designated office of the Bond Registrar accompanied by a written instrument of transfer satisfactory to the Bond Registrar and duly executed by the Owner or by his or her duly authorized attorney. Any Series 2026 Bond may be exchanged at the designated office of the Bond Registrar for new Series 2026 Bonds of any authorized denomination, aggregate principal amount and maturity as the surrendered Series 2026 Bond. The Bond Registrar will not charge an administrative fee for any new Series 2026 Bond issued upon any exchange or transfer, but may require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to exchange or transfer any Series 2026 Bond (i) during the period commencing on the Regular Record Date and ending on the subsequent Interest Payment Date or (ii) called for redemption.

### **Defeasance**

If the Board pays or causes to be paid, or there is otherwise paid, to the Owners of all Outstanding Series 2026 Bonds or Series 2026 Bonds of a particular maturity or a particular Series 2026 Bond within a maturity, the principal, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Senior Bond Resolution, such Series 2026 Bonds will cease to be entitled to any lien, benefit or security under the Senior Bond Resolution, and all covenants, agreements and obligations of the Board to the Owners of such Series 2026 Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Subject to the provisions of the Senior Bond Resolution, any Outstanding Series 2026 Bonds will be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if there has been deposited with an escrow agent appointed for such purpose, moneys or Defeasance Securities or both. The maturing principal and interest income on such Defeasance Securities, if any, shall be sufficient without reinvestment, together with any cash (as evidenced by a report of an independent nationally recognized certified public accounting firm or financial consulting firm), to pay the principal of, and interest on such Series 2026 Bonds to their maturity as may be specified by the Board. The moneys and Defeasance Securities shall be held irrevocably in trust for the Owners of such Series 2026 Bonds, for the purpose of paying the principal of, and interest on such Series 2026 Bonds, as the same shall mature and come due. Upon such deposit, the Series 2026 Bonds so provided for shall no longer be outstanding under the Senior Bond Resolution. *Defeasance Securities* are: (i) direct obligations of, or obligations fully guaranteed by, the United States of America; (ii) direct and general obligations of any state of the United States or any political subdivision thereof to the payment of the principal of and interest on which the full faith and credit of such state or political subdivision are pledged or any bonds or other obligations which as to principal and interest are

unconditionally guaranteed as to full and timely payment of principal and interest by such state or political subdivision, provided that at the time of their purchase such obligations are rated in the highest rating category by both S&P Global Ratings, a division of S&P Global (“S&P”) and Moody’s Ratings (“Moody’s”); (iii) certain certificates evidencing ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to credit enhancement provided by a financial institution which shall be rated at the time of purchase thereof in the highest rating category by both S&P and Moody’s; (iv) certain certificates evidencing ownership of the right to payments of principal or interest on obligations of the character described in clauses (i), (ii) and (iii); and (v) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clauses (i), (ii) and (iii).

## **PLAN OF FINANCE**

Approximately \$690.5 million of the proceeds received from the sale of the Series 2026 Bonds are intended to be used to finance portions of the Board’s Five-Year Capital Program discussed under “MANAGEMENT OF STATE HIGHWAY PROGRAM – Arizona Department of Transportation – Funding the Department” herein. Such proceeds may also be used to pay interest on any bonds of the Board issued for highway purposes. Approximately \$197.5 million of the proceeds will be used to refund the Bonds to be Refunded (see “PLAN OF REFUNDING below”). The remaining proceeds of the Series 2026 Bonds will be used to pay costs incurred in issuing the Series 2026 Bonds.

## **PLAN OF REFUNDING**

A portion of the net proceeds received from the sale of the Series 2026 Bonds will be placed in a trust account (the “Escrow Account”) with U.S. Bank Trust Company, National Association, as escrow trustee under an escrow agreement (the “Escrow Agreement”), to be applied to the payment of the Series 2016 Bonds, identified below (the “Bonds to be Refunded”), and will be used to acquire certain Defeasance Securities, the maturing principal of and interest on which, together with any other amounts in the Escrow Account, will be calculated to be sufficient to provide moneys to pay the principal and interest with respect to the Bonds to be Refunded to their redemption dates as shown in the following table. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein. Upon deposit of such moneys and such Defeasance Securities in the Escrow Account, the Bonds to be Refunded will cease to be entitled to any pledge, benefit or security under the Bond Resolutions, and all covenants, agreements and obligations of the Board to the Owners of the Bonds to be Refunded will thereupon cease, terminate and be discharged and satisfied, except for payments from the Escrow Account.

## BONDS TO BE REFUNDED

Issue Series	Maturity Date (July 1)	Coupon	Principal Amount Outstanding	Bonds to be Refunded	Redemption Date (July 1)	Redemption Price	CUSIP® <sup>(a)</sup> (040654)
Series 2016	2027	5.00%	\$18,615,000	\$18,615,000	2026	100%	WW1
	2028	5.00	19,545,000	19,545,000	2026	100	WX9
	2029	5.00	20,530,000	20,530,000	2026	100	WY7
	2030	5.00	21,550,000	21,550,000	2026	100	WZ4
	2031	5.00	22,625,000	22,625,000	2026	100	XA8
	2032	5.00	19,535,000	19,535,000	2026	100	XB6
	2033	5.00	24,905,000	24,905,000	2026	100	XC4
	2034	5.00	26,150,000	26,150,000	2026	100	XD2
	2035	5.00	10,205,000	10,205,000	2026	100	XE0
	2036	5.00	10,715,000	10,715,000	2026	100	XF7
<b>TOTAL</b>			<b><u>\$194,375,000</u></b>	<b><u>\$194,375,000</u></b>			

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## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Concurrently with the delivery of and payment for the Series 2026 Bonds, Robert Thomas CPA, LLC, a firm of independent certified public accountants, will deliver to the Board its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of computations. Such computations were prepared using certain information provided by the Underwriters, on behalf of the Board, relating to (a) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when redeemed, the principal of, interest and applicable premiums, if any, on the Bonds to be Refunded and (b) the “yield” on the Government Obligations and the Series 2026 Bonds.

The report of Robert Thomas CPA, LLC will state that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in schedules provided to it by the Underwriters and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS

### Legal Authority

The Series 2026 Bonds are special obligations of the Board and are being issued by the Board pursuant to the Act and the Senior Bond Resolution. Under the terms and provisions of the Act, the Board is authorized to issue bonds for the payment of highway obligations; the costs of construction, reconstruction, maintenance and repair of public highways and bridges; county, city and town roads and streets; acquisition of real properties for future highway needs; other related highway purposes; and for the refunding of any bonds previously issued.

The Series 2026 Bonds, the Outstanding Senior Bonds and any Additional Senior Bonds that may subsequently be issued by the Board on a parity therewith pursuant to the Senior Bond Resolution, are issued on a

parity as to security and source of payment. Immediately after the delivery of the Series 2026 Bonds, and after giving effect to the Cash Defeasance and the refunding of the Bonds to be Refunded, there will be \$1,119,385,000 of Senior Bonds Outstanding.

## General

Payments of principal of and interest on the Series 2026 Bonds and all other Senior Bonds are payable solely from and secured solely by a first lien on and pledge of the Pledged Revenues on deposit in the State Highway Fund. The lien on and pledge of Pledged Revenues for Senior Bonds is in all respects senior and prior to the lien on and pledge of Pledged Revenues for the Subordinated Bonds. Pledged Revenues are the moneys deposited with the State Treasurer into the State Highway Fund that are derived from a portion of specified sources. Generally, such sources are: (i) motor vehicle fuel and use fuel taxes, (ii) motor vehicle registration fees, (iii) motor carrier fees, (iv) motor vehicle license (in lieu) taxes, (v) motor vehicle operators' license fees and miscellaneous fees and revenues, and (vi) Smart & Safe Arizona Act (as defined herein) taxes and fees. For a discussion of the sources of the Pledged Revenues, see "Pledged Revenues" and "SOURCES AND APPLICATION OF PLEDGED REVENUES" herein.

As provided in the Act, all Pledged Revenues deposited into the State Highway Fund shall be immediately subject to the lien of the first pledge granted in the Senior Bond Resolution for the Senior Bonds, and the lien of the subordinate pledge granted in the Subordinated Bond Resolution for the Subordinated Bonds, without any future physical delivery or further act.

In addition to Pledged Revenues, the Series 2026 Bonds and all other Senior Bonds and Subordinated Bonds are also payable from, but are not secured by a pledge of, all moneys to be deposited into the Arizona Highway User Revenue Fund. Arizona statutes currently require that if there are defaults in amounts required by the Senior Bond Resolution and the Subordinated Bond Resolution to be deposited into the Bond Funds (as defined below), then the Department shall deduct from the revenues that otherwise would be deposited into the Arizona Highway User Revenue Fund, prior to their deposit, an amount sufficient to cure such default. For a discussion of the revenues that are deposited to the Arizona Highway User Revenue Fund, see "SOURCES AND APPLICATION OF PLEDGED REVENUES - Arizona Highway User Revenue Fund" herein.

The Senior Bonds and the Subordinated Bonds are not subject to acceleration under any circumstances.

The Board may issue Additional Senior Bonds on a parity with the Series 2026 Bonds and the other Outstanding Senior Bonds as described under "Additional Bonds - *Additional Senior Bonds*" herein. The Board may also issue Additional Subordinated Bonds as described under "Additional Bonds - *Additional Subordinated Bonds*" herein.

## Special Obligations

**The Series 2026 Bonds are special obligations of the Board and are payable solely from the sources specified in the Act and the Senior Bond Resolution. The Series 2026 Bonds are not obligations, general, special or otherwise, of the State, do not constitute a legal debt of the State and are not enforceable against the State, nor shall payment thereof be enforceable out of any funds of the State, the Board, or the Department other than the Pledged Revenues, as provided in the Senior Bond Resolution.**

## Pledged Revenues

The Series 2026 Bonds, together with the other Outstanding Senior Bonds and any Additional Senior Bonds that may be subsequently issued, are payable from and secured solely by a first lien on and pledge of the Pledged Revenues on deposit in the State Highway Fund. The State Highway Fund is the operating fund of the Department from which the Department pays debt service on highway revenue bonds or other evidences of indebtedness, operational expenses of the Department and expenditures for highway construction and improvement and acquisition of rights of way. The State Highway Fund contains money derived from many sources. Only the money in the State Highway Fund derived from certain sources as specified in the Bond Resolutions and the Act constitutes Pledged Revenues (described below and relating generally to motor vehicles).

Certain specified revenues are deposited into the Arizona Highway User Revenue Fund. See “SOURCES AND APPLICATION OF PLEDGED REVENUES-Arizona Highway User Revenue Fund.” Each month, pursuant to Arizona statutes, 50.5% of moneys in the Arizona Highway User Revenue Fund (after making certain significant distributions pursuant to Arizona statutes) are transferred to the State Highway Fund. In addition to the distribution from the Arizona Highway User Revenue Fund, certain other moneys are distributed to and deposited in the State Highway Fund. Only moneys from specified sources that are paid into and are on deposit in the State Highway Fund constitute “Pledged Revenues.” See “SOURCES AND APPLICATION OF PLEDGED REVENUES-Arizona Highway User Revenues” herein for a more detailed discussion of such revenues.

The State Legislature has previously altered and may in the future alter: (1) the type and/or rate of the taxes, fees and charges relating to motor vehicles which are deposited into the Arizona Highway User Revenue Fund; (2) the allocation of such moneys between (a) deposits into the State Highway Fund, certain of which upon such deposit become Pledged Revenues and (b) distributions to cities, towns and counties (or to other state funds); or (3) the type and/or rate of the taxes, fees and charges which are deposited directly into the State Highway Fund. For a discussion of certain recent changes made by the State Legislature, see “SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications” below.

The authority of the State Legislature to make changes in use of moneys deposited into the Arizona Highway User Revenue Fund is subject to the requirement of the State Constitution that revenues derived from fees or taxes related to the registration, operation or use of motor vehicles, excluding the State’s motor vehicle license (in lieu) tax, may only be used for highway-related purposes including, but not limited to, paying debt service on bonds issued under the Act. The Legislature’s right to make such changes is further restricted by the Bond Resolutions in which the Board, as agent for the State and pursuant to the Act, has pledged and agreed with the Owners of the Outstanding Senior Bonds and Subordinated Bonds that the State will not limit or alter the rights vested in the Board to collect such fees and taxes as may be necessary to produce sufficient revenues to fulfill the terms of the Bond Resolutions or any agreement made with the Owners of such Senior Bonds and Subordinated Bonds or in any way impair the rights and remedies of the Owners until all Senior Bonds and Subordinated Bonds, together with interest thereon and interest on unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of any Owners are fully met and discharged.

There is no requirement in the Bond Resolutions that amounts be deposited into the State Highway Fund in excess of the amounts necessary to make transfers to the Bond Funds, as described under “SOURCES AND APPLICATION OF PLEDGED REVENUES—Funds and Accounts and Application of Pledged Revenues.”

### **Additional Bonds**

The Board currently estimates that it may issue additional bonds under the Bond Resolutions in the aggregate principal amount of approximately \$1.25 billion over the remainder of the current Five-Year Capital Program (ending Fiscal Year 2030) to fund additional highway projects. Such additional bonds may be issued as either Additional Senior Bonds, Additional Subordinated Bonds, Second Subordinated Bonds (all as described below), or any combination thereof. The actual amount of additional bonds to be issued and whether they will be Senior or Subordinated Bonds will depend upon, among other considerations, the ability of the Board to comply with the requirements for issuance of additional bonds found in the Bond Resolutions and the Arizona statutes, market conditions, cash flow requirements of the Board for construction, and other sources of funding available to meet such requirements.

***Additional Senior Bonds.*** Pursuant to the Senior Bond Resolution, the Board has previously issued and, after the issuance of the Series 2026 Bonds and after giving effect to the Cash Defeasance and the refunding of the Bonds to be Refunded, there will be Outstanding Senior Bonds in the aggregate principal amount of \$1,119,385,000. The Bond Resolutions provide that any Outstanding Senior Bonds enjoy a pledge of and a claim upon Pledged Revenues prior to the claim in favor of any Subordinated Bonds.

Under the Senior Bond Resolution, Additional Senior Bonds may be issued on a parity with the Outstanding Senior Bonds only when the Board certifies that:

- (a) all the payments of the principal of and interest on the then Outstanding Senior Bonds are current;
- and

(b) the Pledged Revenues deposited with the State Treasurer into the State Highway Fund for the preceding 12-month period were not less than 400% of the highest annual principal and interest payments on all Outstanding Senior Bonds for the highest aggregate one-year period during the life of the Outstanding Senior Bonds, including the principal and interest payments on the Additional Senior Bonds proposed to be issued, but excluding the principal and interest on any Senior Bonds to be refunded that will not be outstanding immediately after the issuance of such proposed Additional Senior Bonds; and

(c) subject to (e) below, the Additional Senior Bonds to be issued shall be payable as to principal and interest on such date or dates as the Board shall designate; and

(d) the proceeds from the sale of the Additional Senior Bonds are to be used for any lawful highway purpose, including refunding any bonds; and

(e) all other requirements of law existing on the date such Additional Senior Bonds are issued have been met.

Under the Subordinated Bond Resolution, the Board has agreed for the benefit of the Owners of Subordinated Bonds that the Board will not issue Additional Senior Bonds unless the Pledged Revenues deposited with the State Treasurer into the State Highway Fund in any 12 consecutive months out of the most recent preceding 18 months (as adjusted as permitted in the Subordinated Bond Resolution) were not less than 300% of the maximum aggregate Adjusted Debt Service Requirements (as defined in the Subordinated Bond Resolution) on all Outstanding Senior Bonds and Outstanding Subordinated Bonds, including the Additional Senior Bonds to be issued but excluding any Senior Bonds or Subordinated Bonds to be refunded that will not be outstanding immediately after the issuance of such Additional Senior Bonds, in the then current or any future Bond Year (as defined in the Subordinated Bond Resolution), during the life of the Outstanding Senior Bonds, including the proposed Additional Senior Bonds to be issued.

Under the Subordinated Bond Resolution, the Board has agreed for the benefit of the Owners of Subordinated Bonds that the Board will not issue Additional Senior Bonds for refunding purposes unless either the requirements described in the immediately preceding paragraph are met or unless the aggregate Adjusted Debt Service Requirements on Senior Bonds and Subordinated Bonds to be outstanding immediately after the date of issuance of the proposed refunding Senior Bonds is not, for each Bond Year from the then current Bond Year through the last Bond Year during which Senior Bonds and Subordinated Bonds are outstanding immediately prior to the issuance of the proposed refunding Senior Bonds, more than 105% of the aggregate Adjusted Debt Service Requirements for any Bond Year on all Senior Bonds and Subordinated Bonds outstanding immediately prior to the issuance of the refunding Senior Bonds.

In addition to the requirements of the Senior Bond Resolution and the Subordinated Bond Resolution, certain additional statutory requirements, described below under the subheading "*Statutory Limitation on Issuance of Additional Bonds*," must be met in order for the Board to issue Additional Senior Bonds.

**Additional Subordinated Bonds.** Pursuant to the Subordinated Bond Resolution, the Board has previously issued, and may in the future issue, Subordinated Bonds but no such Subordinated Bonds are currently outstanding. Under the Subordinated Bond Resolution, Additional Subordinated Bonds may be issued only when the requirements of the Subordinated Bond Resolution have been met, including the requirement that the amount of Pledged Revenues deposited with the State Treasurer into the State Highway Fund during any 12 consecutive months out of the most recent preceding 18 months (as adjusted as permitted under the Subordinated Bond Resolution) was not less than 300% of the maximum aggregate Adjusted Debt Service Requirements in the then current or any future Bond Year on the Outstanding Senior Bonds and the Outstanding Subordinated Bonds, if any, including the proposed series of Additional Subordinated Bonds but excluding any Senior Bonds or Subordinated Bonds to be refunded that will not be outstanding immediately after the issuance of the Additional Subordinated Bonds.

Additional Subordinated Bonds may be issued at any time to refund in whole or in part any Outstanding Subordinated Bonds, Senior Bonds or Second Subordinated Bonds, provided that the Board certifies that the aggregate Adjusted Debt Service Requirements on Senior Bonds and Subordinated Bonds to be outstanding immediately after

the date of issuance of the proposed refunding Subordinated Bonds is not, for each Bond Year from the then current Bond Year through the last Bond Year during which Senior Bonds and Subordinated Bonds are outstanding immediately prior to the issuance of the proposed refunding Subordinated Bonds, more than 105% of the aggregate Adjusted Debt Service Requirements for any Bond Year on all Senior Bonds and Subordinated Bonds outstanding immediately prior to the issuance of the refunding Subordinated Bonds. If the Board cannot satisfy the requirement of the preceding sentence, the Board may nevertheless issue Subordinated Bonds for the purpose of refunding in whole or in part any Outstanding Subordinated Bonds, Senior Bonds or Second Subordinated Bonds upon compliance with the test described in the preceding paragraph.

In addition to the requirements of the Subordinated Bond Resolution, certain additional statutory requirements, described below under the subheading “*Statutory Limitation on Issuance of Additional Bonds,*” must be met in order for the Board to issue Additional Subordinated Bonds.

**Second Subordinated Bonds.** The Board may, at any time, or from time to time, in accordance with the Bond Resolutions, issue or incur Second Subordinated Bonds for any of its lawful purposes, which shall be payable out of, and which may be secured by a pledge of and lien on, amounts of Pledged Revenues remaining after all deposits to the funds established for the Senior Bonds and Subordinated Bonds required by the Bond Resolutions have been made; provided, however, that such pledge of and lien on Pledged Revenues shall be, and shall be expressed to be, subordinate and junior in all respects to the lien and pledge created by the Senior Bond Resolution as security for the Senior Bonds and shall also be subordinate and junior in all respects to the lien and pledge created by the Subordinated Bond Resolution as security for the Subordinated Bonds (such bonds being referred to herein as “Second Subordinated Bonds”). There are currently no Second Subordinated Bonds outstanding nor any current plans to issue Second Subordinated Bonds.

In addition to the requirements of the Bond Resolutions, certain additional statutory requirements, described below under the subheading “*Statutory Limitation on Issuance of Additional Bonds,*” must be met in order for the Board to issue Second Subordinated Bonds.

**Statutory Limitation on Issuance of Additional Bonds.** The aggregate principal amount of Bonds that will be outstanding immediately after the delivery of the Series 2026 Bonds, and after giving effect to the Cash Defeasance and the refunding of the Bonds to be Refunded, will be \$1,119,385,000 of Senior Bonds. The Act presently provides that the Board may issue additional bonds, which may be Senior Bonds, Subordinated Bonds or Second Subordinated Bonds, if the moneys pledged to the payment of such bonds for the preceding 12 month period exceed by three times the highest annual principal and interest payments on all the outstanding bonds and the bonds to be issued for the highest one-year period during the life of both the outstanding bonds and the bonds to be issued. The Act also limits the maximum term of each series of such bonds to 30 years. In addition, for any additional bonds to be issued, the requirements of the applicable Bond Resolutions, described above, must also be met.

### **Amendments to 2026 Resolution**

The Board may amend the 2026 Resolution pursuant to which the Series 2026 Bonds are issued or the Senior Bond Resolution without notice to or consent of the Owners for any of the following purposes: (1) to cure any ambiguity, inconsistency, formal defect or omission in the 2026 Resolution or the Senior Bond Resolution; (2) to grant to or confer upon the Owners of the Series 2026 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon them; or (3) to amend or supplement the 2026 Resolution or the Senior Bond Resolution in any other respect, provided such amendment or supplement is not materially adverse to the interests of the Owners of the Series 2026 Bonds.

Exclusive of the amendments described above, the 2026 Resolution or the Senior Bond Resolution, and the rights and obligations of the Board and of the Owners of the Series 2026 Bonds thereunder, may be amended by the Board only with consent of Owners of at least a majority in aggregate principal amount of the Outstanding Series 2026 Bonds; provided, however, that no such modification or amendment shall, without the express written consent of the Owner of each Series 2026 Bond affected, reduce the principal amount of or the interest rate payable thereon, advance the earliest redemption date, extend its maturity or the times for paying interest, nor shall any such modification or amendment reduce the percentage of consent required for amendment or modification.

Any act done pursuant to an amendment consented to as provided in the 2026 Resolution or the Senior Bond Resolution shall be binding upon the Owners of all of the Series 2026 Bonds.

To obtain any such consent, the Board shall cause the Bond Registrar to mail a notice, first-class postage prepaid, to the registered Owners (Cede & Co., so long as the book-entry-only system is in effect) of the Series 2026 Bonds at their addresses appearing on the registration books, briefly describing the proposed amendment.

## **SOURCES AND APPLICATION OF PLEDGED REVENUES**

The Series 2026 Bonds and all other Senior Bonds are payable solely from and secured solely by a lien on and pledge of the Pledged Revenues on deposit in the State Highway Fund. Moneys in the State Highway Fund that constitute Pledged Revenues consist primarily of certain moneys distributed from the Arizona Highway User Revenue Fund. The distribution of moneys to the State Highway Fund that constitute Pledged Revenues is more fully discussed below.

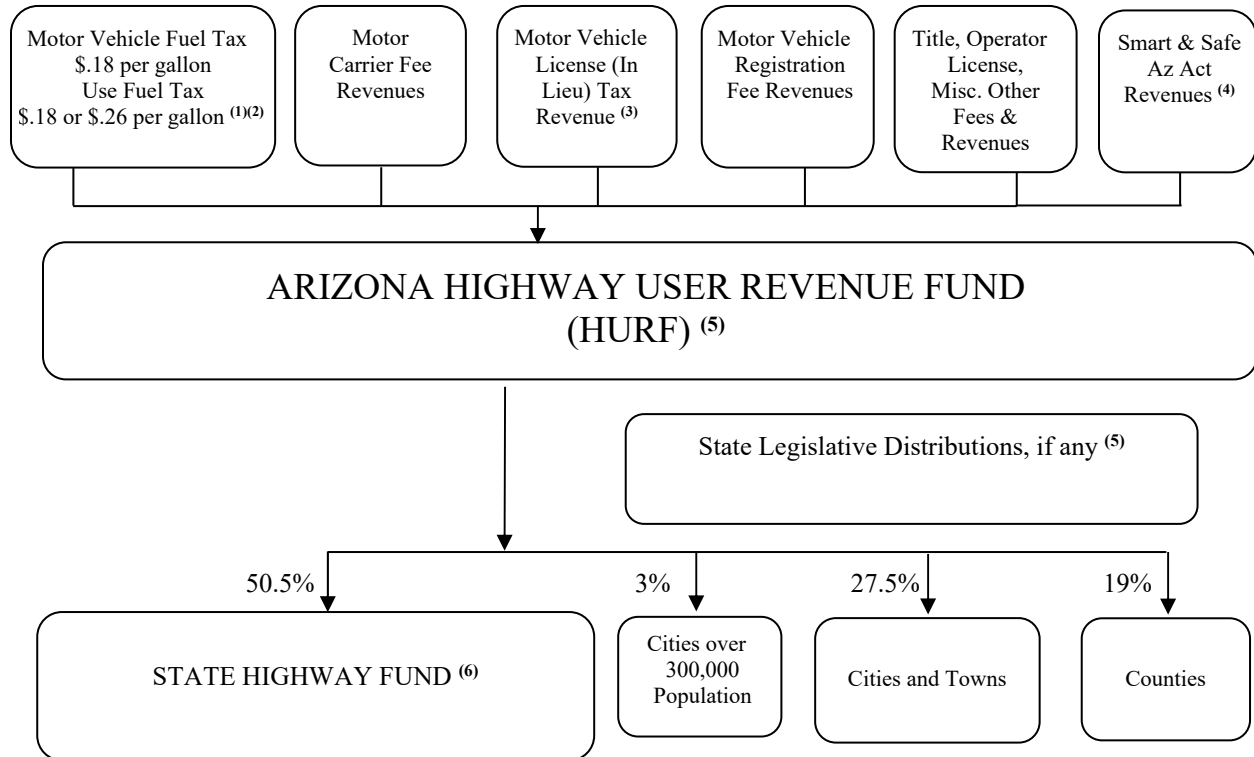
### **Arizona Highway User Revenue Fund**

The State imposes motor vehicle fuel taxes and a variety of different types of taxes, fees and charges relating to the registration, operation and use of motor vehicles on the public highways of the State that are allocated by statute to the State Highway Fund and to the cities, towns and counties of the State, to finance highway improvements and other transportation-related expenses. These taxes, fees and charges are collected by various State officers and transferred to the Department for deposit to the Arizona Highway User Revenue Fund. Each month, in accordance with statute and after certain specified distributions enacted by the State Legislature which may be significant, the State Treasurer distributes revenues transferred to the Arizona Highway User Revenue Fund primarily to the State Highway Fund and to the appropriate cities, towns and counties. Only after moneys from certain specified sources are deposited to the State Highway Fund do they become Pledged Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS – Pledged Revenues” and “SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications” herein.

The taxes, fees and charges deposited to the Arizona Highway User Revenue Fund consist of all or a portion of (i) motor vehicle fuel and use fuel taxes, (ii) motor vehicle registration fees, (iii) motor carrier fees, (iv) motor vehicle license (in lieu) taxes, (v) motor vehicle operators’ license fees and miscellaneous fees and revenues, and (vi) Smart & Safe Arizona Act taxes and fees. These revenue sources are further described below.

The chart below illustrates the flow of the revenues into the Arizona Highway User Revenue Fund and the distribution of such revenues.

**Arizona Highway User Revenue Fund Flow**



Notes:

- /1 The use fuel tax rate of \$.18 per gallon applies to vehicles under 26,001 pounds and other qualifying vehicles. The use fuel tax rate for all other vehicles is \$.26 per gallon.
- /2 Arizona Revised Statutes 28-5926 and 28-5927 transfer 1.6% of motor vehicle fuel tax revenues to the State Lake Improvement Fund and 0.55% of motor vehicle fuel tax revenues to the Off-Highway Vehicle Recreation Fund. In Fiscal Year 2025, it is estimated that \$11.5 million was transferred to those two funds.
- /3 The Arizona Highway User Revenue Fund currently receives approximately 44.99% of the motor vehicle license (in lieu) tax revenues collected by the State. See “SOURCES AND APPLICATION OF PLEDGED REVENUES – Arizona Highway User Revenues” herein.
- /4 The Smart & Safe Arizona Act was enacted into law effective January 1, 2021. See “SOURCES AND APPLICATION OF PLEDGED REVENUES – Arizona Highway User Revenues – *Smart & Safe Arizona Act Taxes and Fees*” herein.
- /5 In certain years, the Arizona Legislature may enact legislation that authorizes, either on an ongoing or one-time basis, the distribution of moneys from the Arizona Highway User Revenue Fund (“HURF”) for various constitutionally and statutorily allowable purposes. See “SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications.” Distributions made in Fiscal Year 2025 include the transfer from the HURF of \$1.0 million to the State’s Economic Strength Project Fund to be expended for highway projects that provide economic benefits to the State or a local jurisdiction and \$1.0 million to operating expenses and authorized third-party programs for the Motor Vehicle Division. No assurances can be made that the Arizona Legislature will or will not authorize distributions from the HURF in the future, and, if so, how much any such distributions might be.
- /6 In certain years, the Arizona Legislature may enact legislation that authorizes, either on an ongoing or one-time basis, the distribution of moneys from the State Highway Fund for various constitutionally and statutorily allowable purposes. See “SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications.” Ongoing distributions currently codified in law include the transfer of 1.51% of the State Highway Fund share of HURF motor vehicle license (in lieu) tax to the Arizona Department of Public Safety Parity Compensation Fund (\$4.6 million in Fiscal Year 2025); the transfer of certain fees collected on abandoned vehicles from the State Highway Fund share of HURF motor vehicle license (in lieu) tax revenue to the State General Fund (\$5.5 million in Fiscal Year 2025); and a transfer of a portion of the revenues from a five-year vehicle registration option for certain vehicles and areas to the State General Fund (\$3.9 million in Fiscal Year 2025).

## Arizona Highway User Revenues

The following is a summary of the sources of revenue that are deposited to the Arizona Highway User Revenue Fund under existing statutes. Recent legislative changes are also discussed below. This summary does not purport to be a complete description of each of these revenue sources and legislative changes and, accordingly, is qualified by reference to the Arizona Revised Statutes regarding these sources of revenue. The Arizona Legislature has in the past altered and may in the future alter the statutes governing these revenue sources and their allocation. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS – Pledged Revenues” and “SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications” herein.

*Motor Vehicle Fuel Tax Revenues.* Motor vehicle fuel tax revenues consist of motor vehicle fuel (gasoline) taxes and motor vehicle use fuel (primarily diesel) taxes. These are excise taxes imposed upon fuel used in the propulsion of a motor vehicle on the public highways of the State. The motor vehicle fuel (gasoline) tax is currently assessed at the rate of \$.18 per gallon, and the use fuel (primarily diesel) tax is assessed at \$.18 per gallon for vehicles under 26,001 pounds and other qualifying vehicles and \$.26 per gallon for all other vehicles. The motor vehicle fuel tax is collected by the Department from licensed suppliers for each gallon of gasoline possessed, used or consumed in the State and the use fuel tax is collected by the Department from the supplier or paid by the user for the use of the highways in the State and remitted to the Department.

The following is a summary of the gallons of motor vehicle fuels imported into and consumed in the State, subject to the motor vehicle fuel tax (primarily gasoline fuel imported into the State) or motor vehicle use fuel tax (primarily diesel fuel consumed in the State), for each of the last ten Fiscal Years ended June 30, 2025.

### Motor Vehicle Fuels Imported or Consumed Based on Revenue Gallonage (000's Gallons)

<b>Fiscal Year</b>	<b>Gasoline Fuel Imported</b>	<b>Estimated Diesel Fuel Consumed</b>	<b>Total <sup>(1)</sup></b>	<b>Percentage Change from Previous Year</b>
2025	3,072,876	1,211,404	4,284,280	2.9%
2024	3,045,108	1,118,269	4,163,377	2.3
2023	3,010,966	1,057,205	4,068,170	-0.4
2022	3,030,148	1,057,682	4,087,830	6.1
2021	2,817,841	1,036,078	3,853,919	1.7
2020	2,881,434	909,485	3,790,919	-3.3
2019	2,999,700	921,198	3,920,898	2.4
2018	2,976,780	851,679	3,828,459	1.4
2017	2,928,523	847,994	3,776,517	3.2
2016	2,846,324	811,694	3,658,018	-

<sup>(1)</sup> Totals may not add due to rounding.

Source: Arizona Department of Transportation, Office of Financial Planning and Cash Management.

*Motor Vehicle Registration Fee Revenues.* Motor vehicles are required to be registered in the State on a staggered monthly registration basis. The fee for passenger vehicles and non-commercial pickup trucks is generally \$8 per year and for motorcycles the fee is generally \$9 per year. The fee for commercial motor vehicles, including trucks, buses and taxis, is generally \$12 per year, plus a graduated registration fee based upon the declared gross weight of the motor vehicle. Commercial motor vehicles that operate in several states may instead pay fees which are prorated based on the ratio of operating mileage in the State to the total fleet operating mileage in all states. All motor vehicle registration fees received by the Department are deposited in the Arizona Highway User Revenue Fund.

*Smart & Safe Arizona Act Taxes and Fees.* In November 2020, Arizona voters passed Proposition 207, the Smart and Safe Arizona Act (the “Smart & Safe Arizona Act”), which legalized recreational adult use of marijuana

and became effective in Arizona law as of January 1, 2021. The Smart & Safe Arizona Act also created licensing fees for marijuana establishments and a 16.0% excise tax on recreational marijuana sales. Pursuant to the Smart & Safe Arizona Act, the Arizona Highway User Revenue Fund receives 25.4% of the revenues generated from the Smart & Safe Arizona Act after certain off-the-top distributions. These revenues are distributed to the Arizona Highway User Revenue Fund twice each fiscal year in December and June. Due to timing delays associated with implementation, an approximately \$9.0 million distribution of Smart & Safe Arizona Act revenues to the Arizona Highway User Revenue Fund scheduled for June 2021 was not received and recognized by the Department until August 2021. As a result, three distributions were made to the Arizona Highway User Revenue Fund in Fiscal Year 2022.

*Motor Vehicle License (In Lieu) Tax Revenues.* The motor vehicle license (in lieu) taxes are based upon the value of the vehicle (according to a statutory formula) and are collected with the vehicle registration fees. These license taxes are distributed pursuant to Arizona statutes, which currently provide an estimated distribution of: (i) approximately 44.99% to the Arizona Highway User Revenue Fund, (ii) approximately 24.59% to the general fund of the county where the motor vehicle is registered, (iii) approximately 24.59% to the cities and towns of the county where the motor vehicle is registered, and (iv) approximately 5.83% to the counties for the same use as Arizona Highway User Revenue Fund purposes. The above distribution percentages are estimated since the tax rates vary between new and renewal vehicles, and vehicle type.

*Motor Carrier Fee Revenues.* The motor carrier fee is imposed on commercial motor vehicles, whether common, contract or private carriers, with a gross weight in excess of 12,000 pounds. The motor carrier fee increases as the declared gross vehicle weight of the vehicle increases. All motor carrier fee revenues are deposited to the Arizona Highway User Revenue Fund.

*Motor Vehicle Operators' License Fees and Miscellaneous Fees and Revenues.* The balance of the Arizona Highway User Revenue Fund revenues include motor vehicle operators' license fees and miscellaneous fees and revenues. The miscellaneous fees and revenues include certificates of title fees, oversize permit fees, inquiry fees, investment income on moneys held in the Arizona Highway User Revenue Fund, certain fines, penalties and other miscellaneous fees.

## **Legislative Modifications**

From time to time legislation is enacted that alters or modifies the deposits of moneys into, and the distribution of moneys from, the Arizona Highway User Revenue Fund and/or the State Highway Fund, or otherwise affects the Department's capital and financing programs. The information provided below reflects the more significant legislative enactments that have occurred beginning with the Legislature's 2019 regular session.

### *2019 - 54th Legislature, First Regular Session*

Laws 2019, Chapter 313 (SB 1332) made changes to alternative fuel Vehicle License Tax ("VLT") calculations. This bill made changes to eventually make alternative fuel VLT rates equal to that of gas powered vehicles, with the first increase applied to alternative fuel vehicles initially registered on or after January 1, 2022. For an alternative fuel vehicle registered before January 1, 2022, the value of this vehicle is one percent of the MSRP and then multiplied by \$4.00 per \$100 of value to arrive at the VLT. For an alternative fuel vehicle that is initially registered between January 1, 2022 and December 31, 2022, the value of this vehicle is fixed at 20 percent of the MSRP and then multiplied by \$4.00 per \$100 of value to arrive at the VLT. For an alternative fuel vehicle purchased from and after December 31, 2022, the value of these vehicles is based on Arizona Revised Statutes 28-5801 (60 percent of MSRP) and then multiplied by \$2.80 or \$2.89 per \$100 of value to arrive at the VLT.

### *2020 - 54th Legislature, Second Regular Session*

Laws 2020, Chapter 58 (SB1692) distributed a total of \$8.2 million from the State Highway Fund in Fiscal Year 2021, including \$7.9 million of motor vehicle license (in lieu) tax revenue transferred from the State Highway Fund to the State General Fund. In prior years, \$15.5 million had been distributed from the Arizona Highway User Revenue Fund, and due to the distribution formula, resulted in the same financial impact of \$7.9 million on the State Highway Fund. In addition, the law also transferred \$15.5 million from the Arizona Highway Patrol Fund to the State Highway Fund in Fiscal Year 2021, which was offset by a \$15.5 million transfer of State Highway Fund motor vehicle license (in lieu) tax revenue to the State General Fund. The result of these two actions was also revenue neutral to the State Highway Fund.

*November 2020 Election*

Arizona voters passed the Smart & Safe Arizona Act in November 2020, which legalized recreational adult use of marijuana. The Smart & Safe Arizona Act also created licensing fees for marijuana establishments and a 16.0% excise tax on recreational marijuana sales. Pursuant to the Smart & Safe Arizona Act, the Arizona Highway User Revenue Fund receives 25.4% of the revenue generated from the Smart & Safe Arizona Act after certain off-the-top distributions. The distribution of such revenue to the Arizona Highway User Revenue Fund began in Fiscal Year 2021, however, due to timing delays associated with implementation, distributions were not received or recognized by the Department until August of 2021 in Fiscal Year 2022.

*2021 - 55th Legislature, First Regular Session*

Laws 2021, Chapter 408 (SB1823) distributed \$8.2 million directly from the State Highway Fund to the Arizona Department of Public Safety (“DPS”) in Fiscal Year 2022. The bill also distributed \$3.3 million from the State General Fund in Fiscal Year 2022 in the same manner as rental vehicle surcharge. As a recipient of rental vehicle surcharge, the Arizona Highway User Revenue Fund received \$1.2 million in Fiscal Year 2022 as a result of this one-time transfer.

*2022 - 55th Legislature, Second Regular Session*

Laws 2022, Chapter 313 (HB2862) distributed \$8.2 million directly from the State Highway Fund to the DPS in Fiscal Year 2023. Additional legislation enacted in the 2022 session (HB2871) appropriated \$925,447,500 of transaction privilege (sales) tax revenues collected by the State to the State Highway Fund in Fiscal Year 2023 for funding certain specified State highway capital projects.

*2023 - 56th Legislature, First Regular Session*

Laws 2023, Chapter 133 (SB1720) distributed \$8.2 million directly from the State Highway Fund to the DPS in Fiscal Year 2024. Additionally, Laws 2023, Chapter 203 (SB 1102) was passed which allowed for the extension of a half cent transportation excise tax in Maricopa County. The tax was extended at the same rate for a term of 20 years beginning January 1, 2026, subject to approval by a majority of voters in Maricopa County.

*November 2024 Election*

Maricopa County voters passed Prop 479 in November 2024, which extended the transportation excise tax.

*2024 - 56th Legislature, Second Regular Session*

Laws 2024, Chapter 209 (HB2897) distributed \$10.0 million directly from the State Highway Fund to the DPS in Fiscal Year 2025. Additionally, the bill required the transfer of \$26.0 million in Fiscal Year 2024, and \$18.7 million in Fiscal Year 2025, from the State Highway Fund to the State General Fund. These amounts reflected interest income earned from investment of a portion of the \$925.4 million of transaction privilege (sales) tax revenues deposited in the State Highway Fund in Fiscal Year 2023 as noted above. Lastly, HB2897 also required that \$2.0 million of vehicle license tax moneys deposited into the State Highway Fund be deposited to the State General Fund.

*2025 - 57th Legislature, First Regular Session*

Laws 2025, Chapter 233 (SB1735) distributed \$10.0 million directly from the State Highway Fund to the DPS in Fiscal Year 2026. The bill also reduced the required transfer in Fiscal Year 2025 of \$18.7 million from the State Highway Fund to the State General Fund to \$17.2 million, and required the transfer of \$15.5 million in Fiscal Year 2026 from the State Highway Fund to the State General Fund. As noted above, these amounts reflect interest income earned from investment of a portion of the transaction privilege (sales) taxes deposited in the State Highway Fund in Fiscal Year 2023.

Additionally in the 2025 session, Arizona Senate Concurrent Resolution 1004 was transmitted to the Secretary of State on June 16, 2025 allowing a proposition to be taken to Arizona voters in the next general election, which if passed by voters, would prohibit any political subdivision in the State from imposing a tax or fee based on vehicle miles traveled.

As part of the Department's forecast of future deposits to the State Highway Fund, certain of the enactments described above are assumed to continue at various funding levels in future Fiscal Years. See “REVENUES AND DEBT SERVICE COVERAGE – Projected Revenues.”

## **Funds and Accounts and Application of Pledged Revenues**

The Senior Bond Resolution established for the payment of the principal of and interest on the Senior Bonds a Senior Bond Fund, containing a Principal Account, a Redemption Account and an Interest Account; a Senior Bond Related Costs Fund; and a Senior Bond Reserve Fund. In order to facilitate the administration of the deposit of Pledged Revenues into the funds relating to the Senior Bonds, the Subordinated Bonds and the Second Subordinated Bonds, if any, the Bond Resolutions also established a Subordinated Bond Fund, a Subordinated Bond Related Costs Fund, a Subordinated Bond Reserve Fund, and other similar funds for the Second Subordinated Bonds (all of the above-referenced funds are collectively referred to herein as the "Bond Funds").

Upon the issuance of the Series 2026 Bonds, no amounts are required by the Bond Resolutions to be deposited or maintained in any of the funds referenced above other than the Senior Bond Fund and the Subordinated Bond Fund. Subsequent Bond Resolutions may require deposits to additional funds.

The Bond Resolutions require that all Pledged Revenues paid into the State Highway Fund shall be accounted for by the Board and State Treasurer and held by the State Treasurer and deposited with the State Treasurer into the Bond Funds in the following order and manner, subject to the rights, described below, of the Owners of the Senior Bonds in the event of a deficiency in the Senior Bond Fund:

(1) into the Interest Account in the Senior Bond Fund, on the first day of each month, an amount which in the aggregate is not less than one-fifth (1/5) of the amount of the next semiannual interest payment, net of any investment income deposited to such Account, coming due on the Outstanding Senior Bonds; and then

(2) into the Principal Account in the Senior Bond Fund, on the first day of each month, one-eleventh (1/11) of the amount of the principal of the Outstanding Senior Bonds coming due on the next principal payment date (whether by stated maturity or mandatory sinking fund redemption), net of any investment income deposited to such Account; and then

(3) into the account in the Highway Bond Proceeds Fund for any Outstanding Series of Additional Senior Bonds at such times and in such amounts as may be specified by the provisions of any subsequent Senior Bond Resolution, an amount equal to the unreimbursed amounts, if any, theretofore expended from such account for payment of principal of and interest on any Senior Bonds; and then

(4) into the Senior Bond Related Costs Fund, at such times and in such amounts, if any, specified in any subsequent Senior Bond Resolution for payment of Bond Related Costs for any Additional Senior Bonds (the Bond Resolutions currently do not require any deposits to this Fund); and then

(5) into the Senior Bond Reserve Fund, at such times and in such amounts, if any, specified in any subsequent Senior Bond Resolution for deposit therein (the Bond Resolutions currently do not require any deposits to this Fund); and then

(6) into the Interest Account in the Subordinated Bond Fund, on or before the fifteenth day of the month preceding an interest payment date on the Outstanding Subordinated Bonds, an amount equal to the interest payment due on such interest payment date on the Outstanding Subordinated Bonds and on such dates and in such amounts as specified in any subsequent Subordinated Bond Resolution with respect to any series of Additional Subordinated Bonds; and then

(7) into the Principal Account in the Subordinated Bond Fund, on or before the fifteenth day of the month preceding a principal payment date (whether at maturity or by mandatory sinking fund redemption) on the Outstanding Subordinated Bonds, an amount equal to the principal payment due on such principal payment date on the Outstanding Subordinated Bonds and on such dates and in such amounts as specified in any subsequent Subordinated Bond Resolution with respect to any series of Additional Subordinated Bonds; and then

(8) into the Subordinated Bond Related Costs Fund, at such times and in such amounts, if any, specified in any subsequent Subordinated Bond Resolution, for deposit therein for payment of Bond Related Costs for any Additional Subordinated Bonds (the Bond Resolutions currently do not require any deposits to this Fund); and then

(9) into the Subordinated Bond Reserve Fund, at such times and in such amounts, if any, specified in any subsequent Subordinated Bond Resolution for deposit therein (the Bond Resolutions currently do not require any deposits to this Fund); and then

(10) into the Second Subordinated Funds, at such times and in such amounts, if any, specified pursuant to any subsequent resolution of the Board authorizing Second Subordinated Bonds for deposit therein (the Bond Resolutions currently do not require any deposits to this Fund); and then

(11) the remaining Pledged Revenues, if any, may be used and expended by the Board for any other lawful use of the State Highway Fund.

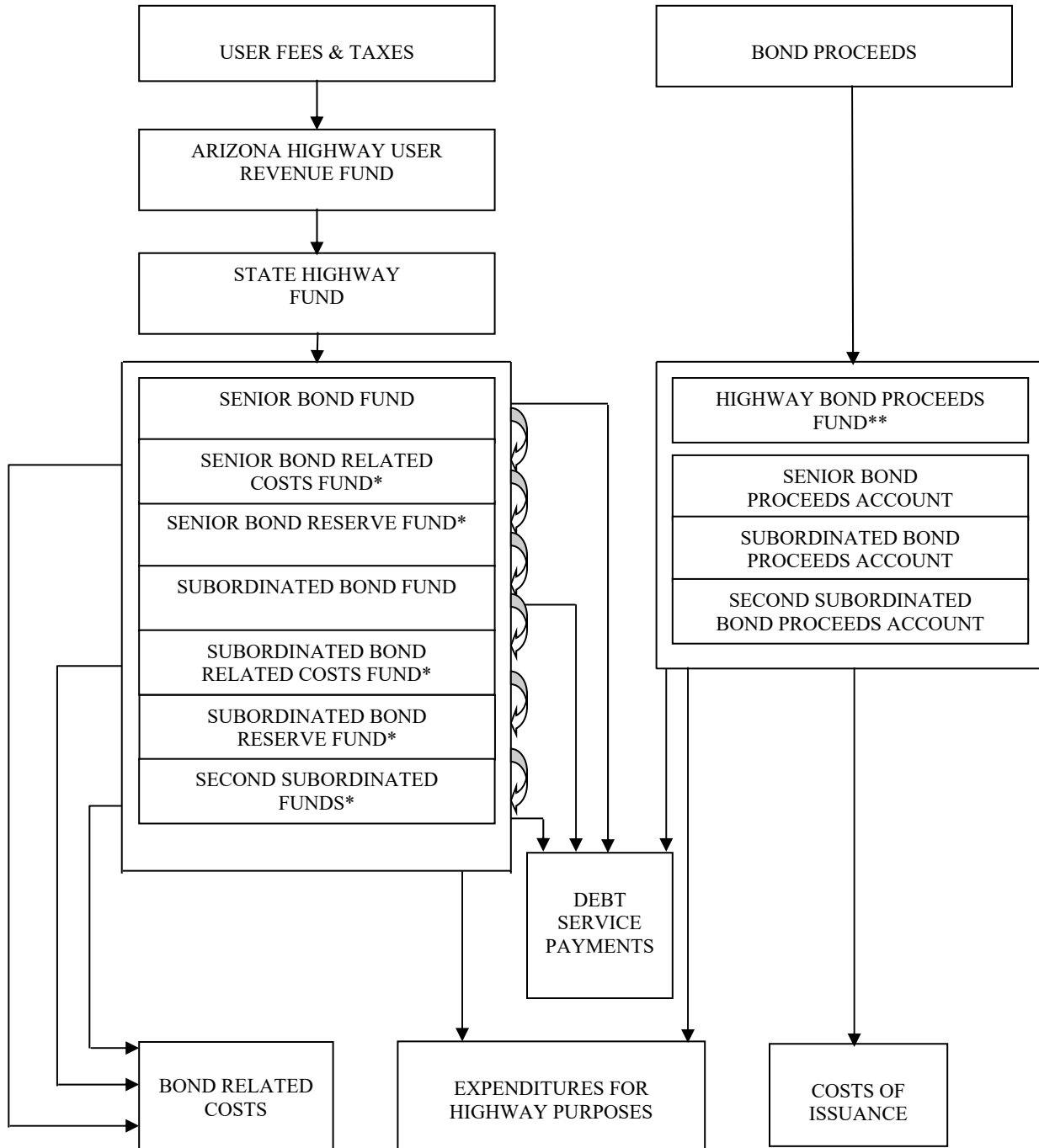
The Bond Resolutions provide that, to the extent that moneys in the Senior Bond Fund, Senior Bond Related Costs Fund and Senior Bond Reserve Fund are insufficient to pay, when due, principal of and interest on the Senior Bonds, the Senior Bonds shall have a first claim on moneys in all Subordinated Funds for the payment of principal and interest on the Senior Bonds.

If there is a deficiency in the required deposit to any of the Bond Funds as provided above, and unless the Board uses lawfully available Pledged Revenues on deposit in the State Highway Fund or other lawfully available moneys to cure such deficiency, all additional Pledged Revenues deposited into the State Highway Fund shall be used to make up such deficiencies in such Bond Funds, but only in the priority of deposit set forth above, prior to making any deposits to any lower priority Bond Fund.

To the extent that investment earnings are credited to the Senior and Subordinated Bond Fund pursuant to the Bond Resolutions, subsequent deposits to the Senior and Subordinated Bond Fund shall be reduced by the amount so credited.

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## HIGHWAY REVENUE BONDS FLOW OF FUNDS



\* As no moneys are currently required to be deposited to or paid from these funds, these funds are not currently in use.

\*\* Proceeds may also be deposited into an escrow fund to provide for payment of bonds being refunded.

## REVENUES AND DEBT SERVICE COVERAGE

### Historical Revenues

The following table sets forth the sources of revenues which were deposited into the Arizona Highway User Revenue Fund and the State Highway Fund for each of the last ten Fiscal Years ended June 30, 2025.

#### Sources of Revenues Deposited in the Arizona Highway User Revenue Fund and State Highway Fund (000's)

Fiscal Year	Motor Vehicle Fuel Tax Revenues	Motor Vehicle Registration Fee Revenues	Motor Carrier Tax Revenues	Motor Vehicle License Fees and Misc. Fees and Revenues	Smart & Safe Arizona Act Revenues	Motor Vehicle License (In Lieu) Tax Revenues	Total Deposited to Arizona Highway User Revenue Fund <sup>(1)</sup>	Percentage Change	Total Distributed to State Highway Fund <sup>(1)(2)</sup>
2025	\$822,992	\$241,504	\$57,827	\$52,344	\$43,547	\$619,226	\$1,837,439	2.0%	\$861,420
2024	817,064	241,394	58,405	52,475	41,934	589,861	1,801,132	3.0	849,990
2023	784,698	242,960	58,486	54,234	41,613	567,304	1,749,295	1.2	829,723
2022	794,737	236,121	56,698	55,578	43,167	542,835	1,729,138	6.3	820,170
2021	755,063	220,075	52,129	48,762		551,141	1,627,170	9.9	749,986
2020	733,406	191,464	45,472	37,236		473,259	1,480,836	-2.6	682,310
2019	749,885	192,926	45,812	62,128		469,470	1,520,221	4.4	656,751
2018	729,469	181,227	42,823	57,503		444,757	1,455,779	3.6	624,919
2017	705,737	177,868	42,091	57,813		421,939	1,405,448	3.6	610,998
2016	688,105	173,693	41,058	57,943		395,952	1,356,752	5.1	589,476

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> Subject to certain adjustments, 50.5% of revenues deposited to the Arizona Highway User Revenue Fund are distributed to the State Highway Fund. Adjustments may include other distributions from the Arizona Highway User Revenue Fund that are required by State legislation and amounts retained by third party collection agents. See “SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications” herein for a discussion of statutory changes resulting in changes to the deposits to the State Highway Fund for Fiscal Years 2020 through 2025.

Source: Arizona Department of Transportation, Office of Financial Planning and Cash Management.

### Projected Revenues

Recognizing the need for formal, well documented forecasts, the Department has developed a long-range forecasting model for revenues to be deposited to the Arizona Highway User Revenue Fund and distributed to the State Highway Fund. This model reflects underlying economic and energy-related trends. These trends are important in forecasting growth rates in personal income, motor vehicle fuel efficiency, employment, and population, all of which in turn are major components of the revenue forecast which follows.

The model uses a disaggregated structural regression-based econometric modeling approach. The use of this technique provides a framework that allows for the complex interaction of economic, demographic, and technological factors which influence collections over the long term. The key variables incorporated in the model which influence growth in Arizona Highway User Revenue Fund collections are: (i) Arizona population, (ii) Arizona real per capita income, (iii) Arizona non-farm employment, (iv) Arizona vehicle fuel efficiency, (v) Arizona gasoline price, and (vi) West Coast diesel price. Of these variables, Arizona population and Arizona real per capita income are the most important in projecting revenues.

In 1992, the Department expanded the capabilities of the model by retaining economic consultants to introduce a risk analysis process into the forecast development effort, which mitigates the uncertainty concerning future values for the critical model variables. This procedure provides information concerning the range of potential future revenues and their probability of occurrence.

Over the years the model has generally exhibited the ability to forecast revenues with a reasonably high degree of accuracy. For the 12-month periods ended June 30, 2025, 2024 and 2023, the forecast of collections to be deposited to the Arizona Highway User Revenue Fund which was made at the start of each such period, was within 0.8%, 2.0% and 0.0%, respectively, of actual collections in such periods.

The following table sets forth the Department's current forecast of revenues to be deposited to the Arizona Highway User Revenue Fund and the amounts to be distributed to the State Highway Fund for Fiscal Years 2026 through 2030. Based on the forecast of revenues to be deposited to the Arizona Highway User Revenue Fund, the Department then forecasts the amount that will be deposited to the State Highway Fund based on certain assumptions of legislative funding for other highway related purposes and activities. See "SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications." The amounts shown below in the current forecast for Fiscal Years 2026 through 2030 reflect a number of such considerations and assumptions, including:

- Anticipated growth in the amount of revenues deposited to the Arizona Highway User Revenue Fund.
- Funding for the DPS Parity Compensation Fund from the State Highway Fund of \$4.9 million to \$5.6 million per year.
- Transfers to the State General Fund from the State Highway Fund of \$9.8 million to \$10.6 million per year, reflecting the transfer of certain registration fee revenues and certain motor vehicle license (in lieu) tax revenues as required by statute.
- Funding for the operating budget and the Motor Vehicle Division's third party program from the Arizona Highway User Revenue Fund of \$0.8 million per year and \$1.0 million per year to the Economic Strength Project Fund.

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**Forecast of Revenues to be Deposited in the  
Arizona Highway User Revenue Fund and State Highway Fund  
Fiscal Years ending June 30, 2026 through June 30, 2030  
(000's)**

<b>Fiscal Year</b>	<b>Motor Vehicle Fuel Tax Revenues</b>	<b>Motor Vehicle Registration Fee Revenues</b>	<b>Motor Carrier Fee Revenues</b>	<b>Motor Vehicle Operators' License Fees and Misc. Fees and Revenues</b>	<b>Smart &amp; Safe Az Act Tax Revenues</b>	<b>Motor Vehicle License (In Lieu) Tax Revenues</b>	<b>Total Deposited to Arizona Highway User Revenue Fund</b>	<b>Total Distributed to State Highway Fund/1, 2, 3</b>
2026	\$820,640	\$242,500	\$57,830	\$52,330	\$44,770	\$637,650	\$1,855,720	\$870,638
2027	832,343	242,940	61,018	53,477	45,381	659,180	1,894,339	888,025
2028	843,296	246,721	62,553	54,611	45,978	682,439	1,935,597	907,308
2029	855,017	250,844	64,171	55,764	46,570	707,626	1,979,991	928,259
2030	865,731	255,133	65,762	56,929	47,153	732,412	2,023,119	948,658

- /1 Subject to certain adjustments, 50.5% of revenues deposited to the Arizona Highway User Revenue Fund are distributed to the State Highway Fund. Adjustments may include other distributions from the Arizona Highway User Revenue Fund as required by State legislation and amounts paid to third party collection agents. See "SOURCES AND APPLICATION OF PLEDGED REVENUES" herein.
- /2 For a discussion of recent legislation and its impact on forecasted Pledged Revenues, see "SOURCES AND APPLICATION OF PLEDGED REVENUES – Legislative Modifications" herein.
- /3 Includes a direct distribution from Vehicle License (In Lieu) Tax Revenues to the State Highway Fund.

Note: Totals may not add due to rounding

Source: Arizona Department of Transportation, Office of Financial Planning and Cash Management.

The prospective financial information included in this Official Statement under this heading has been prepared by, and is the responsibility of, the Department. In the view of the Department, the forecasts included herein were prepared on a reasonable basis utilizing the methodology described under this heading. The forecast reflects the best currently available estimates and judgments, and presents, to the best of the Department's knowledge and belief, the estimated future performance of, and estimated level of revenues flowing into the Highway User Revenue Fund and State Highway Fund under current law and the assumptions set forth above. However, these forecasts are not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on any prospective financial information.

Neither the Department's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

THE ACTUAL REVENUES THAT WILL BE DEPOSITED IN THE ARIZONA HIGHWAY USER REVENUE FUND AND THE STATE HIGHWAY FUND MAY VARY FROM THE FORECAST BECAUSE OF CHANGES IN THE ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS USED IN DEVELOPING THE FORECAST, CHANGES IN STATUTORY DISTRIBUTIONS AND OTHER CHANGES IN LAW, FLUCTUATING ECONOMIC CONDITIONS AND OTHER VARIABLES AFFECTING REVENUE GROWTH. SUCH VARIATIONS COULD BE MATERIAL.

**Debt Service Requirements, Forecasted Pledged Revenues and Projected Debt Service Coverage <sup>(1)</sup>**

The debt service requirements of the Bonds of the Board to be Outstanding after issuance of the Series 2026 Bonds, and after giving effect to the Cash Defeasance and the refunding of the Bonds to be Refunded, are set forth below. Based upon the Department's forecast of Pledged Revenues and debt service requirements, the projected debt service coverage of such Senior Bonds to be Outstanding (assuming no issuance of Additional Bonds) is as follows:

Twelve Months Ending July 1	Forecasted Pledged Revenues <sup>(2)</sup>	Outstanding Senior Bonds	Less:		Bonds to be Refunded <sup>(4)</sup>	Plus: Series 2026 Bonds			Total Senior Bonds <sup>(1)</sup>	Projected Debt Service Coverage on Senior Bonds
			Defeased Senior Bonds <sup>(3)</sup>	Less: Defeased Senior Bonds <sup>(3)</sup>		Principal Payments	Interest Payments <sup>(5)</sup>			
2026	\$870,638,000	\$115,332,517	(\$2,610,636)	(\$4,859,375)	\$9,272,375	\$117,134,881	7.43x			
2027	888,025,000	107,203,271	(38,101,271)	(28,333,750)	39,738,750	137,947,000	6.44x			
2028	907,308,000	107,190,770	(39,045,020)	(28,333,000)	36,866,750	137,869,500	6.58x			
2029	928,259,000	107,207,581	(35,893,831)	(28,340,750)	33,807,250	138,085,250	6.72x			
2030	948,658,000	107,202,934	(33,926,684)	(28,334,250)	30,742,000	138,204,000	6.86x			
2031		70,327,226	(2,132,726)	(28,331,750)	27,616,000	104,368,750				
2032		70,331,726	(5,177,726)	(24,110,500)	25,771,500	103,515,000				
2033		70,334,668	(2,051,668)	(28,503,750)	23,936,500	104,350,750				
2034		30,555,168	(2,051,668)	(28,503,500)	21,904,750	64,574,750				
2035		29,342,668	(18,091,668)	(11,251,000)	19,771,250	62,896,250				
2036		26,335,333	(15,084,583)	(11,250,750)	17,615,000	60,075,000				
2037		19,147,173	(19,147,173)		15,492,000	53,657,000				
2038		19,147,610	(19,147,610)		13,583,750	53,653,750				
2039					11,580,250	36,580,250				
2040					10,330,250	35,705,250				
2041					9,061,500	35,706,500				
2042					7,729,250	35,704,250				
2043					6,330,500	35,705,500				
2044					4,861,750	35,706,750				
2045					3,319,500	35,704,500				
2046					1,700,250	35,705,250				

<sup>(1)</sup> Does not reflect debt service requirements on approximately \$1.25 billion of bonds the Board currently anticipates issuing under the Bond Resolutions through Fiscal Year 2030. The issuance of such bonds may result in a decrease in the projected debt service coverage figures shown. Such bonds may only be issued by the Board, however, subject to meeting certain requirements of the Act and the Bond Resolutions. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS - Additional Bonds" for a further discussion of such requirements.

<sup>(2)</sup> Reflects the Department's forecast of Pledged Revenues for Fiscal Years 2026 through 2030 described under "Projected Revenues" above. For a discussion of recent State legislation and its impact on forecasted Pledged Revenues, see "SOURCES AND APPLICATION OF PLEDGED REVENUES - Legislative Modifications" herein.

<sup>(3)</sup> Reflects the Board's planned defeasance of \$199,820,000 principal amount of the Series 2020 Bonds maturing on July 1, 2027 through July 1, 2038 in a separate transaction prior to the delivery of the Series 2026 Bonds.

<sup>(4)</sup> Reflects the Board's planned refunding of \$194,375,000 principal amount of the Series 2016 Bonds maturing on July 1, 2027 through July 1, 2036.

<sup>(5)</sup> The first interest payment on the Series 2026 Bonds is July 1, 2026.

## MANAGEMENT OF STATE HIGHWAY PROGRAM

### Arizona Transportation Board

The Board consists of seven members, with two members appointed from Transportation District 1 (Maricopa County) and one member from each of the other five transportation districts within the State. Each member of the Board is appointed by the Governor of the State, subject to confirmation by the State Senate, for a term of six years expiring on a staggered basis on the third Monday in January. The Board is responsible, among other duties, for: (i) issuing bonds for State highway purposes; (ii) establishing a complete system of State highway routes; (iii) determining which State highway routes or portions thereof will be accepted into the State highway system, and which will be improved; (iv) establishing, opening, relocating, altering, vacating, or abandoning any portion of a State route or State highway; (v) determining priority program planning with respect to highway transportation facilities and monitoring the status of such programs; and (vi) distributing money appropriated from the State Aviation Fund for planning, design, development, acquisition of interests in land, and construction and improvement of publicly owned and operated airport facilities in the counties, cities and towns of the State.

The following sets forth information with respect to each member of the Board:

#### **Name and Transportation District Represented**

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Ted Maxwell, Chair  
Transportation District 2  
Pima County

Jenny Howard, Vice-Chair  
Transportation District 4  
Pinal, Gila and Graham Counties

Bruce Bracker, Member  
Transportation District 3  
Santa Cruz, Cochise and Greenlee Counties

Sam Elters, Member  
Transportation District 6  
Yavapai, Yuma, Mohave and La Paz Counties

John Giles  
Transportation District 1  
Maricopa County

Alexis Hermosillo, Member  
Transportation District 1  
Maricopa County

Jamescita Peshlakai, Member  
Transportation District 5  
Apache, Navajo and Coconino Counties

## **Arizona Department of Transportation**

### *General.*

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 1952). The Department's mission is to provide a safe, efficient, and cost-effective transportation system for the State.

### *Responsibilities and Organization.*

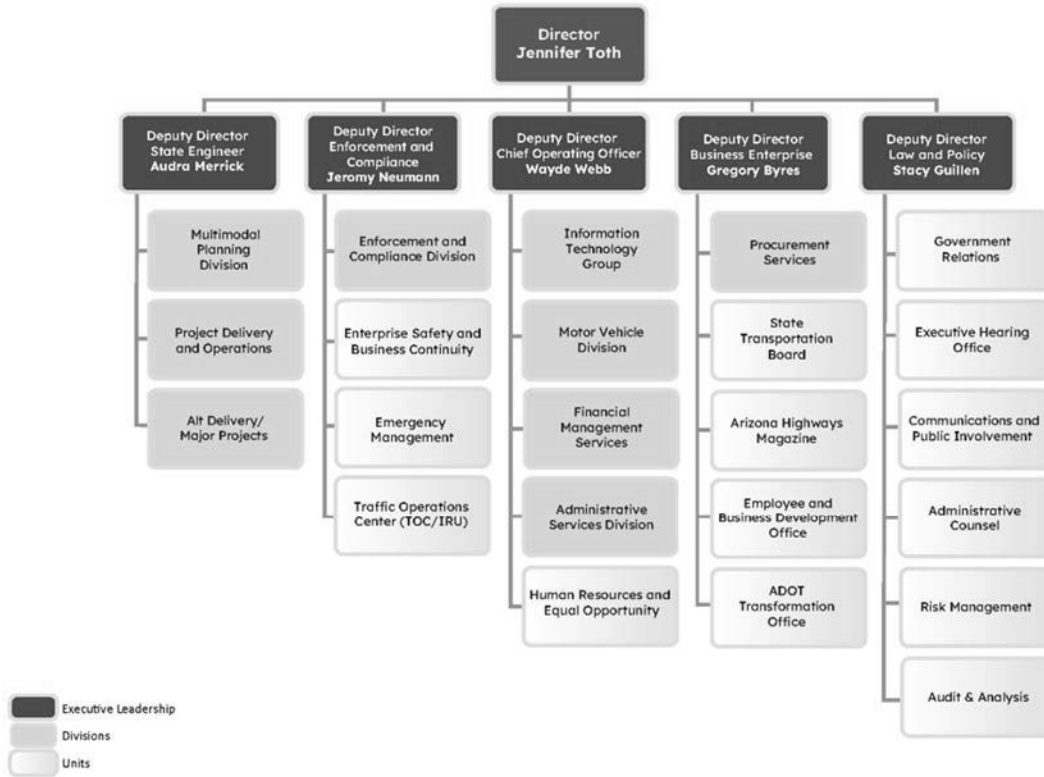
The Department administers the State highway system. The Department's responsibilities also include: (i) registration of motor vehicles and aircraft; (ii) transportation planning, coordination of transportation planning with local governments and annual development of a priority program of capital improvements for both highway and aviation transportation modes; (iii) design and construction of transportation facilities in accordance with a priority plan; (iv) maintenance and operation of the State highway system; and (v) research and evaluation of new transportation systems and cooperative efforts with and advice to local governments concerning the development and operation of public transit systems.

The Department's operating budget and capital outlay budget for buildings are reviewed by the Governor's office and funds for these purposes are appropriated by the State Legislature. The Department's capital outlay budget for the acquisition of land and the development, construction, and improvement of the State highway system is approved by the Board. The recommended budgeting of funds for the Maricopa County Regional Transportation Plan Freeway Program is determined by the regional planning agency in conjunction with the Department. The final list of projects in the Five-Year Capital Program is approved by the Board.

The Director of the Department serves as the Chief Executive Officer of the Department. The Director is appointed by the Governor and confirmed by the Senate and is solely responsible to the Governor. The Department has organized itself into nine divisions: Project Delivery and Operations Division, Alternative Delivery/Major Projects Division, Multimodal Planning Division, Enforcement and Compliance Division, Information Technology Group, Motor Vehicle Division, Financial Management Services, Administrative Services Division, and Procurement Services. The agency has five Deputy Directors that oversee the various divisions which include: Deputy Director and State Engineer, Deputy Director of Enforcement and Compliance, Deputy Director and Chief Operating Officer, Deputy Director of Business Enterprise and Deputy Director of Law and Policy.

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The Department’s table of organization and a brief description of each of the divisions is set forth below:



*Financial Management Services Division.* The Financial Management Services Division (“FMS”) is responsible for managing the financial foundation on which Arizona’s highways and bridges are built and administered. This includes forecasting, budgeting, collecting, distributing, overseeing the administration of the debt and financing program, managing the financial life cycle of transportation projects and otherwise accounting for and reporting on all of the funds available to construct and maintain Arizona’s highway system.

*Information Technology Group.* The Information Technology Group (“ITG”) supports the technology needs of the entire Department. This includes providing a wide array of services ranging from personal computer support to application development and disaster recovery plans. The ITG is also involved in IT governance and strategic planning activities.

*Multimodal Planning Division.* The Multimodal Planning Division (“MPD”) is responsible for the planning of the Statewide transportation system, including highways and airports, in coordination with local and regional planning agencies. The MPD produces the Five-Year Transportation Facilities Construction Program through which the Transportation Board establishes the priorities for highways and airports. The MPD also supports Statewide public transit planning, administers federal grants for transit planning in rural and metropolitan areas, and performs State regulatory safety oversight for the transit in Maricopa and Pima Counties.

*Project Delivery and Operations Division.* The Project Delivery and Operations Division is responsible for the location, design, construction and maintenance of the State highway system. The Project Delivery and Operations Division manages bridge inspections, environmental mitigation, project design, right-of-way acquisition, construction, federal regulatory compliance and highway maintenance.

*Alternative Delivery/Major Projects.* Alternative Delivery/Major Projects leads communications for the Department’s public-private partnership design-build projects. While providing oversight of the general engineering consultant’s public involvement team, Major Projects also manages social media and news media relations for each

project and works to build strong, positive relationships with local governments, key stakeholders and businesses impacted by project activities.

*Enforcement and Compliance Division.* The Enforcement and Compliance Division is comprised of the Enforcement Services Section and the Office of the Inspector General. The Enforcement and Compliance Division is responsible for the State's 23 ports of entry, commercial vehicle weight and fuel tax enforcement, collection of various fees, registration compliance, criminal investigations involving license and title fraud, and internal affairs.

*Motor Vehicle Division.* The Motor Vehicle Division regulates motor vehicles and drivers in the State through registration and licensing. The Motor Vehicle Division also collects various fees and taxes including: motor vehicle registration, motor carrier, motor vehicle operators' license and non-operating identification cards, aircraft registration, and miscellaneous fees and revenues. The Motor Vehicle Division annually processes millions of motor vehicle registrations and records, issues certificates of title for motor vehicles, and processes drivers' license applications while maintaining oversight of 47 offices and more than 150 authorized third parties.

*Administrative Services Division.* The Administrative Services Division provides Department-wide support functions including Equipment Services, Facilities Management, the Grand Canyon National Park Airport, and Safety and Risk Management.

*Procurement Services Division.* The Procurement Services Division is responsible for all of the Department's procurement activities. The Procurement Services Division is comprised of the Engineering Consultant Section responsible for contracting and managing the Department's professional services contracts, as well as contracting for, and managing, the Department's goods and services contracts.

*Staff of the Department.*

Information concerning the primary administrative personnel of the Department is set forth below:

**JENNIFER TOTH**

*Director*

Ms. Toth was appointed Director of the Department on January 5, 2023, to lead the agency responsible for planning, designing, building, maintaining and operating the State's Multimodal Transportation System, managing transportation revenue, and providing motor vehicle title, registration and driver license services.

Ms. Toth has over 25 years of experience in the public works field. She has spent the majority of her career working in the public sector and was most recently the Director for the Maricopa County Department of Transportation ("MCDOT") as well as the Maricopa County Engineer. Before joining MCDOT in 2014, Ms. Toth served as State Engineer and Deputy Director of the Department. She has also worked in the private sector as a transportation consultant.

Ms. Toth holds a Bachelor of Science degree in Civil Engineering from the University of Houston and a Master of Science degree in Civil Engineering from the University of New Mexico.

**GREGORY D. BYRES, P.E.**

*Deputy Director for Business Enterprise*

Mr. Byres serves as Deputy Director for Business Enterprise over Procurement Services, the State Transportation Board, Arizona Highways Magazine, the Transformation Office and the Employee and Business Development Office.

Mr. Byres joined the Department in 2015, having served as a senior project manager, State roadway engineer, Director of the MPD, and State Engineer.

Prior to joining the Department, Mr. Byres owned an engineering consulting firm, which provided design services for transportation, airports, utilities and development projects for both private and public sectors. He also has

a background as a consulting engineer on transportation, airport and utility projects as a geotechnical/materials engineering consultant.

Mr. Byres is a graduate of New Mexico State University with a Bachelor of Science degree in Civil Engineering Technology, and he studied geotechnical engineering at the University of Missouri-Rolla.

**TIM NEWTON**

*Assistant Director of Financial Management Services and Chief Financial Officer*

Mr. Newton serves as the Assistant Director of Financial Management Services and Chief Financial Officer of the Department, overseeing Financial Management Services and Budget and Research. He has been with the Department since April 2015 and has served as Accounting Manager, Controller, Deputy Chief Financial Officer and Assistant Director for Finance and Accounting.

Prior to joining the Department, Mr. Newton served as the Accounting Manager for the Department of Economic Security (“DES”) from 2007 to 2015. In his final year with DES, he served as a key agency representative on the statewide Enterprise Resource Planning implementation team. Mr. Newton is a licensed CPA and holds a Bachelor’s degree in Accounting from Northern Arizona University and a Bachelor of Arts degree from Griffith University.

**AUDRA MERRICK**

*Deputy Director and State Engineer*

Ms. Merrick serves as State Engineer and Deputy Director leading the Department’s MPD, Project Delivery and Operations Division, and Alternative Delivery and Major Projects Division. In this role, she oversees the development and delivery of the Department’s construction program while driving the Department’s efforts to improve and sustain the safety and efficiency of Arizona’s transportation infrastructure.

Before taking on her current job, Ms. Merrick previously served as MPD director, Project Delivery and Operations Division Director, and Infrastructure Delivery and Operations Division Deputy State Engineer. She also worked for nine years as the Northcentral District Engineer.

Ms. Merrick is a graduate of Lehigh University with a Bachelor of Science in Civil Engineering, and is a registered civil engineer. Her expertise and years of experience have played a key role in how the Department responds to emergencies, including a landslide on US 89 in 2014 that required extensive earthwork and the reconstruction of a newly aligned 1,500-foot section of roadway.

**WAYDE WEBB**

*Deputy Director and Chief Operating Officer*

Mr. Webb serves as Chief Operating Officer/Deputy Director for the Department. He oversees the Department’s Financial Management Services, the Administrative Services Division, Human Resources and Equal Opportunity, Motor Vehicle Division and the Information Technology Group.

Prior to joining the Department in 2023 as the Deputy Director for Motor Vehicle Division and Compliance, Mr. Webb worked in law enforcement at the Arizona Department of Public Safety for more than 28 years. He served as Human Resources Assistant Manager, Legislative Liaison, Chief Information Officer, and Executive Officer for two agency directors. He also worked in special investigations and as the DPS Metro Highway Patrol Bureau Commander, overseeing Highway Patrol, Motors, Commercial Motors Vehicles and the Capital District. From 2016 to 2019, Mr. Webb was appointed assistant director overseeing the Agency Support Division and later the Highway Patrol Division. In his last assignment at DPS, Mr. Webb served as a major in the Technical Services Division.

Mr. Webb holds a Bachelor’s degree from Wayland Baptist University and a Certified Public Manager certificate from Arizona State University. He is also a graduate of the Harvard Kennedy School’s Senior Executives in State and Local Government and Northwestern University’s School of Police Staff and Command.

**STACY GUILLEN**

*Deputy Director of Law and Policy*

Ms. Guillen serves as the Deputy Director of Law and Policy and manages the operations for the following work groups: Government Relations Office, the Executive Hearing Office, Risk Management and the Administrative Counsel, Audit and Analysis, and Communications and Public Involvement. She serves as the chief legal counsel for the Department, acts as a liaison to the Office of the Attorney General, and confers with all levels of international, federal, state and local governments, and members of the public affected by the Department.

Before joining the Department in 2015, Ms. Guillen previously served as the Deputy General Counsel for Governor Janice Brewer for two years, advising the Governor and her staff on a variety of issues while managing the day-to-day activities of the legal staff. She also served as the rules attorney and ethics counsel for the Arizona State Senate and staff attorney for the Arizona House of Representatives over a six-year period from 2007 to 2013.

Ms. Guillen received her Juris Doctor in 2007 from the Sandra Day O'Connor College of Law at Arizona State University and was admitted to the Arizona State Bar in 2007. She earned a Bachelor of Arts degree in Journalism with a minor in Business Administration from Arizona State University.

**JEROMY NEUMANN**

*Deputy Director of Enforcement and Compliance Division*

Mr. Neumann serves as Deputy Director overseeing the Department's Enforcement and Compliance Division, Enterprise Safety and Business Continuity, and Emergency Management. In this role, he also oversees the Department's Traffic Operations Center and Incident Response Unit.

Before coming to the Department in 2023 as an executive project manager, Mr. Neumann worked in law enforcement at the DPS for more than 22 years serving in supervisory and managerial positions. He held command-level positions in training, professional standards, major crimes, Highway Patrol Metro east district, the Project Management Office and assignments in division offices. In his last assignment at DPS, Mr. Neumann served as a captain in the Commercial Vehicle Enforcement Division. His extensive career experience has included several leadership opportunities revolving around the planning, execution and delivery of a variety of projects.

Mr. Neumann is a graduate of Northwestern University's School of Police Staff and Command. He holds a Bachelor of Science degree in Criminal Justice from Eastern New Mexico University, along with a Master of Science in Leadership from Grand Canyon University.

**TERI KENNEDY**

*Assistant Director of Administrative Services Division*

Ms. Kennedy serves as the Assistant Director for the Administrative Services Division and manages the following work groups: Equipment Services, Facilities Management and Support, and the Administrative Services Budget Office. She also oversees the Grand Canyon National Park Airport and the Physical Security Office.

Ms. Kennedy has had a long and diverse career in transportation and transportation planning, budgeting and leadership. She previously worked in the State Engineer's Office as the transportation division's finance officer where she managed and developed the maintenance and operations budgets of multiple divisions. She also worked in the MPD from 2007 to 2011, helping lead transit programs and grants. In between her assignments at the Department, she worked nearly 10 years as transportation improvement program manager at the Maricopa Association of Governments ("MAG"), managing MAG's Transportation Improvement Program budgets of up to \$7 billion dollars annually. Ms. Kennedy also has worked as a contractor with the City of Scottsdale Planning Department and started her career managing a variety of information technology roles.

**MICHAEL CRYDERMAN**

*Assistant Director of Motor Vehicle Division*

Mr. Cryderman serves as the Assistant Director of the Department's Motor Vehicle Division ("MVD").

He joined the Department in 2016 and has served as MVD's administrator for field operations and customer contact. Prior to joining the Department, Mr. Cryderman held a number of positions in operations and process improvement, including director of customer care, director of process and project management, and national director of process improvement for Ricoh USA.

Mr. Cryderman holds a Bachelor of Science degree in Administrative Management from Missouri State University. He is also a Six Sigma Black Belt.

### **ROBERT SAMOUR**

*Assistant Director of Alternative Delivery/Major Projects Division*

Mr. Samour joined the Department in 1996 and has years of experience working on many complex construction projects in the Metro Phoenix area, as well as other projects around the State.

Mr. Samour started in the Department's Engineer in Training program and early on, he held positions in what was known as the Phoenix Construction District (now known as the Central District). Over the years, he has served as resident engineer, senior resident engineer, assistant district engineer and district engineer

In 2009, he joined the Department's State Engineer's office where he served as Deputy State Engineer over the Regional Freeway program's design, construction and maintenance groups. As a senior deputy state engineer, he was in charge of all construction and maintenance. In Mr. Samour's current role as the Assistant Director for the Alternative Delivery and Major Projects Division, he works on procuring and constructing some of the Department's largest infrastructure projects.

### **MATT MOUL**

*Assistant Director of Project Delivery and Operations Division*

Mr. Moul started with the Department in 1995. He was an Engineer-in-Training in 2000 and served as the Northeast District Engineer before becoming a Deputy State Engineer in 2020.

In early 2026, Mr. Moul was promoted to the role as the Assistant Director of the Department's Project Delivery and Operations Division.

### **KORINA LOPEZ**

*Assistant Director of Procurement Services*

Ms. Lopez has served as the Assistant Director for the Department's Procurement Services Division since March of 2025. She oversees the Procurement Group and the Engineering Consultants Section ("ECS").

She began her career with the Department in December 2006 as an administrative assistant in the Joint Project Administration ("JPA") Group. In 2024, Ms. Lopez accepted a position at the Federal Highway Administration ("FHWA"), before returning to the Department in 2025. With more than 15 years of progressive leadership experience, she has led teams across multiple functions prior to her current role, first as group manager for JPA, then as group manager of ECS and ultimately as the system performance team leader at FHWA, where she managed four programs (Bridge and Structures, Transportation Safety, Transportation Operations and Administration).

### **STEVE WEST**

*Assistant Director and Chief Information Officer*

Mr. West serves as the Assistant Director and Chief Information Officer ("CIO") for the Department. With more than 40 years' experience in state government, both as a full-time employee and consultant, he leads the Department's Information Technology Group ("ITG"), which manages application development and support, data management, cybersecurity, disaster recovery, cloud services, AI initiatives and the Department's support desk.

Prior to his appointment as CIO in 2017, Mr. West was a consultant/senior manager at the Department. In this role, he supported the Motor Vehicle Division and other groups through the management of online services and

by supporting the operations of ITG. He has also worked as the Department's applications solutions manager. Additionally, he has served as the Information Systems Manager for the Arizona Legislature and supporting the Arizona Department of Child Safety.

In addition to his government service, Mr. West served as an adjunct faculty member in the Computer Information Systems Department at Rio Salado Community College. He holds a Master of Business Administration and a Bachelor's Degree in Business Information Systems from the University of Phoenix.

#### *Funding the Department.*

The Department has several major sources of revenue available for financing its capital program and day-to-day operations. The operating budget, which is appropriated by the State Legislature, is funded primarily by the Department's share of Arizona Highway User Revenue Funds, which revenues are deposited in the State Highway Fund. Included in the highway operating budget are maintenance, general engineering activities, administrative functions, and all other highway related operating expenses.

The Five-Year Capital Program is funded from three primary sources: federal aid highway program funds, highway user revenues, and the revenues generated by the transportation excise tax deposited into the Maricopa County Regional Area Road Fund. Debt financing supplements these three sources of revenues to ensure timely and cost-effective accomplishment of the Five-Year Capital Program. The Five-Year Capital Program identifies the improvements to be made by the Department to the State Highway System during the next five fiscal years and contains detailed information about each project including location, description, estimated cost, and timing. Improvements are scheduled based primarily upon funding availability, project priority, and engineering and construction considerations.

The Five-Year Capital Program is updated annually by the Board in accordance with a statutorily defined and scheduled process designed to assure that the improvements to the State Highway System that are of highest priority to the State are made and funded in an orderly way, consistent with statutory guidelines and Board policies. Initially, a preliminary Five-Year Capital Program is developed by the Director of the Department based upon the Board's guidelines and input from transportation professionals at the state and local level, from state and local elected officials, and from the general public. Also considered in determining the priority of the projects to be included in the Five-Year Capital Program are funding availability, user benefits, public need, land use, safety, road conditions, and continuity of improvements. Each update to the Five-Year Capital Program includes projects to be scheduled for the fifth year of the forthcoming five-year period as well as modifications to the Program dictated by funding availability, changing priorities, and other considerations. The Board adopts the revised Five-Year Capital Program on or before June 30 of each year following a series of public meetings throughout the State.

#### **Summary of Revenues, Expenditures and Changes in Fund Balances**

Set forth on the following pages is a table that summarizes certain information for the five Fiscal Years ended June 30, 2025, derived from the Department's audited financial statements. The information for the Fiscal Year ended June 30, 2025, should be read in conjunction with the audited basic financial statements of the Department for the Fiscal Year ended June 30, 2025, and the notes therein included as Appendix A.

*This information is presented as background information only. As described under “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2026 BONDS,” the Series 2026 Bonds are special obligations of the Board payable solely from a senior lien on Pledged Revenues, which Pledged Revenues are not segregated or identified in these tables.*

**Arizona Department of Transportation  
State Highway Fund  
Summary of Revenues, Expenditures, and Changes in Fund Balances <sup>(a)</sup>  
Fiscal years ended June 30, 2021 through June 30, 2025**

	Audited				
	2021	2022	2023	2024	2025
<b>Revenues:</b>					
Vehicle registration, title, license and related fees	\$499,509,924	\$506,458,485	\$532,210,229	\$546,007,578	\$580,644,630
State appropriations – transaction privilege taxes	-	-	925,447,500	12,500,000	-
Fuel and motor carrier taxes and fees	448,235,876	429,269,098	435,102,109	495,771,278	448,662,064
Reimbursement of construction expenditures – federal aid	468,099,274	423,926,985	533,665,171	624,770,791	601,603,105
Other federal grants and reimbursements	-	-	-	-	-
Reimbursements from Arizona counties and cities	-	4,496,827	3,705,393	49,543,464	6,885,159
Distribution from other state agencies	22,687,387	93,936,538	142,935,390	401,084,984	135,272,403
Interest on loans receivable	-	63,447	479,833	111,804	-
Interest on investments	3,570,643	3,224,158	49,139,202	82,367,338	85,789,675
Sales and charges for services	15,992,362	10,828,559	12,724,396	6,362,329	13,104,860
Rental Income	8,901,252	8,892,006	8,783,655	10,790,762	12,180,132
Other	3,055,970	21,439,041	25,145,443	(16,982,844)	29,586,819
Total revenues	<u>\$1,470,052,688</u>	<u>\$1,502,535,144</u>	<u>\$2,669,338,321</u>	<u>\$2,212,327,484</u>	<u>\$1,913,728,847</u>
<b>Expenditures:</b>					
Current:					
Transportation:					
Administration	\$124,668,769	\$129,670,632	\$123,412,123	\$137,752,835	\$128,154,089
Highway	76,666,735	114,945,570	124,363,404	131,788,218	139,708,802
Highway Maintenance	142,055,180	135,316,657	175,225,885	178,362,743	153,919,603
Motor Vehicle Division	184,061,761	149,023,762	175,277,212	182,123,844	191,830,700
Total Transportation	<u>\$527,452,445</u>	<u>\$528,956,621</u>	<u>\$598,278,624</u>	<u>\$630,027,640</u>	<u>\$613,613,194</u>
Non-capital, including asset preservation	\$377,589,240	\$400,307,869	\$644,132,242	\$762,920,391	\$539,026,125
Capital Outlay:					
Highway construction	94,904,877	96,018,761	64,106,978	124,457,825	306,469,408
Distributions to Arizona counties, cities and other state agencies	160,878,537	126,805,591	158,026,876	531,068,795	128,169,687
Debt Service <sup>(b)</sup>	-	-	-	1,253,306	696,740
Total Expenditures	<u>\$1,160,825,099</u>	<u>\$1,152,088,842</u>	<u>\$1,464,544,720</u>	<u>\$2,049,727,957</u>	<u>\$1,587,975,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$309,227,589</u>	<u>\$350,446,302</u>	<u>\$1,204,793,601</u>	<u>\$162,599,527</u>	<u>\$325,753,693</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	\$2,479,521	-	-	-
Transfers out <sup>(c)</sup>	(\$139,921,302)	(139,321,008)	(\$135,486,112)	(\$433,771,921)	(\$122,094,726)
Debt Issuance	-	-	-	-	-
Other	5,902,313	9,253,043	11,882,211	9,140,717	9,599,484
Total other financing (uses)	<u>(\$134,018,989)</u>	<u>(\$127,588,444)</u>	<u>(\$123,603,901)</u>	<u>(\$424,631,204)</u>	<u>(\$112,495,242)</u>
Net change in fund balance	175,208,600	222,857,858	1,081,189,700	(262,031,677)	213,258,451
Fund balances, Beginning of year	<u>745,216,302</u>	<u>920,424,902</u>	<u>1,143,282,760</u>	<u>2,224,472,460</u>	<u>1,962,440,783</u>
<b>Fund balances, End of year</b>	<u><b>\$920,424,902</b></u>	<u><b>\$1,143,282,760</b></u>	<u><b>\$2,224,472,460</b></u>	<u><b>\$1,962,440,783</b></u>	<u><b>\$2,175,699,234</b></u>

(a) Numbers may not add due to rounding.

(b) Primarily reflects debt service on vehicle and equipment leases, and certain obligations internal to the Department or with other State agencies.

(c) Primarily reflects transfers into debt service redemption accounts; may include other transfers.

Source: Provided by the Arizona Department of Transportation, Financial Management Services, as derived from audited financial statements of the Department.

## Sunset Laws

In order to encourage systematic legislative review of State agencies and statutes, State statutes currently provide for automatic termination of State agencies and statutes pursuant to a statutory schedule unless the State Legislature takes affirmative action to continue the existence of the agencies or statutes. These State statutes are commonly known as “Sunset Laws.” Under the State Sunset Laws, the Department and the Board are scheduled for termination on July 1, 2032, and Title 28, Arizona Revised Statutes, is scheduled for termination on January 1, 2040. Title 28 contains most of the transportation laws of the State, including the provisions relating to the fees and taxes pertaining to the registration, operation and use of motor vehicles and motor vehicle fuel taxes, the Arizona Highway User Revenue Fund and the State Highway Fund, the Act, as well as traffic laws of the State.

The State Sunset Laws provide a system for automatic committee and legislative review of agencies and statutes prior to their termination. Since the enactment of the Sunset Laws, the Department’s existence and authority; the Act and the statutes relating to the fees and taxes pertaining to the registration, operation, and use of motor vehicles; and the statutes related to motor vehicle fuel taxes have been reviewed and continued four times. While there can be no assurance that the State Legislature will continue the Department after July 1, 2032, the Department is not aware of any matters which would cause the State Legislature to terminate the existence of the Department or the Board or to repeal Title 28 or to amend Title 28 in a manner detrimental to the Owners of the Series 2026 Bonds.

The State Sunset Laws provide that if Title 28 is repealed pursuant to the Sunset Laws, so long as there are any outstanding debts or other obligations, such as the Series 2026 Bonds, payable from the Arizona Highway User Revenue Fund and provision has not been made for payment of those debts or obligations, the provisions of the Act regarding the Arizona Highway User Revenue Fund, the pledge of revenues from that fund and the liens on that fund to pay the debts or other obligations will remain in full force and effect until those debts or other obligations have been fully paid and satisfied (or provision is made therefor). In the opinion of Bond Counsel, in the event that the State Legislature fails, prior to the final maturity of the Series 2026 Bonds, to take affirmative action to continue the existence of the Department, the Board or the Act on or prior to their effective termination dates, the State would be obligated to make payments on the Senior Bonds and the Subordinated Bonds, including the Series 2026 Bonds, when due from Pledged Revenues under the terms and conditions for payment contained in the Bond Resolutions.

## Factors and Events that Could Impact Department Revenues

There are a number of factors, both known and unknown, that could potentially impact the Department and the Department’s revenue collections through the final maturity of the Series 2026 Bonds. Such factors include but are not limited to: the accelerating transition to electric and alternative fuel vehicles that affects motor fuel tax collections; improvements in vehicle fuel efficiency that reduce gallons consumed per vehicle mile traveled; changes in transportation patterns and vehicle miles traveled resulting from telework, autonomous vehicles, and evolving mobility preferences; the impacts of climate change, and particularly in Arizona such factors as extreme heat and drought, on transportation demand and infrastructure maintenance costs; economic conditions that affect vehicle purchases, registrations, and travel patterns; federal infrastructure funding levels and policy changes that may impact state transportation revenues; and demographic shifts including population growth and migration patterns within Arizona. To date, such factors have not had a material adverse impact on the Department generally or the ability of the Board to pay debt service on its debt obligations when due; however, the future fiscal and operational impacts of any such factor, or a combination of one or more of these factors, on the Department and its revenues through the final maturity of the Series 2026 Bonds are difficult to predict and could be significant.

A further discussion of certain of these factors follows below.

### *Federal Legislative and Executive Actions*

Potential federal legislative and executive actions and initiatives could adversely impact the Department, and the impact could be material. Such possible actions, many of which are subject to multiple judicial challenges and litigation, include but are not limited to: decreases to federal fuel tax rates and distribution formulas; modifications to federal highway funding programs; changes to federal grants and discretionary funding programs for transportation infrastructure; immigration policies that impact construction labor availability and costs; and tariffs and trade policies affecting construction materials and equipment costs.

The Infrastructure Investment and Jobs Act provided a significant increase in federal funding; however, the sustainability and continuation of such enhanced funding levels under the current administration remains uncertain.

The Trump Administration has indicated potential interest in revisiting infrastructure funding priorities and mechanisms, which could impact federal support for state transportation programs.

While the financial impact on the Department resulting from the totality of potential developments at the federal level cannot be quantified at this time, any such developments may, directly or indirectly, have a material adverse effect on the current and future revenue collections and operating performance of the Department. In general, in the event of reduced federal funding or policy changes that negatively impact state revenue collections, the Department would expect to adjust capital programs and prioritize maintenance activities to the extent necessary to mitigate the fiscal impact, but the timing and level of any such responsive measures cannot be fully determined at this time.

#### *Electric Vehicle Transition and Fuel Efficiency Impacts*

The transportation sector is experiencing a fundamental shift in vehicle propulsion technology and fuel consumption patterns that directly impacts the Department's primary revenue sources. Electric vehicle adoption in Arizona has accelerated in recent years, with projections indicating continued growth in market share. Because electric vehicles do not consume motor fuel, increased EV adoption directly reduces motor fuel tax collections, which represent a substantial portion of Pledged Revenues deposited into the State Highway Fund. Additionally, improvements in internal combustion engine fuel efficiency have resulted in fewer gallons of fuel consumed per vehicle mile traveled, further eroding the motor fuel tax base even as total vehicle miles traveled may increase.

The State has implemented registration fee surcharges for electric and hybrid vehicles to partially offset motor fuel tax revenue losses; however, these fees currently generate significantly less revenue per vehicle than equivalent fuel taxes paid by conventional vehicle owners. The sufficiency and political sustainability of these alternative fee structures through the life of the Series 2026 Bonds is uncertain. Furthermore, the rate of EV adoption may accelerate beyond current projections due to factors including: declining battery costs; expanded charging infrastructure; federal and state incentives (though these may be modified under the current administration); manufacturer commitments to electrification; and potential future regulatory mandates.

Legislative efforts to transition from fuel-based taxes to usage-based fees such as vehicle miles traveled charges have been discussed but face significant implementation challenges including privacy concerns, technological requirements, administrative costs, and political obstacles. The timing and structure of any such transition, if it occurs, cannot be predicted, and there is substantial uncertainty regarding whether replacement revenue mechanisms will be implemented in time to offset declining fuel tax revenues deposited into the Arizona Highway User Revenue Fund or will generate equivalent revenue levels.

These combined factors — EV adoption, fuel efficiency improvements, and uncertainty regarding replacement revenue mechanisms — create material risk to the Department's long-term revenue stability. While current impacts have been manageable within normal revenue forecasting and budgeting processes, the cumulative effect over the term of the Series 2026 Bonds could be significant and could impact the amounts of Pledged Revenues available for debt service on the Senior Bonds.

#### *Cybersecurity*

The Department is committed to securing its information systems and safe-guarding taxpayers' data. The Department recognizes its dependence on technology systems for revenue collection, vehicle registration, licensing, enforcement, traffic management, and infrastructure operations. The complexity of cyber threats is ever evolving, including malware, phishing, hacking, and ransomware. Recently, transportation agencies nationwide have experienced cybersecurity incidents ranging from ransomware attacks that temporarily disrupted operations to data breaches affecting customer information. A significant cybersecurity incident affecting revenue collection systems, registration databases, or payment processing could temporarily impact the Department's ability to collect revenues that would otherwise be deposited into the Arizona Highway User Revenue Fund and subsequently become Pledged Revenues, or could result in costs associated with incident response, system restoration, and remediation efforts. In response to escalating threats, the Department continues to increase investment in mitigation strategies, including increasing awareness and engagements of all staff. While no assurance can be given that all threats will be without impact, the Department's commitment to a pervasive effort across the agency is designed to provide a proactive and resilient method in the Department's security approach.

## LITIGATION

There is no litigation or administrative action pending in any court or, to the best knowledge of the Department and the Board, threatened, which would restrain or enjoin the issuance, sale or delivery of the Series 2026 Bonds or in any way contest or affect the validity of the Series 2026 Bonds, or which concerns the proceedings of the Board taken in connection with the issuance and sale of the Series 2026 Bonds or the levy, pledge or application of Pledged Revenues, or the pledge and application of any funds provided for their payment, or which contests the powers of the State, including the Department and the Board, with respect to the foregoing.

The Office of the Attorney General of the State has reviewed the status of pending lawsuits affecting the Department in connection with its operations, and has reported that there are several proceedings in which the Department is either a plaintiff or defendant and which are generally incidental to the operations of the Department. The ultimate disposition of such pending legal proceedings cannot be predicted or determined at present. It is the belief of the Office of the Attorney General of the State that such pending litigation will not be finally determined so as to result, individually or in the aggregate, in a final judgment against the Department which would materially and adversely affect the Department's ability to pay debt service on the Senior Bonds and Subordinated Bonds, its continued operations or its financial position.

## LEGAL INVESTMENT

To the extent governed by Arizona law, the Act provides that the Series 2026 Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions of the State, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons authorized to invest in bonds or other obligations of the State, may properly and legally invest money, including capital in their control or belonging to them. The Series 2026 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and political subdivisions of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

## TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP, Bond Counsel, under existing law: (i) interest on the Series 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; and (ii) interest on the Series 2026 Bonds is exempt from Arizona state income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2026 Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Board and the Department contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2026 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the representations and certifications of the Board and the Department or the continuing compliance with the covenants by the Board and the Department.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2026 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (the "IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Board or the Department may cause loss of such status and result in the interest on the Series 2026 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2026

Bonds. The Board and the Department have each covenanted to take the actions required of it for the interest on the Series 2026 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2026 Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2026 Bonds or the market value of the Series 2026 Bonds.

Interest on the Series 2026 Bonds may be subject: (1) to a federal branch profits tax imposed on certain foreign corporations doing business in the United States; (2) to a federal tax imposed on excess net passive income of certain S corporations; and (3) to the alternative minimum tax imposed under Section 55(b) of the Code on "applicable corporations" (within the meaning of Section 59(k) of the Code). Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2026 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2026 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2026 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Series 2026 Bonds ends with the issuance of the Series 2026 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Series 2026 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2026 Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Series 2026 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2026 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2026 Bonds.

Prospective purchasers of the Series 2026 Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Series 2026 Bonds at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

### **Risk of Future Legislative Changes and/or Court Decisions**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2026 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2026 Bonds will not have an adverse effect on the tax status of interest on the Series 2026 Bonds or the market value or marketability of the Series 2026 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2026 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax that was in effect at that time, and eliminated the tax-exempt advance refunding of tax-exempt bonds and tax-advantaged bonds, among other things. Additionally, investors in the Series 2026 Bonds should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Series 2026 Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2026 Bonds may be affected and the ability of holders to sell their Series 2026 Bonds in the secondary market may be reduced.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

### **Original Issue Discount and Original Issue Premium**

Certain of the Series 2026 Bonds (“Discount Series 2026 Bonds”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Series 2026 Bond. The issue price of a Discount Series 2026 Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Series 2026 Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Series 2026 Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Series 2026 Bond (i) is interest excluded from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2026 Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale or other disposition of that Discount Series 2026 Bond. A purchaser of a Discount Series 2026 Bond in the initial public offering at the issue price (described above) for that Discount Series 2026 Bond who holds that Discount Series 2026 Bond to maturity will realize no gain or loss upon the retirement of that Discount Series 2026 Bond.

Certain of the Series 2026 Bonds (“Premium Series 2026 Bonds”) may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2026 Bond, based on the yield to maturity of that Premium Series 2026 Bond (or, in the case of a Premium Series 2026 Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2026 Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Series 2026 Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2026 Bond, the owner’s tax basis in the Premium Series 2026 Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2026 Bond for an amount equal to or less than the amount paid by the owner for that Premium Series 2026 Bond. A purchaser of a Premium Series 2026 Bond in the initial public offering who holds that Premium Series 2026 Bond to maturity (or, in the case of a callable Premium Series 2026 Bond, to its earlier call date that results in the lowest yield on that Premium Series 2026 Bond) will realize no gain or loss upon the retirement of that Premium Series 2026 Bond.

***Owners of Discount and Premium Series 2026 Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or bond premium, the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Series 2026 Bonds, other federal tax consequences in respect of OID and bond premium, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.***

### **INDEPENDENT AUDITORS**

The basic financial statements of the Department as of and for the year ended June 30, 2025 included in this Official Statement in Appendix A have been audited by Baker Tilly US, LLP, independent auditors, as stated in their report appearing therein.

### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “Commission”), the Board and the Department will execute a written Continuing Disclosure Undertaking, dated the date of closing of the Series 2026 Bonds (the “Disclosure Undertaking”), substantially in the form set forth as Appendix C, wherein the Board and the Department will agree, for the benefit of the Beneficial Owners of the Series 2026 Bonds, to provide, or cause to be provided, as therein provided, certain annual financial information generally consistent with the information contained under the heading “REVENUES AND DEBT SERVICE COVERAGE – Historical Revenues” herein, and notice of the occurrence of certain events or failures to take certain required actions with respect to the Series 2026 Bonds. Pursuant to the Rule, such disclosures

are to be provided to the Municipal Securities Rulemaking Board (“MSRB”) in a format prescribed by the MSRB. Currently, the MSRB requires filing such disclosures in electronic format through the Electronic Municipal Market Access website (“EMMA”).

The Board and the Department may from time to time choose to provide notice of the occurrence of other events, in addition to those required in the Disclosure Undertaking, but the Board and the Department do not undertake to commit to provide any notice of the occurrence of any event except those events listed in the Disclosure Undertaking. Such notices will be provided through EMMA.

The obligations of the Board and the Department described in the Disclosure Undertaking will remain in effect until the Series 2026 Bonds are no longer outstanding (within the meaning of the Senior Bond Resolution) or the Rule no longer applies to the Series 2026 Bonds. The Disclosure Undertaking may be amended or waived as provided therein.

A Beneficial Owner of a Series 2026 Bond may seek to enforce the undertakings of the Board and the Department in the Disclosure Undertaking by an action for specific performance in any court of competent jurisdiction in Phoenix, Arizona, after providing the Board and the Department with 30 days prior written notice of their failure to perform. Any failure of the Board or the Department to comply with any of their obligations in the Disclosure Undertaking shall not be a default or Event of Default with respect to the Series 2026 Bonds under the Senior Bond Resolution.

The Board timely filed its annual report for the Fiscal Years ended June 30, 2023 and June 30, 2025, but did not file CUSIPS related to certain of its outstanding bonds for these annual reports, which has since been corrected.

## **RATINGS**

The Series 2026 Bonds have been rated “AA+” and “Aa1”, respectively, by S&P and Moody’s. Such ratings reflect only the views of the rating organizations, and any explanation of the meaning or significance of the ratings may only be obtained from the rating agency. The Board and the Department furnished to the rating agencies certain information and materials, some of which have not been included in this Official Statement, relating to the Series 2026 Bonds and the Board and the Department. Generally, rating agencies base their ratings on such information and materials and on their own investigation, studies and assumptions. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be revised, lowered or withdrawn entirely by a rating agency if in their judgment circumstances so warrant. Any lowering, suspension or withdrawal of a rating or other action by a rating agency relating to its rating may have an adverse effect on the marketability or market price of the Series 2026 Bonds.

The Board and the Department expect to furnish each rating agency with information and materials that it may request. The Board and the Department, however, assume no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of the debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2026 Bonds.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the issuance of the Series 2026 Bonds and with regard to the treatment of interest for federal and state tax purposes (see “TAX MATTERS”) are subject to the legal opinion of Squire Patton Boggs (US) LLP, Bond Counsel, whose legal services have been retained by the Board. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the Series 2026 Bonds, will be delivered on the date of issuance.

The proposed text of the legal opinion of Bond Counsel is set forth as Appendix B. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

In its capacity as Bond Counsel, Bond Counsel has participated in the preparation of, and has reviewed those portions of, this Official Statement pertaining to the Series 2026 Bonds, the Senior Bond Resolution, the Subordinated Bond Resolution and the tax treatment of interest on the Series 2026 Bonds (except for outstanding amounts of Senior Bonds and Subordinated Bonds), contained under the captions “INTRODUCTION”, “THE SERIES 2026 BONDS”, “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2026 BONDS”, “SOURCES AND APPLICATION OF PLEDGED REVENUES” (excluding “—Legislative Modifications” and financial data), “LEGAL INVESTMENT”, “TAX MATTERS”, “CONTINUING DISCLOSURE UNDERTAKING” [(excluding the last paragraph thereunder)], APPENDIX B – “PROPOSED FORM OF BOND COUNSEL OPINION” and APPENDIX C – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein. Bond Counsel has not been retained to pass upon, and will not express any opinion upon, any other information in this Official Statement or any other information pertaining to the Series 2026 Bonds or the Board or the Department that may be made available to the prospective purchasers of the Series 2026 Bonds or to others.

In addition to rendering the legal opinion, Bond Counsel will assist in the preparation of and advise the Board concerning documents for the bond transcript. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP.

### **MUNICIPAL ADVISOR**

RBC Capital Markets, LLC is employed as the Municipal Advisor to the Board in connection with the issuance of the Series 2026 Bonds. The fees for the Municipal Advisor are contingent upon the issuance, sale and delivery of the Series 2026 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification and does not guarantee the accuracy, completeness, or fairness of the information in this Official Statement.

### **UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2026 Bonds from the Board at a price of \$889,970,325.94 (representing the par amount of the Series 2026 Bonds less Underwriters’ discount of \$1,099,750.91 plus original issue premium of \$96,295,076.85). Based upon the initial offering yields of the Series 2026 Bonds as shown on the inside front cover page hereof, the Underwriters will receive compensation of \$1,099,750.91. The public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2026 Bonds to dealers (including dealers depositing the Series 2026 Bonds into investment trusts) and others at prices lower than such initial public offering prices. The Underwriters will be obligated to purchase all of the Series 2026 Bonds if any are purchased.

Certain of the Underwriters and their respective affiliates may be engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the Board. The Underwriters and their and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Board.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the Underwriters of the Series 2026 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2026 Bonds. Pursuant to the WFA

Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2026 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2026 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2026 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Series 2026 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2026 Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2026 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2026 Bonds.

Stifel, Nicolaus & Company, Incorporated (“Stifel”), one of the Underwriters of the Series 2026 Bonds, and its affiliates may be engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the Board and to persons and entities with relationships with the Board, for which they received or will receive customary fees and expenses. In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Board (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Board. Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the Board.

Piper Sandler & Co. (“Piper”), one of the Underwriters of the Series 2026 Bonds, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase Series 2026 Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Series 2026 Bonds that CS&Co sells.

## **MISCELLANEOUS**

The Department and the Board have furnished the information in this Official Statement relating to the Department, the Board, the Arizona Highway User Revenue Fund and the State Highway Fund. The Independent Auditors’ Report and management discussion and analysis included in the Department’s financial statements contained in Appendix A refer to certain sections and schedules all of which are not included in this document.

Copies of the Senior Bond Resolution and the Subordinated Bond Resolution discussed herein may be obtained from Kara Sullivan, the Department’s Financial Reporting Manager, located at 800 West Washington Street, Suite 601, Phoenix, Arizona 85007 (telephone: 602-712-4392).

All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly so stated, are intended as such and not as representations of fact or certainty and no representation is made that any of those statements have been or will be realized. The agreements of the Board and the State with respect to the Series 2026 Bonds are fully set forth in the Senior Bond Resolution and neither this Official Statement nor any statements that may have been or that may be made orally or in writing is to be construed

as a contract or agreement between the Board, the Department or the State, and the purchasers, Owners or Beneficial Owners of any of the Series 2026 Bonds.

This Official Statement is submitted in connection with the original sale and issuance of the Series 2026 Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Board and the Department and duly executed and delivered on their behalf by the officials signing below.

ARIZONA TRANSPORTATION BOARD

/s/ Ted Maxwell

Ted Maxwell, Chair

ARIZONA DEPARTMENT OF TRANSPORTATION

/s/ Jennifer Toth

Jennifer Toth, Director

**APPENDIX A**

**ARIZONA DEPARTMENT OF TRANSPORTATION  
FINANCIAL STATEMENTS FOR THE  
YEAR ENDED JUNE 30, 2025  
WITH REPORT OF INDEPENDENT AUDITORS**

The Independent Auditors' Report and management discussion and analysis included in the Department's financial statements contained in Appendix A, refer to certain sections and schedules all of which are not included in this Appendix A.

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**Fiscal Year 2025**

# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

For fiscal year ended June 30, 2025



**STATE OF ARIZONA | DEPARTMENT OF TRANSPORTATION**

**ARIZONA**  
— DEPARTMENT OF —  
**TRANSPORTATION**

**Arizona Department of Transportation**  
**Annual Comprehensive Financial Report**  
For the Fiscal Year Ended June 30, 2025

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

**Arizona Department of Transportation  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2025  
Table of Contents**

	<u>Page</u>
 <b><u>INTRODUCTORY SECTION</u></b>	
<u>Letter of Transmittal</u>	<u>i-vi</u>
<u>Certificate of Achievement for Excellence in Financial Reporting</u>	<u>vii</u>
<u>List of Principal Officials</u>	<u>viii</u>
<u>Organization Chart</u>	<u>ix</u>
 <b><u>FINANCIAL SECTION</u></b>	
<u>Independent Auditors' Report</u>	<u>1</u>
<u>Management's Discussion and Analysis</u>	<u>5</u>
 <b><u>Basic Financial Statements</u></b>	
<u>Government-Wide Financial Statements:</u>	
<u>Statement of Net Position (Exhibit 1)</u>	<u>20</u>
<u>Statement of Activities (Exhibit 2)</u>	<u>21</u>
 <u>Funds Financial Statements:</u>	
<u>Governmental Funds Financial Statements:</u>	
<u>Balance Sheet – Governmental Funds (Exhibit 3)</u>	<u>23</u>
<u>Reconciliation of the Balance Sheet of Governmental</u>	
<u>Funds to the Statement of Net Position (Exhibit 3.1)</u>	<u>25</u>
<u>Statement of Revenues, Expenditures, and Changes in Fund</u>	
<u>Balances – Governmental Funds (Exhibit 4)</u>	<u>27</u>
<u>Reconciliation of the Statement of Revenues, Expenditures, and</u>	
<u>Changes in Fund Balances of Governmental Funds to the</u>	
<u>Statement of Activities (Exhibit 4.1)</u>	<u>31</u>
 <u>Proprietary Funds Financial Statements:</u>	
<u>Statement of Net Position – Proprietary Funds (Exhibit 5)</u>	<u>33</u>
<u>Statement of Revenues, Expenses, and Changes in Fund Net</u>	
<u>Position – Proprietary Funds (Exhibit 6)</u>	<u>34</u>
<u>Statement of Cash Flows – Proprietary Funds (Exhibit 7)</u>	<u>35</u>
 <u>Notes to the Financial Statements</u>	 <u>37</u>

**Arizona Department of Transportation  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2025  
Table of Contents — continued**

	<u>Page</u>
<u>Note 1 – Summary of Significant Accounting Policies</u>	<u>39</u>
<u>A – Reporting Entity</u>	<u>39</u>
<u>B – Government-Wide and Fund Financial Statements</u>	<u>39</u>
<u>C – Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>	<u>40</u>
<u>D – Assets Deferred Outflows of Resources, Liabilities, Deferred Inflows         of Resources, and Net Position/Fund Balance</u>	<u>42</u>
<u>E – Revenues and Expenditures/Expenses</u>	<u>47</u>
<u>F – Interfund Activity and Balances</u>	<u>48</u>
<u>G – Use of Estimates</u>	<u>48</u>
<u>Note 2 – Funds by Classification</u>	<u>49</u>
<u>Note 3 – Budgeting, Budgetary Control, and Legal Compliance</u>	<u>49</u>
<u>Note 4 – Accounting Pronouncements and Reconciliation of         Government-Wide and Fund Financial Statements</u>	<u>50</u>
<u>A – New Accounting Pronouncements</u>	<u>50</u>
<u>B – Explanations of Reconciling Items of the Balance Sheet of Governmental         Funds to the Statement of Net Position</u>	<u>51</u>
<u>C – Explanations of Reconciling Items of the Statement of Revenues,         Expenditures, and Changes in Fund Balances of Governmental         Funds to the Statement of Activities</u>	<u>52</u>
<u>Note 5 – Detailed Notes on all Funds and Activities</u>	<u>55</u>
<u>A – Capital Assets</u>	<u>55</u>
<u>B – Construction Commitments</u>	<u>58</u>
<u>C – Interfund Receivables, Payables, Advances, and Transfers</u>	<u>58</u>
<u>D – Leases</u>	<u>59</u>
<u>E – Noncurrent Liabilities</u>	<u>62</u>
<u>F – Fund Balances</u>	<u>67</u>
<u>Note 6 – Other Information</u>	<u>68</u>
<u>A – Interstate 10 Broadway Curve Project</u>	<u>68</u>
<u>B – Contingent Liabilities</u>	<u>69</u>
<u>C – Pension</u>	<u>70</u>
<u>D – Accounting Changes</u>	<u>75</u>
 <b><u>Required Supplementary Information (Other than MD&amp;A)</u></b>	
<u>Budgetary Comparison Schedule – General Fund (State Highway Fund)</u>	<u>77</u>
<u>Budgetary Comparison Schedule - Highway User Revenue Fund</u>	<u>78</u>
<u>Note to Required Supplementary Information</u>	<u>79</u>
<u>Information about Infrastructure Assets Reported Using the Modified Approach</u>	<u>80</u>
<u>Pension Liability and Pension Contributions</u>	<u>85</u>

**Arizona Department of Transportation  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2025  
Table of Contents — continued**

	<u>Page</u>
 <b><u>Supplementary Information</u></b>	
<u>Nonmajor Governmental Funds Financial Statements:</u>	<u>88</u>
<u>Combining Balance Sheet (Exhibit 8)</u>	<u>89</u>
<u>Combining Statement of Revenues, Expenditures, and Changes in     Fund Balances (Exhibit 9)</u>	<u>92</u>
 <b><u>STATISTICAL SECTION</u></b>	
 <u>Overview</u>	 <u>94</u>
 <u>Index of Statistical Section</u>	 <u>95</u>
 <u>Financial Trends</u>	
<u>Change in Net Position (Table A-1)</u>	<u>97</u>
<u>Statement of Revenues, Expenditures, and Changes in Fund     Balances – Governmental Funds (Table A-2)</u>	<u>101</u>
<u>Fund Balances of Governmental Funds (Table A-3)</u>	<u>105</u>
<u>Expenditures of Federal Awards (Table A-4)</u>	<u>107</u>
<u>Government-Wide Expenses by Function (Table A-5)</u>	<u>109</u>
<u>Government-Wide Revenues (Table A-6)</u>	<u>111</u>
<u>Net Position by Component (Table A-7)</u>	<u>113</u>
 <u>Revenue Capacity</u>	
<u>Highway User Revenue Fund Collections (Table B-1)</u>	<u>116</u>
<u>Highway User Revenue Fund Distributions (Table B-2)</u>	<u>117</u>
<u>Fuel Tax Rates (Table B-3)</u>	<u>118</u>
<u>Motor Vehicle Fuel Tax – Top Ten Suppliers (Table B-4)</u>	<u>119</u>
<u>Gasoline Volume Sold – Top Twenty-Five Suppliers (Table B-5)</u>	<u>121</u>
 <u>Debt Capacity</u>	
<u>Highway Revenue Bonds - Bond Coverage (Table C-1)</u>	<u>124</u>
<u>Transportation Excise Tax Revenue Bonds - Bond Coverage (Table C-2)</u>	<u>125</u>
<u>Transportation Excise Tax Revenue Bonds – Debt Service Revenue and Cost Per Capita     (Table C-3)</u>	<u>126</u>
<u>Ratios of Outstanding Debt by Type (Table C-4)</u>	<u>127</u>

**Arizona Department of Transportation  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2025  
Table of Contents — continued**

	<u>Page</u>
<u>Demographic and Economic Information</u>	
<u>Registrations, Temporary Registration Permits and Disability Placards Per Year (Table D-1)</u>	<u>130</u>
<u>Registrations, Temporary Registration Permits and Disability Placards Compared to Fuel Sales (Table D-2)</u>	<u>131</u>
<u>Demographic and Economic Statistics (Table D-3)</u>	<u>132</u>
<u>Principal Employers (Table D-4)</u>	<u>133</u>
 <u>Operating Information</u>	
<u>Full-Time Equivalents (FTEs) (Table E-1)</u>	<u>135</u>
<u>Capital Assets – Schedule by Function and Activity (Table E-2)</u>	<u>136</u>
<u>Capital Assets – Schedule of Changes by Function and Activity (Table E-3)</u>	<u>137</u>
<u>Total Public Road Mileage by Highway Class and Governmental Ownership (Table E-4)</u>	<u>138</u>
<u>Vehicle Miles Traveled with Population Data (Table E-5)</u>	<u>139</u>
 <u>Yellow Book Report</u>	 <u>141</u>
 <u>Acknowledgments</u>	 <u>143</u>



November 25 2025

The Honorable Katie Hobbs  
Governor of the State of Arizona,  
Members of the Legislature, and  
Citizens of the State of Arizona

The Arizona Department of Transportation (Department) is pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Department for the fiscal year ended June 30, 2025. The ACFR is presented in three sections: Introductory, Financial, and Statistical. The **Introductory Section** includes this Letter of Transmittal, a List of Principal Officials, and the Department's Organization Chart. The **Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, as well as Other Supplementary Information. The **Statistical Section** includes additional financial information and transportation data presented on a multi-year comparative basis.

Arizona Revised Statutes, §41-1279.03, requires the State Auditor General to "conduct or cause to be conducted at least biennial financial and compliance audits of financial transactions and accounts kept by or for all state agencies subject to the single audit act of 1984 (P.L. 98-502)." In fulfillment of this requirement, the Department prepared this ACFR, for the fiscal year ended June 30, 2025, and contracted with the independent auditing firm of Baker Tilly US, LLP to audit the financial statements.

The objective of the independent audit is to provide a reasonable assurance that the financial statements are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Department's financial statements for the fiscal year ended June 30, 2025, are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The independent auditors' report is presented as the first component of the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent auditors.

The ACFR includes all funds (some that are external to the Department) used to record the financial activity of the Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department.

To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework that is designed both to protect the Department's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the financial statements in conformity with GAAP. The Department's internal controls include both automated controls, which are an integral component of the financial accounting system, and comprehensive policies and procedures. In addition, the Department's Office of Audit and Analysis is an independent unit that reviews accounting controls and performs operational audits of the various divisions and units of the Department. Since the cost of internal controls should not outweigh their benefits, the

Department's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

## Profile of the Department

The Department was established by the state legislature in July 1974 by combining the former Arizona Highway Department (originally established in 1927) and the Department of Aeronautics (originally established in 1962). The Department is not legally separate from the State of Arizona's primary government. The Department's mission is "we provide highway infrastructure and transportation services", and the vision is "to safely connect people and empower our economy". The Department's statutory authority for carrying out its programs is found in Arizona Revised Statutes, Titles 28, 35, and 41.

The Department receives guidance in capital planning and program development from the seven-member State Transportation Board (Transportation Board) appointed by the governor and confirmed by the state senate. The Transportation Board is responsible for the annual update of the Five-Year Transportation Facilities Construction Program and awards contracts each month for highway projects. The Transportation Board also has authority for the issuance of highway revenue and transportation excise tax bonds grant anticipation notes (GARVEE bonds), and board funding obligations.

As of June 30, 2025, the Department had nine major operating divisions and several other groups. The nine major operating divisions include: Multimodal Planning Division (MPD), Alt Delivery / Major Projects (ADMP), Motor Vehicle Division (MVD), Enforcement and Compliance Division (ECD), Financial Management Services (FMS), Information Technology Group (ITG), Administrative Services Division (ASD), Project Delivery and Operations (PDO) and Procurement Services Division (PSD).

- The MPD is responsible for the planning of the statewide transportation system, including highways and airports, in coordination with local and regional planning agencies. The MPD produces the Five-Year Transportation Facilities Construction Program through which the Transportation Board establishes the priorities for highways and airports. The MPD also supports statewide public transit planning, administers federal grants for transit planning in rural and metropolitan areas, and performs state regulatory safety oversight for the light rail system in Maricopa County.
- The Alt Delivery / Major Projects is responsible for overseeing innovative approaches to fund transportation projects, including through non-traditional funding sources.
- The MVD regulates motor vehicles in the state and collects motor vehicle registration fees, motor carrier fees, motor vehicle operators' license fees, and miscellaneous fees and revenues. The MVD annually processes motor vehicle registrations and records, issues certificates of title for motor vehicles, and processes drivers' license applications.
- The ECD conducts criminal and administrative investigations related to all facets of agency operations, e.g., titling, registration, and licensing; as well as providing services to the local and national law enforcement communities while enforcing transportation related laws and regulations.
- The FMS is responsible for managing the financial foundation on which Arizona's highways and bridges are built and administered. This includes forecasting, budgeting, collecting, distributing, overseeing the administration of the debt and financing program, managing the financial life cycle of transportation projects and otherwise

accounting for and reporting on of all the funds available to construct and maintain Arizona's highway system.

- The ITG supports the technology needs of the entire department. This includes providing a wide array of services ranging from personal computer support to application development and disaster recovery plans. The ITG also is involved in IT governance and strategic planning activities.
- The ASD provides a wide variety of support services for the department business areas and employees. The ASD work units include Equipment Services, Facilities Maintenance & Support, and the Mailroom and Print Services. The ASD also oversees operation of the Grand Canyon National Park Airport.
- The Project Delivery and Operations is responsible for improve and sustain the safety and efficiency of Arizona's transportation infrastructure. The vision of PDO is to provide excellence in the design, construction and maintenance of Arizona's transportation infrastructure.
- The PSD is responsible for all of ADOT's procurement activities. The PSD is comprised of the Engineering Consultant Section (ECS) responsible for contracting and managing ADOT's professional services contracts and the Procurement is responsible for contracting and managing ADOT's goods and services contracts.

Overall, the Department employs approximately 3,630 persons.

**Budgetary Controls** Upon the effective date of the annual operating budget appropriations bill for the General Fund (State Highway Fund), allocations are made to organizational levels within each division. The allocations result in a detailed operating budget that guides the divisions and programs in their financial operation. State funding for the Five-Year Transportation Facilities Construction Program is included in the capital outlay appropriations bill typically as a lump-sum budget without identifying individual projects, but in some instances individual projects and amounts are identified. In the land, building, and improvements portion of that bill, each capital project is identified for control purposes. This bill also provides funding for building renewal purposes. The budgets are prepared on a cash basis except that liabilities (encumbrances) incurred before the end of the fiscal year and paid within the "administrative adjustment" period (typically one year) are charged against the prior fiscal year's budget. With a few exceptions, such as the capital budgets, highway maintenance, and special line items, state appropriations typically lapse at the end of the fiscal year.

The Department relies on the State of Arizona's financial system AZ360 to control total expenditures by appropriation and to ensure budgetary compliance and management control. These features of AZ360 include: encumbrance and pre-encumbrance capabilities, appropriation allocation and control capabilities to the expense budget/organizational unit level, and management control reports from the expense budget/organizational unit level, with summary reporting capabilities by program, division, or appropriation.

## Factors Affecting Financial Condition

**Arizona Economy** In FY 2025, Arizona experienced modestly rising unemployment rates and slower job growth. According to the Arizona Office of Economic Opportunity, the Arizona seasonally adjusted (SA) unemployment rate increased from 3.5 percent in June 2024 to 4.1 percent in June 2025. During this period, SA non-farm employment increased by approximately 18,600 jobs.

Apart from Federal funding, the Department's two main funding sources are the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax. The HURF completed FY 2025 with a total of \$1,837.4 million in collections, an increase of 2.0 percent over FY 2024 and 0.8 percent below forecast. Maricopa County Transportation Excise Tax collections totaled \$768.1 million, an increase of 2.2 percent over FY 2025 and 0.4 percent above forecast.

The United States economy is still expanding, although nationally and across Arizona housing affordability remains a

challenge. In June 2025, the Arizona employment situation was about on par with the nation, with AZ having the same seasonally adjusted unemployment rate as the US, according to the Arizona Office of Economic Opportunity. The May 2025 University of Arizona Economic and Business Research Center forecasted Arizona non-farm employment to grow 1.0 percent in calendar year (CY) 2025 and to grow 1.8 percent in CY 2026. According to the July 2025 Western Blue Chip report, personal income in Arizona is forecasted to increase by 4.7 percent in CY 2025 and by 5.1 percent in CY 2026, and Arizona population is projected to grow by 1.3 percent in CY 2025 and 1.3 percent in CY 2026.

The Department's FY 2026 HURF revenue forecast is \$1,855.7 million, a 1.0 percent increase over FY 2025. The HURF ten-year compound growth rate for FY 2016- FY 2025 was 3.3 percent. The Department forecasts the distribution of FY 2026 HURF revenue as follows: State Highway Fund \$930.5 million; Arizona cities and towns \$562.0 million; Arizona counties \$350.1 million; State Lake Improvement Fund and Off-Highway Vehicle Recreation Fund \$11.3 million; Economic Strength Project Fund \$1.0 million; and the ADOT for operating expenses and the authorized third-party program \$0.8 million. An estimated \$14.7 million of the State Highway Fund share of HURF vehicle license tax revenues will be reallocated as follows: State General Fund \$9.8 million and the Department of Public Safety \$4.9 million.

The Maricopa County Transportation Excise Tax revenue forecast for FY 2026 totals \$787.8 million, an increase of 2.6 percent over FY 2025. The Maricopa County Transportation Excise Tax ten-year compound growth rate for FY 2016- FY 2025 was 7.6 percent. The forecasted distribution of the Maricopa County Transportation Excise Tax revenue in FY 2026 is as follows: Maricopa County Regional Area Road Fund \$390.9 million for highways and \$122.3 million for arterial streets; Public Transportation Fund \$274.6 million.

**Long-term Financial Planning** The Department has developed a long-range forecasting model for revenues to be deposited in the Highway User Revenue Fund and the Maricopa County Regional Area Road Fund. This econometric modeling approach provides a framework that allows for the complex interaction of economic, demographic, and technological factors which influence revenue collections over the long term. Using this process, the Department updates and publishes its official forecast on an annual basis, after the close of the fiscal year, and uses this data in developing cash-flow projections for the statewide Highway Construction Program and the Maricopa County Regional Transportation Plan Freeway Program (RTPFP), two components of the Five-Year Transportation Facilities Construction Program (the other components being the Pima County Regional Transportation Authority Highway Program (RTAHP) and the Airport Capital Improvement Program).

These cash-flow projections incorporate estimates of all funding sources available to the capital program and estimates of project-related and other expenditures.

**Planned Construction Activity** On June 21, 2024, the Transportation Board adopted the Five-year Transportation Facilities Construction Program for fiscal years 2025 through 2029. A total of \$8.1 billion of transportation facilities expenditures are planned during this time period. This includes \$4.5 billion for the statewide highway program, \$3.4 billion for the Regional Transportation Plan for Maricopa and Pima counties, and \$0.2 billion for airports. Further details of the Five-year Transportation Facilities Construction Program for fiscal years 2025 through 2029 can be found at:

[https://apps.azdot.gov/ADOTLibrary/Multimodal\\_Planning\\_Division/FiveYrPlan/Five\\_Year\\_Program-FY2025-29.pdf](https://apps.azdot.gov/ADOTLibrary/Multimodal_Planning_Division/FiveYrPlan/Five_Year_Program-FY2025-29.pdf)

## Legislative updates

The major legislative updates taking effect in fiscal year 2025 which impacted the Department, include:

House Bill 2318, Chapter 120 This bill makes clarifying changes to the existing State Match Advantage for Rural Transportation (SMART) Fund statutes. It stipulates that applicants awarded funding from the SMART Fund for design and other engineering services are required to apply for a federal grant within two years after the award, or the award lapses and the applicant must repay any expended monies to the fund. It also updates requirements for applicants on documentation that must be submitted, increases the percentage of interest earnings that can be used by ADOT, allows the Transportation Board to redistribute any unawarded funds and the power to rescind awards under certain circumstances where other funding is secured by the applicant.

House Bill 2438, Chapter 208 This bill grants an 8-year continuation to ADOT, repealing the prior sunset date of July 1 2024. This bill also allows ADOT to issue commercial vehicle fleet licenses plates, amends certain law enforcement powers of the agency and the location of its ports of entry, allows the Arizona State School for the Deaf and Blind to participate in the State Fleet managed by ADOT, and provides some updates to the Motor Vehicle Division's processing for licenses for those over 60 years old, registrations for vehicles powered by alternative fuels and requirement checks of certain driving privileges for commercial applicants.

Senate Bill 2897, Chapter 209 This is the general appropriations bill for FY 2025. Appropriates \$10 million from the State Highway Fund and \$979.4 from the Motor vehicle liability insurance enforcement fund to DPS. There is no HURF transfer to DPS in FY 2025. This bill makes an appropriation from HURF of \$898.6 for ADOT operating budget/ authorized third-party program. Appropriates \$15.9 million from the State Highway Fund to ADOA in FY 2025 for the risk management premium. Additionally, the bill provides a total appropriation of \$566.9 million for ADOT which includes \$163.2 million for highway maintenance, \$36.1 million for Preventive Surface Treatments and \$252.9 million for operating lump sum appropriation. This represents a \$12.6 million decrease from the FY 2024 appropriation of \$579.5. The State Highway Fund share amounts to \$483.4 million of the total appropriation. The bill also requires transfers to the State General Fund in the amount of \$26 million from the State Highway Fund FY24 budget, \$18.7 million from the State Highway Fund FY25 budget, and \$2 million of the State Highway Fund share of HURF Vehicle License Tax (VLT) for FY25 for the purposes of providing adequate support and maintenance for State agencies.

Senate Bill 2899, Chapter 211 This is the Capital Outlay Bill for FY 2025. The bill contains more than \$493.5 million in appropriations from the highway fund for construction and State building repair. The bill amends Laws 2023, Chapter 135 to reduce appropriated distributions of \$9.2 million for Pinal County, and \$27.7 million for Queen Creek for FY 2024. The bill makes changes to Laws 2021, Chapter 406 by reducing appropriations by \$25.5 million, to Laws 2022, Chapter 309 by reducing appropriations by \$143.8 million, and to Laws 2023, Chapter 135 by reducing appropriations by \$76.6 million. Also, the bill stipulates a total of \$118.4M be transferred from the State Highway Fund to the State General Fund by June 30, 2024.

## Other Information

**Single Audit** The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Department's Single Audit information is included in the Single Audit of the State of Arizona for the fiscal year ended June 30, 2025

**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arizona Department of Transportation for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This accomplishment was the thirty-fourth consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of

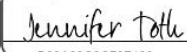
Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgments** We would like to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. A special note of thanks is extended to the staff of Fiscal Operations whose commitment, professionalism, and dedicated efforts contributed to the preparation of the fiscal year 2025 Annual Comprehensive Financial Report.

Respectfully Submitted,

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Signed by:  
  
\_\_\_\_\_  
Jennifer Toth, Director  
Arizona Department of Transportation

DocuSigned by:  
  
\_\_\_\_\_  
Kristine Ward, Deputy Director/Chief Financial Officer  
Arizona Department of Transportation



Government Finance Officers Association

Certificate of  
Achievement for  
Excellence in  
Financial  
Reporting

Presented to

**Arizona Department of Transportation**

For its Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

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

**Jennifer Toth**  
Director  
**Greg Byres**  
Deputy Director/ State Engineer  
**Stacy Guillen**  
Deputy Director of Law and Policy  
**Floyd Roehrich, Jr.**  
Deputy Director/ Business Enterprise  
**Kristine Ward**  
Deputy Director/ Chief Financial Officer  
**Wayde Webb**  
Deputy Director/ Motor Vehicle Division and Compliance  
**Teresa Welborn**  
Deputy Director/Chief Operating Officer

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

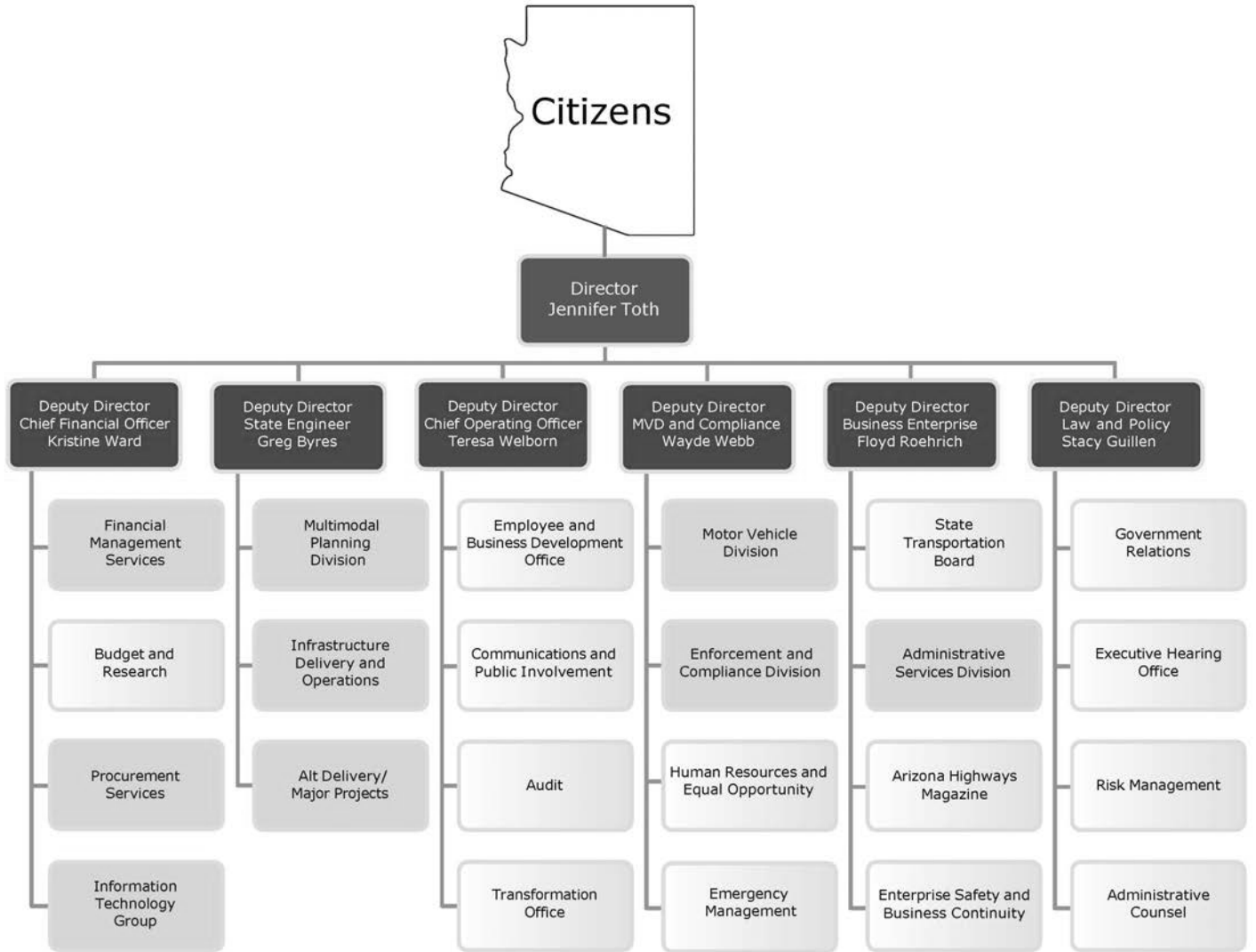
**Audra Merrick**  
Director, Infrastructure Delivery and Operations  
**Vacant**  
Director, Transportation Systems Management and Operations Division  
**Eric Jorgensen**  
Director, Motor Vehicle Division  
**Teri Kennedy**  
Director, Administrative Services Division  
**Tim Newton**  
Director, Financial Management Services Division  
**Matt Moul**  
Director, Multimodal Planning Division  
**Rob Samour**  
Director, Alt Delivery/Major Projects Division  
**Steve West**  
Chief Information Officer

**Arizona State Transportation Board**

<b>Member</b>	<b>Counties</b>	<b>Term Expires</b>
Jenn Daniels, Chairman	District 1 (Maricopa County)	2026
Sam Elters, Member	District 6 (Yavapai, Yuma, Mohave, and La Paz Counties) District 3)	2025
Jenny Howard, Member	District 4 (Gila, Graham, and Pinal Counties)	2028
Ted Maxwell, Vice Chair	District 2 (Pima County)	2027
Jamescita Peshlakai, Member	District 5 (Apache, Coconino, and Navajo Counties)	2026
Richard Searle, Member	District 3 (Santa Cruz, Cochise, and Greenlee Counties)	2025
Vacant	District 1 (Maricopa County)	

**State of Arizona  
Department of Transportation  
Organization Chart**

June 30, 2025



Divisions

Rev. 4/24/2025 13-201



## Independent Auditors' Report

Honorable Katie Hobbs  
Governor of the State of Arizona  
Members of the Arizona State Legislature  
Arizona Department of Transportation

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Arizona Department of Transportation (the Department), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Department as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Emphasis of Matter

##### Reporting Entity

As discussed in Note 1.A., the financial statements present only the Arizona Department of Transportation and do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2025, and the changes in financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

### Adoption of GASB 101 - *Compensated Absences*

As discussed in Note 4.A., the Department adopted the provisions of GASB Statement No.101, *Compensated Absences*, effective July 1, 2024. Our opinions are not modified with respect to this matter.

### Restatement

As discussed in Note 6D to the financial statements, changes in the presentation of compensated absences within the financial statements had occurred and adjustments were made to the reporting periods beginning net position. Our opinions are not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, information about infrastructure assets reported using the modified approach, and the Department's proportionate share of the net pension liability and contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 25, 2025

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

As management of the Arizona Department of Transportation (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the [Letter of Transmittal](#) and the Department's [basic financial statements](#) with the accompanying [notes](#) and [Required Supplementary Information \(RSI\)](#)

## **Financial Highlights**

### ***Government-Wide***

- The net position of the Department at the close of the fiscal year was \$28.7 billion. Of this amount, \$1.2 billion represents the *unrestricted* component, \$2.0 billion was *restricted*, and \$25.5 billion is *net investment in capital assets*.
- Total net position of the Department increased by \$1.3 billion excluding beginning net position restatements. See [Note 6D](#) for further details.
- The Department's capital assets are \$26.5 billion, compared to \$25.7 billion for fiscal year 2024, an increase of 3.1%. This increase is attributable to the results of highway construction activity. The Department's *net investment in capital assets* is \$25.5 billion, compared to \$24.7 billion for fiscal year 2024, an increase of 3.5%.
- The Department's total liabilities are \$1.7 billion, compared to \$1.9 billion in 2024. The Department had \$252.4 million less in bonds outstanding in 2025 than in 2024.

### ***Fund Level***

- As of the close of the fiscal year, the governmental funds of the Department reported combined ending fund balances of \$3.5 billion, as compared to \$3.2 billion in 2024.
- The total restricted fund balance (governmental funds) is \$2.0 billion; the majority of this amount is restricted for capital projects. Inventories of \$2,463.6 thousand represent the nonspendable portion of fund balance while \$1.5 billion represents the committed fund balance portion.

## **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction of the Department's basic financial statements. The Department's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other Required Supplementary Information, in addition to the basic financial statements.

### ***Government-wide Financial Statements (Reporting the Department as a Whole)***

The government-wide financial statements are designed to present an overall picture of the financial position of the Department. These statements consist of the Statement of Net Position and the Statement of Activities, and are prepared using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position combines and consolidates the Department's current financial resources with capital assets and long-term obligations. This statement includes all of the Department's assets and

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

liabilities.

Net position is the difference between the department's assets and deferred outflows of resources less liabilities and deferred inflows of resources, and represents one measure of the department's financial health.

- An increase or decrease in the Department's net position from one year to the next is an indicator of whether its financial health is improving or declining.
- Other indicators of the Department's financial health include the condition of its roads and bridges (infrastructure) and economic trends affecting the Department's future tax revenues.

The Statement of Activities focuses on both the gross and net cost of various activities (governmental and business-type); these costs are paid by the Department's general tax and other revenues. This statement summarizes the cost of providing specific department services and includes all current year revenues and expenses.

The Statement of Net Position and the Statement of Activities divide the Department's activities into two types:

*Governmental activities* The department's basic services are reported here, including administration, highway, highway maintenance, and motor vehicle. Taxes, fees, and federal grants finance most of these activities.

The government-wide financial statements can be found in the [Basic Financial State Financial Statements](#) section of this report.

This report includes two schedules (Exhibit 3.1 and Exhibit 4.1) that reconcile the amounts reported on the governmental fund financial statements (prepared using the modified accrual basis of accounting and current financial resources measurement focus) with governmental activities (prepared using the accrual basis of accounting and economic resources measurement focus) on the appropriate government-wide statements. The following summarizes the impact of utilizing Governmental Accounting Standards Board Statement 34 (GASB 34), as amended, reporting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term assets that are not available to pay for current period expenditures are not reported on governmental fund statements.
- Internal service fund activities are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Debt service principal payments are reported as expenditures in the funds, but reduce long-term liabilities in the government-wide Statement of Net Position
- Unless currently due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds, notes payable, and others only appear as liabilities on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

**Fund Financial Statements (Reporting the Department's Major Funds)**

The fund financial statements provide detailed information about the major individual funds. A fund is an accounting entity with a self-balancing set of accounts that the Department uses to keep track of specific sources of funding and spending for a particular purpose. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental and proprietary.

*Governmental Funds*—A majority of the Department's activities are reported in governmental funds. Reporting of these funds focuses on how financial resources flow in and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Department's general governmental operations and the basic services it provides. This information should help determine whether there are more or less current financial resources available for the Department's programs. The reconciliations following the fund financial statements explain the differences between the government's activities, reported in the government-wide statement of activities, and the governmental funds.

The Department maintains thirteen individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund (State Highway Fund), Maricopa Regional Area Road Construction Fund, Motor Vehicle Division Clearing Fund, Highway User Revenue Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements in the [Supplementary Information](#) of this report.

The legislature appropriates an annual budget from the Department's General Fund (State Highway Fund) and Highway User Revenue Fund. The Budgetary Comparison Schedule – General Fund (State Highway Fund) and the Budgetary Comparison Schedule - HURF has been provided to demonstrate compliance with this budget and is presented as Required Supplementary Information. The governmental funds financial statements can be found within the [Basic Financial Statements](#) section of this report.

*Proprietary Funds:* When the Department charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (internal service) utilize full accrual accounting, the same method used by most private sector businesses. The internal service fund reports activities that provide supplies and services for the Department's other programs and activities and other state agencies. The Equipment Revolving Fund is the Department's only internal service fund. Internal service fund activities are reported as governmental activities on the government-wide statements. The proprietary funds financial statements can be found within the [Basic Financial Statements](#) section of this report.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the [Notes to Financial Statements](#) section of this report.

***Required Supplementary Information***

In addition to the basic financial statements, including accompanying notes, this section presents certain Required Supplementary Information including the department's Budgetary Comparison Schedule – General Fund (State Highway Fund), the modified approach to reporting infrastructure assets, and the Pension Liability and Pension Contributions as per GASB statement 68, as amended. Required Supplementary Information can be found in the [Required Supplementary Information](#) section of this report.

***Supplementary Information***

Other Supplementary Information includes the combining statements for the nonmajor governmental funds and is presented immediately following the Required Supplementary Information. Combining fund statements and schedules can be found in the [Supplementary Information](#) section of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the department's financial health. The following tables, graphs, and analysis address the net position and changes to net position for the Department as a whole as of and for the fiscal years ended June 30, 2025 and 2024.

The Department's combined net position increased by \$1.3 billion or 4.8% over the course of this fiscal year's operations. The net position of the governmental activities increased by \$1.3 billion or 4.8%. The overall increase in the Department's net position was due primarily to an increase in the Department's infrastructure, combined with a decrease in long-term debt due to retirement and refunding of the Department's revenue bonds.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

The following table reflects the condensed Statements of Net Position as of June 30, 2025 and 2024:

**Condensed Statements of Net Position  
As of June 30, 2025**

	Governmental Activities	
	5	4 as Restated
<b>Assets</b>		
Current and other assets	\$ 4,011,902,815	\$ 3,751,675,164
Capital Assets	6,477,960,496	25,674,875,104
Total Assets	<u>30,489,863,311</u>	<u>29,426,550,268</u>
<b>Deferred Outflows of Resources</b>	<u>61,385,302</u>	<u>61,743,058</u>
<b>Liabilities</b>		
Current liabilities	432,947,408	402,145,040
Noncurrent liabilities, original	,249,750,192	1 509,802,845
Restatement		15,789,487
Noncurrent liabilities, as restated		<u>1 525,592,332</u>
Total liabilities	<u>,682,697,600</u>	<u>1 927,737,372</u>
Deferred Inflows of Resources	<u>39,529,509</u>	<u>151,224,342</u>
<b>Net Position</b>		
Net investment in capital assets	5,545,035,515	24,680,648,547
Restricted	,995,029,608	1 629,941,553
Unrestricted	<u>,188,956,381</u>	<u>1 098,741,512</u>
Total net position	<u>\$ 8,729,021,504</u>	<u>\$ 27,409,331,612</u>

The total assets of the Department (excluding deferred outflows of resources) were \$30.5 billion, while total liabilities (excluding deferred inflows of resources) were \$1.7 billion, resulting in a net position balance of \$28.7 billion. The majority of the department's net position, \$25.5 billion (88.9%), was invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), net of any related debt used to acquire those assets. The Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The governmental activities reported an increase in capital assets with the largest increase being in the area of infrastructure construction in progress.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Department's net position changed during the year, compared to the prior year:

**Condensed Statements of Activities  
For the Years Ended June 30, 2025**

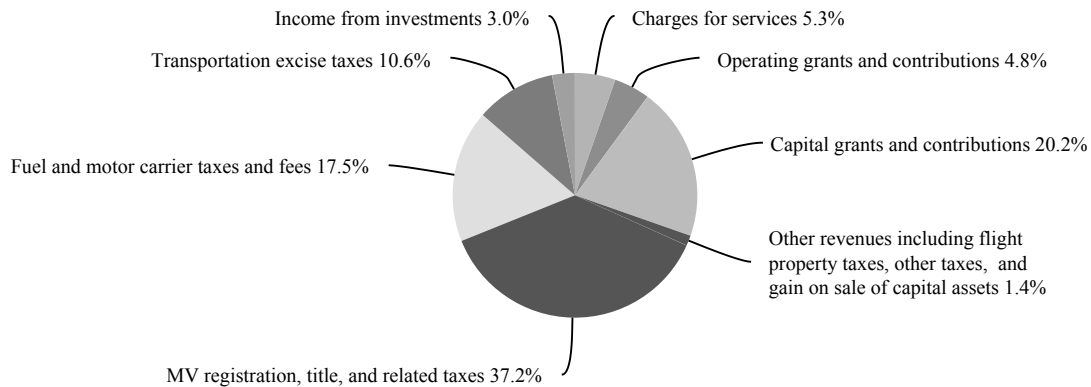
	Governmental Activities	
	5	2024 as Restated
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 60,689,498	\$ 220,483,696
Operating grants and contributions	33,635,402	453,858,203
Capital grants and contributions	989,816,088	1 101,019,831
General revenues		
Motor vehicle registration, title, and related taxes	,817,301,675	1 729,284,159
Fuel and motor carrier taxes and fees	853,585,404	877,243,639
Transportation excise taxes	517,386,840	518,763,638
Flight property taxes	4,535,014	15,850,623
Other taxes and fees	43,547,054	41,934,033
Income from investments	46,440,638	137,198,231
Other	8,808,312	6 281,485
Total revenues	<u>4,885,745,925</u>	<u>5 101,917,538</u>
<b>Expenses</b>		
Distributions to Arizona counties and cities	,824,422,156	2 058,402,398
Noncapital, including asset preservation	663,889,493	847,576,273
Distributions to other state agencies	,385,030	353,934,895
Highway	41,787,835	134,017,305
Highway maintenance	53,900,718	182,132,851
Local governmental assistance	42,514,537	138,135,268
Motor vehicle	33,361,729	219,067,447
Interest on long-term debt	31,259,346	(6,093,831)
Administration	52,535,189	170,212,948
Loss on sale of capital assets	—	6 220,939
Total expenses	<u>3,566,056,033</u>	<u>4 103,606,493</u>
Increase (decrease) in net position before transfers	<u>,319,689,892</u>	<u>998,311,045</u>
Transfers	—	—
Changes in net position	<u>,319,689,892</u>	<u>998,311,045</u>
Net position, beginning	7,409,331,612	26,426,810,054
<b>Net position, ending Original</b>	<b>\$ 8,729,021,504</b>	<b>\$ 27,425,121,099</b>
Restated		\$ (15,789,487)
<b>Net position, ending as restated</b>	<b>\$ 8,729,021,504</b>	<b>\$ 27,409,331,612</b>

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

***Governmental Activities***

The following chart depicts revenues of the governmental activities for the fiscal year ended June 30, 2025:

**Revenues – Governmental Activities  
\$4,885,745,925**



Of the Department's revenues, \$4.2 billion (or 85.5%) are from the following four revenue sources:

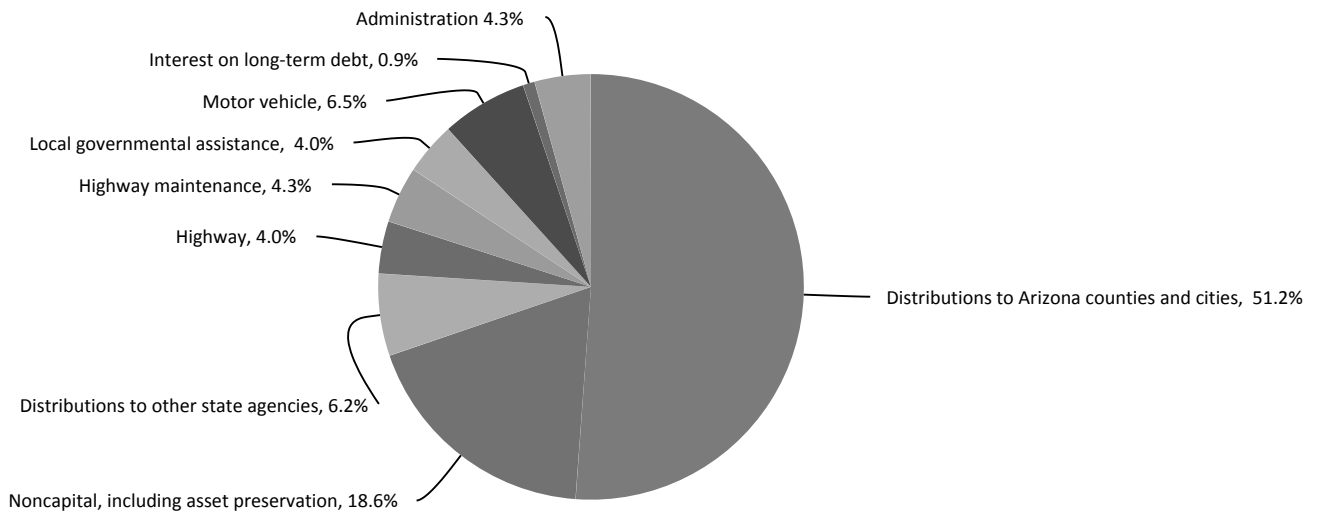
- Motor vehicle registration, title, license, and related taxes comprise the Department's largest revenue source of \$1.8 billion (37.2%).
- Capital grants and contributions represent the Department's second largest revenue source of \$989.8 million (20.2%).
- Fuel and motor carrier taxes and fees represent the Department's third largest revenue source of \$853.6 million (17.5%).
- Transportation excise taxes represent the Department's fourth largest revenue source of \$0.5 billion (10.6%).

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

Apart from Federal funding, the Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax, posted positive year-results in fiscal year 2025. HURF collections totaled approximately \$1.8 billion, 2.0% above fiscal year 2024 and 0.8% below the *official* forecast. Maricopa County Transportation Excise Tax collections totaled \$768.1 million, an increase of 2.2% over fiscal year 2024 and 0.4% above the Department's *official* forecast. The Transportation Excise Tax distribution to the Department was \$0.5 billion compared to \$0.5 billion for fiscal year 2024.

The following chart depicts expenses of the governmental activities for the fiscal year ended June 30, 2025:

**Expenses – Governmental Activities  
\$3,566,056,033**



Of the Department's top three expenses, \$2.7 billion (or 76.3%) were for the following:

- Distributions to Arizona counties and cities comprise the Department's largest expense of \$1.8 billion (51.2%).
- Non-capital, including asset preservation, represents the department's second largest expense of \$663.9 million (18.6%).
- Motor Vehicle the Department's third largest expense of 233.4 million (6.5%).

Distributions to Arizona counties and cities decreased in fiscal year 2025 as compared to fiscal year 2024 due to more appropriated funds awarded for projects in the previous year. The distributions to other government entities (excluding distributions from the Local Agency Deposit Fund) equal \$2.0 billion (57.4%); making up more than half of the expenditures for fiscal year 2025.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

## Financial Analysis of the Department's Funds

As previously mentioned, the department uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

*Governmental Funds:* The focus of the department's governmental funds financial statements ([Governmental Funds financial statements](#)) is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the nonmajor governmental funds are combined into a single column. Combining statements for the nonmajor governmental funds may be found in the [Supplementary Information](#) section of this report.

As of the end of the fiscal year, the fund balances of the governmental funds totaled \$3.5 billion, an increase of \$0.2 billion over the previous fiscal year. The majority of fund balances are restricted for capital projects. See [Note 5F](#) for further information regarding components of fund balance.

The General Fund (State Highway Fund) is the primary operating fund of the department. At the end of the current fiscal year, the nonspendable fund balance was \$2,464 thousand; the restricted fund balance was \$768.2 million; and the committed fund balance was \$1.4 billion.

The Maricopa Regional Area Road Construction Fund is a major special revenue fund that receives a portion of Maricopa County Transportation Excise Tax monies that are used to provide a funding source for the construction of new freeways and other routes, improvements to existing freeways and other routes, and improvements to the arterial street system within Maricopa County. Total revenues collected in the fund decrease by (4.2)% in fiscal year 2025 from fiscal year 2024 at \$827.0 million; of which Transportation Excise Tax revenue of \$512.0 million (or 61.9%) was a significant revenue source. The increase in Transportation Excise Tax revenue is attributable to growth in retail and contracting net taxable sales. The remaining revenue was mainly federal revenue, income from investments, and excess land sales.

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities in the governmental funds. In fiscal year 2025, the Capital Projects Funds' expenditures were \$215.9 million. Capital Outlay of \$132.7 million (61.4%) accounted for the majority of the expenditures in the Capital Projects Fund. Expenditures increased by 259% due to significant highway construction activity associated with major projects, most notably Loop 202 Improvements and I10 Kino to Country Club Improvements in Tucson. Please see the [Capital Asset and Debt Administration](#) section in the MD&A for more information.

The Debt Service Fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the governmental funds. Other financing sources totaled \$292.5 million. Of this amount, \$122.1 million was transferred in from the General Fund (State Highway Fund), \$140.4 million was transferred in from Maricopa Regional Area Road Construction Fund, and \$30.0 million was transferred in from Grant Anticipation Notes Fund. Total debt service paid during fiscal year 2025 was \$297.9 million, including \$252.4 million of principal payments and \$45.5 million of interest payments.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

## Bond Issuances

In 2025, the Transportation Board did not issue any new bonds.

## Budget Variances

The Department's appropriated operating budget from the General Fund (State Highway Fund) increased by about \$9.3 million from fiscal year 2024 to fiscal year 2025. The difference was primarily due to increases for salaries, maintenance on additional lane miles, and other operating costs. These increases were offset somewhat by other decreases made for various statewide adjustments. In fiscal year 2024, the Department spent 86.9% of its budget and in fiscal year 2025 the department spent 87.7% of its budget. Ultimately, the Department spent about \$11.8 million more in fiscal year 2025 than in fiscal year 2024 from its appropriated operating budget from the General Fund (State Highway Fund). Reference the budgetary comparison schedule in the [Required Supplementary Information](#) section of this report.

## **Capital Assets (More detailed information can be found beginning page 56, Note 5A)**

The department's investment in capital assets for its governmental activities as of June 30, 2025 amounts to \$26.5 billion , a \$803.1 million increase net of accumulated depreciation over the previous fiscal year.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

**Capital Assets  
June 30, 2025**

	Governmental Activities	
	5	2024
Land	<b>\$3,966,722,550</b>	\$3,869,240,839
Infrastructure	<b>8,034,777,061</b>	16,961,154,826
Construction in progress	<b>4,192,542,299</b>	4,577,096,808
Buildings and improvements	<b>,676,172</b>	222,739,198
Improvements other than buildings	<b>46,066,064</b>	41,751,127
Computer software	<b>80,622,704</b>	80,622,704
Machinery and equipment	<b>49,393,476</b>	44,559,917
Mobile fleet and aircraft	<b>314,858,580</b>	275,462,121
Right to Use Lease Asset Building	<b>,235,696</b>	2,874,466
Less: Accumulated depreciation	<b>(431,934,105)</b>	(400,626,901)
Total	<b><u>\$26,477,960,497</u></b>	<b><u>\$25,674,875,105</u></b>

As provided by accounting principles generally accepted in the United States (GAAP), the Department has elected to record its infrastructure assets using the modified approach, as defined in GASB Statement 34, as amended. Assets accounted for under the modified approach include 9,470 center line miles of roads (22,668 travel lane miles) and 4,946 bridges that the Department is responsible for maintaining.

The Five-Year Transportation Facilities Construction Program (the "Program") is a dynamic program and adjustments are made to the annual plans based on the needs of the Department to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the Department. The Program is updated annually and adjustments are made monthly during the fiscal year, as circumstances may require.

The Department manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The Department's serviceability rating goal is 3.23 for the overall system. The Department's most recent assessment indicated that an overall rating of 3.48 was achieved for fiscal year 2025.

The Department manages its bridges using the Arizona Bridge Information and Storage System (ABISS). To comply with Federal standards, the department is expected to maintain its Bridges to a condition where not more than 10.0% are classified as poor. The department's most recent assessment indicated that 0.4% of the bridges were so classified for fiscal year 2025.

**Arizona Department of Transportation  
Management's Discussion and Analysis  
For the Year Ended June 30, 2025**

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

The Department's noncurrent liabilities for its governmental and business-type activities as of June 30, 2025, amount to \$1.2 billion, a decrease of \$275.8 million from the previous fiscal year (see Below).

	5	2024 as Restated
<b>Governmental Activities</b>		
Bonds and notes		
Highway revenue bonds	\$ 718,805,000	\$ 810,060,000
Transportation excise tax revenue bonds	—	137,135,000
Grant anticipation notes (GARVEE bonds)	95,010,000	119,030,000
Unamortized Premium on bonds	52,857,279	68,267,971
Total bonds and notes	<u>866,672,279</u>	<u>1,134,492,971</u>
Compensated absences (annual & comp)	,552,464	23,017,543
Compensated absences (sick)	5,819,952	15,789,486
GASB 87 Lease Contract	,305,671	2,918,982
Accrued Relocation Costs	50,120,969	51,599,574
Total governmental activities	<u>\$ 957,471,335</u>	<u>\$ 1,227,818,556</u>
	5	
Net pension liability	\$ 58,144,283	\$ 266,765,683
Net OPEB liability	\$ 34,134,573	\$ 31,008,093

<b>Non Current Liabilities (Capital Assets and Debt Admin Section)</b>		
	FY25	FY24 as Restated
Total Governmental Activities (bonds and Other)	957,471,336	1,227,818,556
Net Pension Liability	258,144,283	266,765,683
Net OPEB Obligation	34,134,573	31,008,093
<b>Total Non current Liabilities (In Billions)</b>	<b>,249,750,192</b>	<b>,525,592,332</b>
Change from Prior Year	(275,842,140)	

The Department did not issue any new bonds during 2025; All Regional Area Road funds Transportation excise Tax Revenue bonds have been matured.

Standard & Poor's Ratings Services and Moody's Investors Service have respectively rated the Senior lien Highway Revenue Bonds as AA+/Aa1 and subordinate lien Highway Revenue Bonds as AA+/Aa2; Standard & Poor's Ratings Services, and Moody's Investors Service have respectively rated Transportation Excise Tax Revenue Bonds as AA+/Aa1; and the Grant Anticipation Notes as AA+/Aa2/AA+ with the rating of AA+ from Fitch Ratings.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Arizona Department of Transportation, 206 S. 17th Avenue, Phoenix, Arizona, 85007, or by visiting our website at:

<http://www.azdot.gov/about/FinancialManagementServices/transportation-funding/financial-reports>

# BASIC FINANCIAL STATEMENTS

**Government-wide Financial Statements** – includes a statement of net position and a statement of activities. These statements report the overall Department activities. The statements also distinguish between the department’s government and business-type activities. These statements are prepared utilizing the accrual basis of accounting for financial reporting.

**Governmental and Proprietary Fund Financial Statements** – provides information about the Department’s funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**Notes to the Financial Statements** – provide additional information that is essential for the full understanding of the data provided in the government-wide and fund financial statements.

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Statement of Net Position** – combines and consolidates the Department’s current financial resources with capital assets and long-term obligations. This statement includes all of the Department’s non-fiduciary assets and liabilities.

**Statement of Activities** – focuses on both the gross and net cost of various activities (governmental); these costs are paid by the Department’s general tax and other revenues. This statement summarizes the cost of providing specific Department services and includes all current year revenues and expenses.

# Arizona Department of Transportation

## Statement of Net Position

June 30, 2025

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
<b>Assets</b>	
Unrestricted cash on deposit with State Treasurer	\$ 1,410,595,516
Receivables	
Taxes and fees	81,366,485
Leases, notes, and loans	24,731,161
Other, net of allowance for doubtful accounts	25,049,055
Due from U.S. government	138,684,713
Due from other state agencies	43,807,909
Inventories	4,258,065
Restricted cash on deposit with State Treasurer	2,269,919,900
Restricted cash with fiscal agents	3,634,201
Net OPEB asset	9,855,810
Capital assets not subject to depreciation (Notes 5A)	26,194,041,908
Capital assets subject to depreciation, net of accumulated depreciation, (Notes 5A)	281,682,892
Capital assets rights-to-use lease assets, net of accumulated amortization (Notes 5A)	2,235,696
Total assets	<u>30,489,863,311</u>
<b>Deferred Outflows of Resources</b>	
Relating to pensions (Note 6C)	42,052,835
Relating to OPEB	9,963,199
Loss on debt refundings	9,369,268
Total deferred outflows of resources	<u>61,385,302</u>
<b>Liabilities</b>	
Accounts payable and other current liabilities	158,377,182
Accrued payroll and other accrued expenses	6,434,464
Due to other state agencies	20,097,197
Tax and refunds payable	8,765,582
Due to Arizona counties and cities	207,923,898
Unearned revenue	31,349,085
Non-current liabilities:	
Due within one year (bonds and other liabilities, Note 5E)	145,278,596
Bonds and other noncurrent liabilities (Note 5E)	812,192,740
Net OPEB liability	34,134,573
Net pension liability (Note 6C)	258,144,283
Total liabilities	<u>1,682,697,600</u>
<b>Deferred Inflows of Resources</b>	
Leases	22,390,943
Relating to pensions (Note 6C)	20,305,829
Relating to OPEB	59,729,265
Gain on debt refundings	37,103,472
Total deferred inflows of resources	<u>139,529,509</u>
<b>Net Position</b>	
Net investment in capital assets	25,545,035,515
Restricted:	
Loans and other financial assistance	324,746,823
Debt service	604,286,614
Capital projects	1,056,140,361
Net OPEB Assets	9,855,810
Unrestricted	1,188,956,381
Total net position	<u>\$ 28,729,021,504</u>

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

# Arizona Department of Transportation

## Statement of Activities

For the Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Administration	\$ 152,535,189	\$ 21,635,198	\$ 18,000,422	\$ 601,344,729	\$ 488,445,160
Highway	141,787,835	4,445,814	18,904,706	387,485,873	269,048,558
Highway maintenance	153,900,718	7,746,735	—	—	(146,153,983)
Motor vehicle	233,361,729	203,943,654	544,723	985,486	(27,887,866)
Noncapital, including asset preservation	663,889,493	22,918,097	—	—	(640,971,396)
Distributions to other state agencies	222,385,030	—	—	—	(222,385,030)
Distributions to Arizona counties and cities	1,824,422,156	—	—	—	(1,824,422,156)
Local government assistance	142,514,537	—	196,185,551	—	53,671,014
Interest on long-term debt	31,259,346	—	—	—	(31,259,346)
Total governmental activities	3,566,056,033	260,689,498	233,635,402	989,816,088	(2,081,915,045)
Total primary government	\$ 3,566,056,033	\$ 260,689,498	\$ 233,635,402	\$ 989,816,088	\$ (2,081,915,045)
					Governmental Activities
Net (expenses) revenues					\$ (2,081,915,045)
<b>General revenues</b>					
Transportation excise taxes					517,386,840
Motor vehicle registration, title, and related taxes					1,817,301,675
Fuel and motor carrier taxes and fees					853,585,404
Flight property taxes					14,535,014
Other taxes and fees					43,547,054
Income from investments					146,440,638
Other					8,808,312
Total general revenues					3,401,604,937
Changes in net position					1,319,689,892
Net Position - July 1 Beginning, Originally Reported					27,425,121,099
Restatement					(15,789,487)
Net Position - July 1 Beginning, as Restated					27,409,331,612
Ending net position June 30					\$28,729,021,504

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

# GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

## MAJOR FUNDS

**General Fund (State Highway Fund)** – This fund is used to account for all financial transactions applicable to the general operations of the department. The fund receives money from the Highway User Revenue Fund including vehicle registration, title, license, and related fees and fuel and motor carrier taxes. Reimbursements for certain construction expenditures are received from the federal government, Arizona cities and counties, and other state agencies. The fund also receives interest and other revenues. The fund disburses money primarily for the design, construction, and maintenance of state highways, parts of highways forming state routes, and highways under cooperative agreements with the United States and day-to-day operating expenses.

**Maricopa Regional Area Road Construction Fund** – This fund receives certain Maricopa County transportation excise tax monies collected by the Department of Revenue. These monies are used for the construction of new freeways and other routes, improvements to existing freeways and other routes, and improvements to the arterial streets within Maricopa County.

**Motor Vehicle Division Clearing Fund** – This fund accounts for the collection and disbursement of Motor Vehicle Division revenues.

**Highway User Revenue Fund** – This fund receives all revenues collected by the Department and its agents that are not designated for other purposes. The revenues include: motor fuel taxes, a portion of vehicle license tax, vehicle registration fees, driver license fees, dealer fees, permits, and other miscellaneous fees. These monies are distributed to the General Fund (State Highway Fund), the Department of Public Safety, the Economic Strength Project Fund, incorporated cities, counties, and other legislatively appropriated entities.

**Debt Service Fund** – This fund is used to administer all payments of principal and interest on bonds and notes issued by the Arizona Transportation Board for Highway Revenue Bonds, Transportation Excise Tax Revenue Bonds, and Grant Anticipation Notes (GARVEE bonds).

**Capital Projects Fund** – This fund is used to administer bond proceeds for Arizona Transportation Board Highway Revenue Bonds, Arizona Transportation Board Transportation Excise Tax Revenue Bonds, Grant Anticipation Notes (GARVEE bonds). These monies are expended for the construction of projects in the Five-Year Transportation Facilities Construction Program.

## NONMAJOR FUNDS

**Other Governmental Funds** are the nonmajor funds and are all special revenue funds. These funds can be found on Exhibit 8 and Exhibit 9.

# Arizona Department of Transportation

## Balance Sheet - Governmental Funds

June 30, 2025

Exhibit 3

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
<b>Assets</b>			
Unrestricted cash on deposit with the State Treasurer	\$ 1,302,888,176	\$ —	\$ —
Receivables			
Interfund	140,892,116	—	20,834,644
Taxes and fees	7,010,390	—	—
Leases, notes and loans	24,435,599	—	—
Due from other state agencies	—	43,491,470	—
Other, net	2,781,345	472,393	7,875,040
Amounts due from U.S. government	54,169,806	59,310,184	—
Inventories	418,937	—	—
Restricted cash held by fiscal agents	3,634,201	—	—
Restricted cash on deposit with the State Treasurer	764,569,853	1,058,489,392	117,659,777
Total assets	\$ 2,300,800,423	\$ 1,161,763,439	\$ 146,369,461
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 80,735,578	\$ 24,113,660	\$ —
Accrued payroll and other accrued expenditures	5,926,761	70,262	—
Tax and refunds payable	—	—	8,191,164
Interfund payables	2,147,540	—	57,824,133
Amounts due to			
Other state agencies	7,010,390	—	12,085,943
Arizona counties and cities	5,518,536	1,143,989	46,226,405
Unearned revenue	1,178,846	—	30,170,239
Total liabilities	102,517,651	25,327,911	154,497,884
Deferred inflows of resources			
Leases	22,390,943	—	—
Unavailable revenue	192,595	47,071,479	—
	22,583,538	47,071,479	—
Fund balances			
Unassigned	—	—	(8,128,423)
Nonspendable	2,463,593	—	—
Restricted	768,204,054	1,089,364,049	—
Committed	1,405,031,587	—	—
Total fund balances (deficits)	2,175,699,234	1,089,364,049	(8,128,423)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 2,300,800,423	\$ 1,161,763,439	\$ 146,369,461

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



**Arizona Department of Transportation  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2025**

**Exhibit 3.1**

<b>Fund balances – total governmental funds (Exhibit 3)</b>	3 464,213,485
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note 4 B1).	26,365,789,145
Certain receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds (Exhibit 3).	47,264,074
Internal service funds are used by management to charge the costs of equipment rentals to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (Exhibit 5).	131,912,705
Deferred outflows of resources are not reported in the funds (Notes 4 B2).	59,095,786
OPEB assets are not available to pay for current period expenditures and, therefore, are not reported in the funds (Note 4 B7).	9 352,178
OPEB liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B3).	(32,284,479)
Pension liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds (Note 4 B4).	(247,385,094)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note 4 B5).	(955,871,533)
Certain deferred inflows of resources are not reported in the funds (Note 4 B6).	(113,064,763)
<b>Net position of governmental activities (Exhibit 1)</b>	<u><u>\$ 28,729,021,504</u></u>

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

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**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances — Governmental Funds**  
**For the Year Ended June 30, 2025**

**Exhibit 4**

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
<b>Revenues</b>			
Transportation excise taxes	\$ —	\$ 511,982,587	\$ —
Vehicle registration, title, license, and related taxes and fees	580,644,630	—	933,509,357
Fuel and motor carrier taxes and fees	448,662,064	—	—
Flight property taxes	—	—	—
Other taxes and fees	22,112,586	—	—
Reimbursement of construction expenditures – federal aid	601,603,105	249,362,473	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	6,885,159	2,092,879	—
Distributions from other state agencies	135,272,403	—	—
Interest on leases/loans	—	—	—
Income from investments	85,789,675	40,027,237	—
Sales and charges for services	13,104,860	21,802,489	—
Lease and rental income	12,180,132	1,576,086	—
Other	7,474,233	124,819	314,047
Total revenues	1,913,728,847	826,968,570	933,823,404
<b>Expenditures</b>			
<b>Current</b>			
Administration	128,154,089	5,581,215	85,353
Highway	139,708,802	1,290,599	—
Highway maintenance	153,919,603	4,437,881	—
Motor vehicle	191,830,700	—	34,972,216
Total current expenditures	613,613,194	11,309,695	35,057,569

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

**Exhibit 4 - Continued**

Special Revenue Funds							
	Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit 9)	Total Governmental Funds		
\$	—	\$	—	\$	5,404,253	\$	517,386,840
	495,363,525		—		11,727,817		2,021,245,329
	403,490,040		—		1,433,300		853,585,404
	—		—		14,535,014		14,535,014
	21,434,468		—		—		43,547,054
	—		—		32,886,395		883,851,973
	—		—		131,119,303		131,119,303
	—		—		62,289,404		71,267,442
	—		—		—		135,272,403
	—		—		13,561		13,561
	3,653,869	5,293,112	9,002,821		4,555,834		148,322,548
	—		—		—		34,907,349
	—		—		321,981		14,078,199
	369,679		—		1,978,318		10,261,096
	<u>924,311,581</u>	<u>5,293,112</u>	<u>9,002,821</u>		<u>266,265,180</u>		<u>4,879,393,515</u>
	9,134,893	—	9,391,464		4,831,964		157,178,978
	—	—	—		82,111,961		223,111,362
	—	—	—		—		158,357,484
	<u>790,817</u>	<u>—</u>	<u>—</u>		<u>2,716,421</u>		<u>230,310,154</u>
	9,925,710	—	9,391,464		89,660,346		768,957,978

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

**Exhibit 4 - Continued**

	Special Revenue Funds		
	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund
<b>Expenditures - continued</b>			
Intergovernmental			
Distributions to other state agencies	70,562,395	—	138,293,948
Distributions to Arizona counties and cities	57,607,292	72,357,566	760,471,887
Debt service			
Principal	—	—	—
Interest	—	—	—
Lease - Principal	613,311	—	—
Lease - Interest	83,429	—	—
Noncapital, including asset preservation	539,026,125	26,352,116	—
Capital outlay	306,469,408	401,218,444	—
Total expenditures	<u>1,587,975,154</u>	<u>511,237,821</u>	<u>933,823,404</u>
Revenues over (under) expenditures	<u>325,753,693</u>	<u>315,730,749</u>	<u>—</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	—	—	—
Transfers out	(122,094,726)	(140,416,521)	—
Proceeds from sale of capital assets	1,852,749	—	—
Insurance recovery	7,746,735	—	—
Total other financing sources (uses)	<u>(112,495,242)</u>	<u>(140,416,521)</u>	<u>—</u>
Net change in fund balances	213,258,451	175,314,228	—
Fund balances (deficits), beginning of year	1,962,440,783	914,049,821	(8,128,423)
<b>Fund balances (deficits), end of year</b>	<u>\$ 2,175,699,234</u>	<u>\$ 1,089,364,049</u>	<u>\$ (8,128,423)</u>

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

**Exhibit 4 - Continued**

Special Revenue Funds				Total Nonmajor Governmental Funds (See Exhibit 9)	Total Governmental Funds
Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund			
12,384,524	—	—		1,144,163	222,385,030
902,001,347	—	—		96,746,546	1,889,184,638
—	252,410,000	—		—	252,410,000
—	45,477,059	—		—	45,477,059
—	—	—		—	613,311
—	—	—		—	83,429
—	—	73,871,747		—	639,249,988
—	—	132,680,759		1,544,053	841,912,664
<u>924,311,581</u>	<u>297,887,059</u>	<u>215,943,970</u>		<u>189,095,108</u>	<u>4,660,274,097</u>
—	(292,593,947)	(206,941,149)		77,170,072	219,119,418
—	292,482,747	—		—	292,482,747
—	—	—		(29,971,500)	(292,482,747)
—	—	—		—	1,852,749
—	—	—		—	7,746,735
—	<u>292,482,747</u>	—		<u>(29,971,500)</u>	<u>9,599,484</u>
—	(111,200)	(206,941,149)		47,198,572	228,718,902
—	853,001	251,889,324		114,390,077	3,235,494,583
<u>\$ —</u>	<u>\$ 741,801</u>	<u>\$ 44,948,175</u>		<u>\$ 161,588,649</u>	<u>\$ 3,464,213,485</u>

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

Annual Comprehensive Financial Report

Fiscal Year 2025

**Arizona Department of Transportation  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2025**

**Exhibit 4.1**

<b>Net change in fund balances – total governmental funds (Exhibit 4)</b>	\$	228,718,902
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Capital outlays are reported as expenditures in governmental funds (Note 4 C1).		785,526,018
Net Changes in Relocation Cost (Note 4 C2).		1,478,604
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position (Note 4 C2).		266,711,142
Internal services funds are used by management to charge the cost of equipment rentals to individual funds. The change in net position of the internal service funds is reported with governmental activities (Note 4 C3).		23,297,191
Pension contributions are reported as expenditures in the governmental funds, however, the change in net pension liability is reported in the Statement of Activities (Note 4 C4)		6,447,022
OPEB Contributions are reported as expenditures in governmental funds, however, the change in net OPEB liability is reported in the Statement of Activities (Note 4 C4)		8 296,147
Some items reported in the statement of activities do not require the use of, or provide current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (Note 4 C5).		(785,134)
<b>Change in net position of governmental activities (Exhibit 2)</b>	<b>\$</b>	<b><u>1,319,689,892</u></b>

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

# PROPRIETARY FUNDS FINANCIAL STATEMENTS

## NONMAJOR FUND

**Internal Service Fund** – The Equipment Revolving Fund is primarily funded by the charges it collects from the Department of Transportation, other state agencies, and local organizations to support a statewide fleet operation and replacement program, and repair and maintenance for vehicles and equipment.

**Arizona Department of Transportation  
Statement of Net Position  
Proprietary Funds June 30, 2025**

**Exhibit 5**

	<u>Governmental Activities- Internal Service Fund</u>
<b>Assets</b>	
Current assets	
Unrestricted cash on deposit with the State Treasurer	\$ 30,716,331
Receivables	
Other, net allowance for doubtful accounts	2,108,889
Due from other State agencies	316,439
Inventories	3,839,128
Total current assets	<u>36,980,787</u>
Noncurrent assets	
Net OPEB asset	503,632
Capital assets subject to depreciation, net of accumulated depreciation	<u>112,171,351</u>
Total noncurrent assets	<u>112,674,983</u>
Total assets	<u>149,655,770</u>
<b>Deferred Outflows of Resources</b>	
Relating to pensions (Note 6C)	1,752,719
Relating to OPEB	536,797
Total deferred outflows of resources	<u>2,289,516</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	1,503,839
Accrued payroll and other accrued expenses	245,853
Compensated absences	1,186,789
Total current liabilities	<u>2,936,481</u>
Noncurrent liabilities	
Net Other non-current liabilities	413,014
Net OPEB liability (Note 6C)	1,850,094
Net pension liability	<u>10,759,189</u>
Total noncurrent liabilities	<u>13,022,297</u>
Total liabilities	<u>15,958,778</u>
<b>Deferred Inflows of Resources</b>	
Relating to pensions (Note 6C)	846,326
Relating to OPEB	3,227,477
Total deferred inflows of resources	<u>4,073,803</u>
<b>Net Position</b>	
Net investment in capital assets	112,171,351
Restricted (Net OPEB Assets)	503,632
Unrestricted	<u>19,237,722</u>
Total net position	<u>\$ 131,912,705</u>

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

**Arizona Department of Transportation**  
**Statement of Revenues, Expenses, and Changes in**  
**Fund Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2025**

**Exhibit 6**

	Governmental Activities- Internal Service Fund
<b>Operating Revenues</b>	
Sales and charges for services	\$ 56,215,539
Other	1,494,768
Total operating revenues	57,710,307
<b>Operating Expenses</b>	
Publication and promotional cost	27,716
Repair and maintenance	9,562,922
Fuel and lubricants	16,766,443
Salaries and related benefits	13,229,520
Shipping and postage	7,044
Supplies	162,784
Equipment purchase and rental	316,486
Professional and outside services	1,943,794
Travel	51,339
Depreciation	30,526,071
Other	1,507,322
Total operating expenses	74,101,441
Operating loss	(16,391,134)
<b>Nonoperating Income (Expenses)</b>	
Income from investments	307,618
Investment expense	(8)
Loss on sale/disposal of capital assets	(1,311,847)
Distributions from other State agencies	1,439,044
Total nonoperating revenues (expenses)	434,807
Income (loss) Before Contributions and Transfers	(15,956,327)
Capital contributions	39,253,518
Change in net position	23,297,191
Total Net Position - Beginning, Originally Reported	109,247,093
Restatement	(631,579)
Total Net Position - Beginning, as Restated	108,615,514
<b>Net position, end of year</b>	<b>\$ 131,912,705</b>

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

**Arizona Department of Transportation  
Statement of Cash Flows  
Proprietary Funds  
For the fiscal year ended June 30, 2025**

**Exhibit 7**

	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash flows from operating activities:</b>	
Receipts from other Funds	\$ 55,843,292
Payments to suppliers	(30,112,122)
Payments to employees	(14,874,859)
Other receipts	1,494,768
Net cash provided by operating activities	<u>12,351,079</u>
<b>Cash flows from non-capital financing activities</b>	
Transfers out	—
Distributions from other state agencies	1,439,044
Net cash provided by non-capital financing activities	<u>1,439,044</u>
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from sale of capital assets	1,872,070
Acquisition of capital assets	(12,639,642)
Net cash used by capital and related financing activities	<u>(10,767,572)</u>
<b>Cash flows from investing activities:</b>	
Income from investments	307,618
Investment expense	(8)
Net cash provided by investing activities	<u>307,610</u>
Net increase <decrease> in cash	<u>3,330,161</u>
Cash - July 1	<u>27,386,170</u>
Cash - June 30	<u>\$ 30,716,331</u>

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

**Arizona Department of Transportation  
Statement of Cash Flows  
Proprietary Funds  
For the fiscal year ended June 30, 2025**

**Exhibit 7  
- continued**

	Governmental Activities - Internal Service Fund
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (16,391,134)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	30,526,071
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Due from other state agencies	
Other receivables	(364,761)
Interagency receivables	(7,486)
Inventories	(33,172)
Deferred outflows of resources	(57,862)
Accounts payable	215,561
Accrued payroll and other accrued expenses	38,672
Compensated absences	418,602
Net OPEB asset	(16,900)
Net Other non-current liabilities	(218,565)
Net OPEB liability	209,766
Net pension liability	(1,562,034)
Deferred inflows of resources	(405,679)
Total adjustments	\$ 28,742,213
Net cash provided by operating activities	\$ 12,351,079
<b>Non-cash capital and financing activities:</b>	
Certain vehicles were contributed to the Equipment Revolving Fund by the General Fund	39,253,518
Total Noncash Capital and Financing Activities	\$ 39,253,518

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

## Notes to Financial Statements

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**Arizona Department of Transportation**  
**Index — Notes to the Financial Statements**  
**June 30, 2025**

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	<u>39</u>
A – Reporting Entity	<u>39</u>
B – Government-Wide and Fund Financial Statements	<u>39</u>
C – Measurement Focus, Basis of Accounting, and Financial Statement Presentation	<u>40</u>
D – Assets Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance	<u>42</u>
E – Revenues and Expenditures/Expenses	<u>47</u>
F – Interfund Activity and Balances	<u>48</u>
G – Use of Estimates	<u>48</u>
Note 2 – Funds by Classification	<u>49</u>
Note 3 – Budgeting, Budgetary Control, and Legal Compliance	<u>49</u>
Note 4 – Accounting Pronouncements and Reconciliation of Government-Wide and Fund Financial Statements	<u>50</u>
A – New Accounting Pronouncements	<u>50</u>
B – Explanations of Reconciling Items of the Balance Sheet of Governmental Funds to the Statement of Net Position	<u>51</u>
C – Explanations of Reconciling Items of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	<u>52</u>
Note 5 – Detailed Notes on all Funds and Activities	<u>55</u>
A – Capital Assets	<u>55</u>
B – Construction Commitments	<u>57</u>
C – Interfund Receivables, Payables, Advances, and Transfers	<u>58</u>
D – Leases	<u>59</u>
E – Noncurrent Liabilities	<u>62</u>
F – Fund Balances	<u>67</u>
Note 6 – Other Information	<u>68</u>
A – Interstate 10 Broadway Curve Project	<u>68</u>
B – Contingent Liabilities	<u>69</u>
C – Pension	<u>70</u>
D – Accounting Changes	<u>75</u>

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**) Summary of Significant Accounting Policies**

The accounting and reporting policies of the Arizona Department of Transportation (the "Department") conform in all material respects to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental and Financial Reporting Standards* (GASB Codification). Following is a summary of the Department's significant accounting policies.

**A. Reporting Entity**

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

The Department is responsible for the construction and maintenance of all state highways. The Department cooperates with the various cities and counties within the State in the construction and maintenance of state roads and with the Federal Highway Administration in the construction and maintenance of interstate and other highways. Responsibilities of the Department also include grants to local airports, registering motor vehicles and aircraft, licensing drivers, certain law enforcement activities, and the publishing of the *Arizona Highways Magazine*.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the government. Governmental activities, which normally are supported by federal reimbursement, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the reporting entity's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted* results when constraints placed on asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* consists of those assets which do not meet the definition of the two preceding categories. Unrestricted often are designated to indicate that management does not consider them to be available for general operations. The unrestricted component often has constraints on resources which are imposed by

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

management, but can be removed or modified by management or the Transportation Board.

When both restricted and unrestricted resources are available for use, the Department generally expends the restricted resources first, and then unrestricted resources, as they are needed to maintain appropriate cash balances and finance the construction program.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identified with a specific function. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in a single column with combining statements provided in the supplementary information.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year they are collected for transportation excise, aircraft licensing, aviation and motor fuel, flight property, and underground storage tanks. Motor carrier and vehicle license taxes are recognized when received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the fiscal year, e.g., federal revenue reimbursements, vehicle license taxes, and highway user revenue taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation

The Department reports the following major governmental funds:

The *General Fund*, known as the State Highway Fund, is the primary operating fund. It accounts for all financial resources except for those required to be accounted for

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

in another fund. Expenditures are reported for general operations of the Department, including road and bridge repairs, maintenance and construction, planning and development, engineering, and administration. Revenues are received from the following primary sources: fuel and motor carrier taxes and fees, vehicle registrations, titles, licenses and related fees, and federal grants.

The *Maricopa Regional Freeway Road Construction Fund* is a special revenue fund that receives a portion of Maricopa County Transportation Excise Tax monies collected by the Department of Revenue. Monies are collected under Prop 479, which is an extension of the 1/2 cents sales tax that was approved by voters in November 2024; extending the tax for 20 years through December 31, 2045. These monies are expended for the construction of new freeways and other routes, improvements to existing freeways and other routes, and improvements to the arterial street system, which are included in the Maricopa County Regional Transportation Plan Freeway Program. See the separate Independent Audited Financial Reports at <https://azdot.gov/about/financial-management-services/transportation-funding/financial-reports> for more information.

The *Motor Vehicle Division Clearing Fund* is a special revenue fund which accounts for the collection and disbursement of certain Motor Vehicle Division revenues (e.g., vehicle registration, title, license, and related taxes and fees, and fuel and motor carrier taxes and fees).

The *Highway User Revenue Fund* is a special revenue fund which collects motor vehicle and fuel use taxes and receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed to the General Fund (State Highway Fund), the Department of Public Safety, incorporated cities, towns, counties, and other legislatively appropriated entities.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payments of, general long-term debt principal and interest of the governmental funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities in the governmental funds.

Additionally, the Department reports the following fund:

The *Internal Service Fund*, which accounts for purchases and maintenance of equipment and materials to be used by divisions in the Department and other government agencies. The Equipment Revolving Fund is the Department's only internal service fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services by the Equipment Revolving Fund to the other governmental functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: charges for services, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services, interest on loan receivables and other revenues intended to recover the cost of services. Operating expenses for the enterprise fund and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

From time to time the Department reports Business Type activities based on activities and Legislative requirements at the State of Arizona. As of June 30, 2025 no such Business-Type activities have been recorded; however, they have been disclosed for reference when referring to the statistical section of this report.

**D. Assets Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance**

Deposits and Investments

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

The investment pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with Arizona Revised Statutes, §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed. As of June 30, 2025 the State's investment pool 2, pool 3, and pool 4 were not rated. The weighted average maturity at year-end for investment pool 2 was 0.60 years while for investment pool 3 was 0.90 years, and for investment pool 4 it was 0.55 years.

State statutes require the State Treasurer to maintain separate investment accounts for the portions of the Highway Revenue Bond Proceeds Fund relating to the Highway Revenue Bond issues and the Maricopa Regional Area Road Bond Proceeds Fund relating to the Transportation Excise Tax Revenue Bond issues. These funds may be invested by the Treasurer in the State's investment pool.

The Department's investments are included in the State investment pools and these investments are not shown in the Department's name. From the perspective of the Department,

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

the pool functions as both a cash management pool and a demand deposit account. Therefore, the Department presents its equity in the internal pool as required in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and carries the investments at fair value.

The Department has restricted cash for payment of capital projects for Maricopa and Pima Counties, and for future debt service payments.

At June 30, 2025, the carrying amount of the Department's cash on deposit with the State Treasurer (unrestricted and restricted) totaled \$3,680,515,416. Of this amount, \$3,428,210,761 was invested in the State Agency's pool numbers 2, 3 and 4. The remaining \$251,902,751 is operating cash, and was not invested in the State's pools, but was held by the State Treasurer as demand deposit accounts. These pools are valued at the pool's share price multiplied by the number of shares the Department held. The fair value of a participant's position in the pools approximate the value of that participant's shares. The funds are invested in accordance with the Investment Policy of the Arizona State Treasurer's office.

Receivables, Payables and Advances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. All other outstanding balances between the U.S. Government, Arizona counties and cities, and other state agencies are reported as due to/from. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are classified as nonspendable fund balance in the General Fund (State Highway Fund) to indicate that they are not available for appropriation and are not expendable available financial resources. The other receivables are shown net of allowance for doubtful accounts. For other receivables comprising recoverable claims, the amount reserved for doubtful accounts is comprised of 100% of the balances sent to the Attorney General's Office for collection. There are no Advances outstanding as of June 30, 2025.

Notes receivable represents loans made to parties purchasing assets previously owned by the Department for highway construction purposes. There are no Notes receivable outstanding as of June 30, 2025.

Inventories

The governmental activities inventory is valued at cost, which approximates market, using the moving average method. This inventory is accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used. The fund financial statement reports inventory as nonspendable for the like amount indicating it does not constitute available expendable resources.

Costs of the internal service fund's inventories (consisting of vehicle parts and supplies, fuels and lubricants, and other supplies) are determined by moving average cost methods.

Restricted Assets

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

Certain proceeds of the Department's governmental revenue bonds, as well as certain resources of the General Fund (State Highway Fund) are classified as restricted assets on the statement of net position because they are maintained in separate accounts and their use is limited by applicable bond covenants, constitutional mandates, or voter initiatives. State law, in conjunction with cooperative agreements with local governments, require 12.6% of the revenues allocated each year to the General Fund (State Highway Fund) from the Highway User Revenue Fund be allocated for design, purchase of right-of-way, or construction of controlled-access highways, arterial streets, and local highways that are included in the regional transportation plan of counties with populations in excess of 400,000 (Maricopa and Pima counties). State Transportation Board policy further allocates 2.6% of the revenues for the same purpose as listed above. The debt service fund is used to report the resources set aside for payment of future debt service. Bond proceeds deposited in the capital projects fund and are restricted by bond covenants for acquisitions of right-of-way and construction of federal, state, and local highways.

Capital Assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and equipment, mobile fleet and aircraft, infrastructure, development in progress, and construction in progress, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Purchased capital assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at time of donation.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Outlays for capital assets are capitalized at the time of the purchase or, in the case of infrastructure, at the time of final acceptance by the Department from the contractor. Accumulated costs of infrastructure prior to final acceptance by the Department are reported as Construction in Progress. Asset preservation costs are expensed as incurred. The Department depreciates/amortizes non-infrastructure capital assets/computer software on a straight-line basis using the following estimated useful lives:

Capital Assets	Useful Life
Buildings and improvements	20-40 years
Improvements other than buildings	15-40 years
Computer software	10 years
Machinery and equipment	5 years
Mobile fleet and aircraft	5-15 years

Infrastructure was capitalized for the first time in fiscal year 2002. The infrastructure assets are reported in the governmental activities column of the Statement of Net Position. The Department's infrastructure assets consist of roads and bridges and are presented using the modified approach and, therefore, are not depreciated.

In order to utilize the modified approach, the Department is required to maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets,

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

perform condition assessments of eligible assets and summarize the results using a measurement scale, estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the department, and document that the assets are being preserved approximately at or above the established condition level (See RSI section about Infrastructure Assets).

Deferred Outflows of Resources

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

Unearned/Unavailable Revenues

In the government-wide statements and proprietary fund financial statements, unearned revenues are recorded when cash, receivables, or other assets are received prior to revenue being recognized. Unearned revenue in the Governmental Activities represents subscription revenue received in advance of delivery of the related subscriptions. Additionally, in the governmental funds, unavailable revenue is reported as deferred inflows of resources, until such revenue is available to liquidate liabilities of the current period. Unearned revenues are reported in the government-wide statements for the governmental activities and in the fund statements for the governmental funds. In the fund statements, unavailable revenue represents a receivable from the Federal Highway Administration for un-reimbursed accrued relocation cost for various infrastructure projects not received during the period of availability.

Compensated Absences

It is the department's policy to permit employees to accumulate earned but unused sick leave and vacation benefits as well as compensatory time. All vacation pay and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. Effective FY25 Department implemented GASB 101 and accrues liability for sick leave more likely than not to be used, paid or converted after year-end.

Effective July 1, 1998, state employees are eligible to receive payment for an accumulated sick leave balance of 500 hours or more with a maximum of 1,500 hours, upon retirement directly from state service. The benefit value is calculated by taking the employee's hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date, times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25% for 500 hours to a maximum of 50% for 1,500 hours. The maximum benefit value is \$30,000. Per Arizona Revised Statute 38-615D, the benefit shall be paid either in a lump sum or in installments over three years. The Retiree Accumulated Sick Leave Fund is accounted for on the State's financial statements as an Internal Service Fund.

Most employees accrue vacation time which is paid when taken or upon termination of employment at the individual's then current rate of pay. Additionally, some employees may earn compensatory time in lieu of overtime pay, which is paid in the same manner as vacation time. To limit the Department's liability, employees are allowed to carry forward a maximum of 240

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

hours of vacation time if covered and 320 hours if uncovered at the end of each calendar year. Compensatory time accrual is capped at 240 hours at any time, however the agency policy has been to evaluate and pay quarterly to keep this accrual low. The outstanding liabilities for vacation, compensatory time and sick leave more likely than not to be used or paid as of June 30 is reported for both the governmental and proprietary funds on the Statement of Net Position

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Gains and losses related to refunding of debt are reported as deferred inflows of resources and deferred outflows of resources, respectively. Debt issuance costs are expensed in the current period. Other long-term obligations also include amounts that other governmental entities advance to the Department for highway road construction projects and accrued relocation costs. No intergovernmental advances are outstanding as of June 30, 2025

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Advances from other governmental entities are recorded as debt issuance in other financing sources.

Deferred Inflows of Resources

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

Net Position/Fund Balance

The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is "Net Position" on the government-wide and proprietary statements and "Fund Balance" on the governmental fund statements.

*Net investment in capital assets* – describes that portion that cannot be spent because of the illiquid nature of capital assets. This amount is presented net of all outstanding debt and deferred outflows/inflows of resources related to the acquisition and/or construction of capital assets. Although most items included in the calculation of *Net investment in capital assets* can be traced to specific line items in the financial statements and/or notes to the financial statements, accrued payables related to capital asset purchases are included in the line item "Accounts payable" in Exhibit 1, which also includes payables related to operating expenses. The amount of accrued payables related to capital purchases included in overall accounts payable is \$73,711,198

Fund balances for governmental funds may be reported in classifications that comprise a

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

hierarchy based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts in those fund can be spent. Five classifications are available:

*Nonspendable fund balance* – describes that portion that cannot be spent because of its form (inventories, prepaid amounts, etc.) and are not expected to be converted to cash.

*Restricted fund balance* – describes that portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions (voter initiatives, court orders, etc.).

*Committed fund balance* – describes that portion which can be used only for specific purposes pursuant to constraints imposed by a formal action of the Department's highest level of decision-making authority. This formal action is the passage of law by the Legislature creating, modifying or rescinding fund balance commitments.

*Assigned fund balance* – describes that portion of that reflects the Department's intended use of resources for a specific purpose, but are neither restricted nor committed.

*Unassigned fund balance* – is the residual classification for the general fund and includes all spendable amounts not reported in other classifications. Also, deficits in fund balances of other governmental funds are reported as unassigned.

The Department's highest level of Authority is the Arizona State Legislature where the legislative appropriations are determined, identifying the uses of funds for specific purposes. The Arizona State Legislature also grants authority to other Boards (such as the Arizona State Transportation Board) and Commissions to authorize fund uses.

When practicable, the Department segregates restricted funds from unrestricted funds using existing chart of account elements. As a result, an assumption as to the order of how monies are spent is unnecessary for those restricted funds so segregated. In cases where it is impractical to segregate restricted from unrestricted funds, expenditures incurred for purposes for which restricted, committed and unassigned fund balance is available, the department considers restricted, committed and unassigned amounts to have been spent in that order.

**E. Revenues and Expenditures/Expenses**

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., Administration, Highway). Additionally, revenues are classified between program and general revenues. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. General revenue includes all taxes and income on investments.

In the governmental fund financial statements, revenues are reported by source. Expenditures are reported by function (e.g., administration, distributions to Arizona counties and cities, distributions to other state agencies, debt service, capital outlay).

The distributions to Arizona counties and cities and distributions to other state agencies are

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

shared tax revenues that are distributed based on statutory requirements. Debt service includes both interest and principal outlays that may be related to bonds, loans, advances, board funding obligations, or capitalized leases. Capital outlay includes expenditures for real property or infrastructure (i.e., bridges and roads).

Revenues and expenses of proprietary funds are classified as operating and non-operating and are sub-classified by the type of expense (e.g., salaries, equipment rental, depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

Other Financing Sources (Uses)

Other financing sources are additions to the governmental fund balances in the fund financial statements and include resources and financing provided by bond issuance, sale of capital assets, lease proceeds where the leased asset(s) reside(s) in that fund, insurance recovery, and transfers from other funds. Other financing uses are reductions of governmental fund resources in fund financial statements normally resulting from transfers to other funds.

**F. Interfund Activity and Balances**

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are activities between the funds reported as governmental activities and the funds reported as business-type activities (e.g., the transfer of the gain or loss from the Equipment Revolving Fund).

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Arizona Department of Transportation  
Notes to the Financial Statements  
June 30, 2025**

**) Funds by Classification**

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

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

**3) Budgeting, Budgetary Control and Legal Compliance**

An annual budget for the operating expenditures of the General Fund (State Highway Fund) and Highway User Revenue Fund is submitted to the Governor in accordance with state law. The budget is legally enacted as appropriations after approval by the state legislature and signature of the Governor. The legal level of control for operating expenditures is set at the agency level and expenditure budgets are appropriated using special line-item appropriations for highway maintenance, vehicles and construction equipment, other capital expenditures, and Attorney General legal services. Expenditure details for personal services, employee-related expenditures, and all other operating expenditures are specifically allocated within all divisions. In certain divisions, other specific programs are allocated in addition to these categories. Revenue budgets are developed internally by the Department and are not part of the appropriation process.

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

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

In addition, budgets for capital outlay, including land, building, and improvements for the State

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

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

**4) Accounting Pronouncements and Reconciliation of Government-Wide and Fund Financial Statements**

**A. New Accounting Pronouncements**

For the year ended June 30, 2025, the Department implemented the provisions of the following GASB pronouncements:

- **GASB Statement No. 101, *Compensated Absences***

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

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

- **GASB Statement No. 102 – *Certain Risk Disclosures***

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements is effective for fiscal years beginning after June 15, 2024 and all the reporting periods thereafter.

For FY2025 except for GASB 101, the implementation of the above GASB Statements and other authoritative guidance did not have a material effect on the department's financial statements.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

The implementation of GASB 101 had the effect of a restatement to Net Position on the Government-Wide financial statements in the amount of \$15,789,487 (Note 6D).

**B. Explanations of Reconciling Items of the Balance Sheet of Governmental Funds to the Statement of Net Position**

The governmental funds Balance Sheet includes reconciliation between total fund balances – governmental funds and net position of governmental activities as reported on the government-wide Statement of Net Position. The following explanations are necessary to clarify these differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

- Capital assets are not included on the fund statements, but are included on the government-wide statement as follows:

Capital assets not subject to depreciation	\$ 26,194,041,908
Capital assets subject to depreciation	281,682,892
Capital assets rights-to-use lease assets, net of accumulated amortization	<u>2,235,696</u>
	26,477,960,496
Less: Internal Service Fund (Equipment Revolving Fund) capital assets	<u>(112,171,351)</u>
	<u><u>\$ 26,365,789,145</u></u>

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

Deferred outflows of resources related to pensions	\$ 42,052,835
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to pensions	<u>(1,752,719)</u>
Total Deferred outflows of resources related to pensions	40,300,116
Deferred outflows of resources-loss on debt refunding	9,369,268
Deferred outflows of resources relating to OPEB	9,963,199
Less: Internal Service Fund (Equipment Revolving Fund) deferred outflows of resources related to OPEB	<u>(536,797)</u>
Total Deferred outflows of resources related to OPEB	<u>9,426,402</u>
	<u><u>\$ 59,095,786</u></u>

- OPEB liabilities are as follows:

Net OPEB liability	\$ (34,134,573)
Less: Internal Service Fund (Equipment Revolving Fund) net OPEB liability	<u>1,850,094</u>
	<u><u>\$ (32,284,479)</u></u>

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

4. Pension liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. The detail for the difference is as follows:

Net pension liability	\$	(258,144,283)
Less: Internal Service Fund (Equipment Revolving Fund) net pension liability		10,759,189
		(247,385,094)
	\$	(247,385,094)

5. Long-term liabilities, including bonds payable, are not due and payable in the current period, and are not reported in the current period on the fund statements. The detail for the difference is as follows:

Bonds payable (including unamortized premium)	\$	(866,672,279)
Compensated absences		(38,372,416)
Less: Compensated Absences for Internal Service Fund (Equipment Revolving Fund)	\$	1,599,803
Accrued Relocation Costs		(50,120,969)
GASB 87 Leases Payable		(2,305,672)
		(955,871,533)
	\$	(955,871,533)

6. Certain deferred inflows of resources are not reported in the governmental funds. The detail for the difference is as follows:

Deferred inflows of resources related to pensions	\$	(20,305,829)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to pensions		846,326
		(19,459,503)
Deferred inflows of resources related to OPEB		(59,729,265)
Less: Internal Service Fund (Equipment Revolving Fund) deferred inflows of resources related to OPEB		3,227,477
		(56,501,788)
Deferred inflows of resources gain on debt refunding		(37,103,472)
	\$	(113,064,763)

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

Net OPEB assets	\$	9,855,810
Less: Internal Service Fund (Equipment Revolving Fund) Net OPEB asset		(503,632)
		9,352,178
	\$	9,352,178

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

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

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

Balances and the government-wide Statement of Activities:

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

Capital outlay	\$	841,912,664
Assets removed from service, net of accumulated depreciation		(45,055,873)
Capitalized relocation costs for the I-10 Corridor and other misc projects accrued as a long term liability		50,120,970
Less: depreciation expense - governmental funds		(15,161,526)
Less: Prior Year Relocation Costs and Condemnation Judgment - government wide		(51,599,574)
Miscellaneous		5,309,357
	\$	<u>785,526,018</u>

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

Debt issued or incurred:		
Net Change in accrued relocation costs	\$	<u>1,478,604</u>
	\$	<u>1,478,604</u>
Principal repayments		
Highway Revenue Bonds	\$	91,255,000
Transportation Excise Tax Revenue Bonds		137,135,000
Grant Anticipation Notes		24,020,000
Amortization of premium and discount		15,410,692
Amortization of net deferred losses on refunding		(1,109,550)
	\$	<u>266,711,142</u>

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

Internal Service Fund (Equipment Services Revolving Fund)		
Changes in net position	\$	<u>23,297,191</u>

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

4. Pension and OPEB contributions are reported as expenditures in the governmental funds in the fiscal year contributed. However, current year contributions are reported as deferred outflows of resources in the government-wide Statement of Net Position because the reported net pension liability and net OPEB Liability is measured a year before the Department's current fiscal year-end financial statements. Pension and OPEB expense, which is the change in net pension liability/net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities:

Pension contributions	\$	26,036,850
Pension expense		(19,589,828)
Change in pension amounts, net of Internal Service Fund.	\$	<u>6,447,022</u>
OPEB expense, net of Internal Service Fund	\$	<u>8,296,147</u>

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

Net change in accrued relocation/condemnation reimbursement revenue does not provide current financial resources, and, therefore, is not reported in the funds	\$	(1,394,325)
Compensated absences		634,650
GASB 87 - payments		613,311
GASB 87 - amortization		(638,770)
	\$	<u>(785,134)</u>

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

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

**A. Capital Assets**

Capital assets activity for the year ended June 30, 2025, was as follows:

	July 1, 2024				June 30, 2025	
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance	
<i>Governmental Activities</i>						
Capital assets, not being depreciated						
Land	\$ 3,869,240,839	\$ 122,228,930	\$ (24,747,219)	\$ —	\$ 3,966,722,550	
Infrastructure	16,961,154,826	—	—	1,073,622,235	18,034,777,061	
Construction in progress	4,577,096,808	689,067,725	—	(1,073,622,235)	4,192,542,299	
Total capital assets, not being depreciated	<u>25,407,492,474</u>	<u>811,296,655</u>	<u>(24,747,219)</u>	<u>—</u>	<u>26,194,041,910</u>	
Capital assets, being depreciated/ amortized						
Buildings and improvements	222,739,198	—	(63,026)	—	222,676,172	
Improvements other than buildings	41,751,127	4,314,937	—	—	46,066,064	
Computer software	80,622,704	—	—	—	80,622,704	
Machinery and equipment	44,559,917	9,201,635	(4,368,076)	—	49,393,476	
Mobile fleet and aircraft	275,462,121	72,823,350	(33,426,891)	—	314,858,580	
Total capital assets, being depreciated	<u>665,135,067</u>	<u>86,339,922</u>	<u>(37,857,993)</u>	<u>—</u>	<u>713,616,996</u>	
Less accumulated depreciation/ amortization for						
Buildings and improvements	(148,309,606)	(4,599,926)	—	—	(152,909,532)	
Improvements other than buildings	(25,515,185)	(773,615)	—	—	(26,288,800)	
Computer software	(26,185,873)	(8,051,166)	—	—	(34,237,039)	
Machinery and equipment	(35,363,443)	(2,910,365)	2,248,242	—	(36,025,566)	
Mobile fleet and aircraft	(165,252,795)	(29,352,525)	12,132,151	—	(182,473,169)	
Total accumulated depreciation/ Amortization	<u>(400,626,902)</u>	<u>(45,687,597)</u>	<u>14,380,393</u>	<u>—</u>	<u>(431,934,106)</u>	
Total capital assets, being depreciated, net	<u>264,508,165</u>	<u>40,652,325</u>	<u>(23,477,600)</u>	<u>—</u>	<u>281,682,890</u>	
Right to use assets, being amortized:						
Right to use leased buildings	3,513,236	—	—	—	3,513,236	
Total right to use assets, being amortized	<u>3,513,236</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,513,236</u>	
Less accumulated amortization for:						
Right to use leased buildings	(638,770)	(638,770)	—	—	(1,277,540)	
Total accumulated amortization	<u>(638,770)</u>	<u>(638,770)</u>	<u>—</u>	<u>—</u>	<u>(1,277,540)</u>	
Total right to use assets, being amortized, net	<u>2,874,466</u>	<u>(638,770)</u>	<u>—</u>	<u>—</u>	<u>2,235,696</u>	
Governmental activities capital assets, net	<u>\$ 25,674,875,105</u>	<u>\$ 851,310,210</u>	<u>\$ (48,224,819)</u>	<u>\$ —</u>	<u>\$ 26,477,960,496</u>	

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

Capital asset additions are not included on the fund statements, but are included on the government-wide Statement of Net Position, as follows:

Capital asset additions not subject to depreciation	\$	811,296,655
Capital asset additions subject to depreciation		86,339,922
		897,636,577
Add: Accrued relocation costs (long-term liability) added in prior fiscal year		51,599,574
Less: Internal Service Fund (Equipment Services Fund) asset additions		(51,893,160)
Accrued relocation costs (long-term liability)		(50,120,970)
Adjustments related to capital outlay and capital asset additions timing differences		(5,309,357)
Total capital outlay (Exhibit 4)	\$	841,912,664

Depreciation/Amortization expense was charged to functions/programs as follows:

*Governmental activities*

Administration	\$	1,324,660
Highway		2,522,756
Highway maintenance		1,329,637
Motor vehicle		9,984,473
		15,161,526

Capital assets held by the Department's internal service fund are		
charged to the various functions based on their usage of the assets		30,526,071
Total depreciation and amortization expense	\$	45,687,597

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

Details of net investment in capital assets are as follows:

Capital Assets:

Total Capital Assets:

Not subject to depreciation	\$	26,194,041,909
Subject to depreciation/amortization		283,918,587
Net Capital assets		26,477,960,496

Capital Related Debt:

Debt outstanding:

Revenue bonds payable (principal only)		813,815,000
Net deferred Gain (loss) on refundings		27,734,204
Premium on debt		52,857,279
		894,406,483

Less: unspent bond proceeds

Debt service funds		(741,801)
Capital projects funds		(86,877,540)
Total Unspent Proceeds		(87,619,341)

Bonded debt outstanding, net of unspent proceeds		806,787,142
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Other long-term liabilities - Accrued Relocation Costs		50,120,970
Accrued payables - Capital Outlay Governmental Funds		73,711,198
Capital leases liability		2,305,671

Net Capital Related Debt		932,924,981
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Net Investment in Capital Assets		25,545,035,515
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**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**B. Construction Commitments**

The Department's outstanding commitments for contracts at June 30, 2025, were \$4.6 billion. Commitments are first categorized by segregating between Local government assistance and State Highway construction and related phases, and then further classified by phase of construction, as presented in the following table.

	Remaining Commitment
Local government assistance	\$ 377,494,196
State highways	
Construction	2,842,119,707
Design	332,502,875
Right of way	650,715,566
Utilities	67,317,540
Planning and research	92,255,417
Other	211,853,850
Total Commitments	\$ 4,574,259,151

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

The balances of current interfund receivables and payables as of June 30, 2025 were:

Receivables	Payables	Amount
Governmental activities		
General Fund (State Highway Fund)	Highway User Revenue Fund	\$ 138,485,607
	Motor Vehicle Division Clearing Fund	2,406,509
Motor Vehicle Division Clearing Fund	General Fund (State Highway Fund)	2,147,540
	Highway User Revenue Fund	18,686,656
	Non-major governmental Funds	448
Highway User Revenue Fund	Motor Vehicle Division Clearing Fund	54,713,019
Non-major governmental Funds	Motor Vehicle Division Clearing Fund	704,604
		\$ 217,144,383

The General Fund (State Highway Fund) receivable of \$138.5 million is an accrual for fuel taxes and vehicle license tax imposed in fiscal year 2025 from the Highway User Revenue Fund that will be collected in fiscal year 2026.

The Motor Vehicle Division Clearing Fund receivable of \$18.7 million is an accrual for vehicle license taxes due in fiscal year 2025 from the Highway User Revenue Fund that will be collected in fiscal year 2026.

The Highway User Revenue Fund receivable of \$54.7 million is an accrual for vehicle license taxes due in fiscal year 2025 from the Motor Vehicle Division Clearing Fund that will be collected in fiscal year 2026.

**Arizona Department of Transportation  
Notes to the Financial Statements  
June 30, 2025**

Interfund transfers for the year ended June 30, 2025, consisted of the following:

	Transfers To	
	ebt Service Fund	Total
<u>Transfers from</u>		
General Fund (State Highway Fund)	\$ 122,094,726	\$ 122,094,726
Maricopa Regional Area Road Fund	140,416,521	140,416,521
Non-major Governmental Funds	29,971,500	29,971,500
Total Debt Service Fund	\$ 292,482,747	\$ 292,482,747

Transfers from the General Fund (State Highway Fund), Maricopa Regional Area Road Fund, and the Non-major Governmental Fund (GANS) into the Debt Service Fund are to pay bond debt service.

**D. Leases/Financed Purchases**

**Leases - Department as Lessor**

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

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

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

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

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

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

The Department recognized lease revenue during the year as follows:

Lease revenue	\$ 1,893,785
Interest revenue	641,266
Total lease revenue	<u>\$ 2,535,051</u>

Future lease receivable are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 1,359,415	\$ 610,584	\$ 1,969,999
2027	1 322,774	578,427	1 901,201
2028	1 277,695	547,071	1 824,766
2029	1 387,261	517,155	1 904,416
2030	1 482,997	483,789	1 966,786
2031-2035	8 705,312	1 842,393	10,547,705
2036-2040	7 507,292	747,714	8 255,006
2041-2044	1 545,109	87,669	1 632,778
Totals	<u>\$ 24,587,855</u>	<u>\$ 5,414,802</u>	<u>\$ 30,002,657</u>

**Leases - Department as Lessee**

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

The Department recognized lease Expenses during the year as follows:

Lease principal expenses	\$ 613,311
Interest expenses	83,429
Total Lease expenses	<u>\$ 696,740</u>

**Arizona Department of Transportation  
Notes to the Financial Statements  
June 30, 2025**

Future lease liability are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 632,980	\$ 63,760	\$ 696,740
2027	653,280	43,460	696,740
2028	674,230	22,510	696,740
2029	345,181	3 189	348,370
Totals	<u>\$ 2,305,671</u>	<u>\$ 132,919</u>	<u>\$ 2,438,590</u>

**Direct Financing Lease Agreements**

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

**Regulated Leases**

The Airport System enters into lease agreements with air carriers and other aeronautical users for the use of airport facilities. These lease agreements are subject to regulation by the Federal Aviation Administration (FAA) and are governed by federal laws and regulations. In accordance with the provisions of GASB Statement No. 87, Leases, paragraph 43, leases that are subject to external laws or regulations, such as those regulated by the FAA, are excluded from the scope of GASB 87. As such, the Airport System does not recognize lease receivables, lease liabilities or right-to-use assets and related deferrals for these regulated leases in the statement of net position.

However, the Airport System recognizes inflows of resources based on the payment provisions of these lease contracts. These inflows are recorded as revenue in the period in which they are earned, consistent with the terms of the agreements.

Management has evaluated the materiality of these regulated leases and determined that while they are not recognized on the face of the financial statements as leases, the nature and terms of these agreements are material to the users of the financial statements. Accordingly, this disclosure is provided to inform stakeholders of the existence and treatment of such arrangements.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**E. Noncurrent Liabilities**

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

The Transportation Board has issued Senior and Subordinate Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal and state highways. The balance of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$810.1 million.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes of the General Fund (State Highway Fund). On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of Highway Revenue Bonds that could be outstanding at any time to \$1.3 billion. Also, during fiscal year 2007, the Transportation Board received legislative authority to begin issuing Highway Revenue Bonds with maturities up to 30 years in length, replacing the 20-year maturity requirement that had been in place since 1980.

**Arizona Department of Transportation  
Notes to the Financial Statements  
June 30, 2025**

Highway Revenue Bonds currently outstanding are as follows:

**Outstanding Highway Revenue Bonds  
As of June 30, 2025**

Maturity (7/1)	Series 2016		Series 2020		Series 2023	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
2026	\$ 6,605,000	5.000%	\$ 45,400,000	2.174%	\$ 33,440,000	5.000%
2027	18,615,000	5.000%	32,880,000	2.224%	28,810,000	5.000%
2028	19,545,000	5.000%	34,555,000	2.362%	29,295,000	5.000%
2029	20,530,000	5.000%	32,220,000	2.412%	33,920,000	5.000%
2030	21,550,000	5.000%	31,030,000	2.462%	37,585,000	5.000%
2031	22,625,000	5.000%			34,385,000	5.000%
2032	19,535,000	5.000%	3,045,000	2.662%	37,285,000	5.000%
2033	24,905,000	5.000%			37,885,000	5.000%
2034	26,150,000	5.000%				
2035	10,205,000	5.000%	16,040,000	2.912%		
2036	10,715,000	5.000%				
2037						
2038			50,050,000	3.166%		
<b>Totals</b>	<b>\$ 980,000</b>		<b>\$ 45,220,000</b>		<b>\$ 72,605,000</b>	

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

Fiscal year ending June 30,	Highway Revenue Bonds		
	Principal	Interest	Total
2026	\$ 85,445,000	\$ 29,887,517	\$ 115,332,517
2027	80,305,000	26,898,271	107,203,271
2028	83,395,000	23,795,770	107,190,770
2029	86,670,000	20,537,581	107,207,581
2030	90,165,000	17,037,934	107,202,934
2031-2035	232,060,000	38,831,455	270,891,455
2036-2038	60,765,000	3,865,116	64,630,116
	<b>\$ 718,805,000</b>	<b>\$ 160,853,644</b>	<b>\$ 879,658,644</b>

The Department has pledged future motor vehicle and related fuel fees and taxes to repay \$718.8 million in outstanding Highway Revenue Bonds issued since 2016. Proceeds from the bonds finance portions of the Transportation Board's Five-Year Transportation Facilities Construction Program, and to refund certain maturities of outstanding Highway Revenue bond issues. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$0.9 billion. Principal and interest paid for the current year and total pledged revenues were \$124.5 million and \$861.4 million respectively. The annual principal and interest payments on the bonds required 14.5% of the pledged revenues.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Bond Issuances**

The Department did not issue any new bonds during 2025; All Regional Area Road funds Transportation excise Tax Revenue bonds have been matured.

**Arizona Transportation Board Transportation Excise Tax Revenue Bonds**

The Maricopa Regional Area Road Construction Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the Transportation Board. These bonds are secured by a portion of transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The balance of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$137.1 million and that amount was paid in full by the end of fiscal year 2025.

The Department had pledged transportation excise taxes to originally repay the Transportation Excise Tax Revenue Bonds. The bonds were payable solely from transportation excise taxes and are payable through 2025. Principal and interest paid for the current year and total pledged revenues were \$143.4 million and \$512.0 million, respectively. The annual principal and interest payments on the bonds required 28.0% of the pledged revenues.

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

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

**Arizona Transportation Board Grant Anticipation Notes**

The Grant Anticipation Notes Fund administers all payments of principal and interest for notes issued by the Transportation Board and is secured by revenues received from the Federal Highway Administration under grant agreements and certain other federal aid revenues. The balance of Grant Anticipation Notes issued in prior years and outstanding at the start of the fiscal year was \$119.0 million.

Grant Anticipation Notes currently outstanding are as follows:

Maturity (7/1)	Series 2016		Series 2017A		Series 2019A	
	Principal	Coupon	Principal	Coupon	Principal	Coupon
2026	\$ 17,015,000	5.000%	\$ 4,325,000	5.000 %	\$ 3,880,000	5.000 %
2027			4,540,000	5.000 %	4,070,000	5.000 %
2028			4,770,000	5.000 %	4,270,000	5.000 %
2029			5,010,000	5.000 %	4,495,000	5.000 %
2030			5,260,000	5.000 %	4,715,000	5.000 %
2031			5,520,000	5.000 %	4,955,000	5.000 %
2032			5,800,000	5.000 %	5,195,000	5.000 %
2033			—	— %	5,455,000	5.000 %
2034					5,735,000	5.000 %
Totals	<u>\$ 17,015,000</u>		<u>\$ 35,225,000</u>		<u>\$ 42,770,000</u>	

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

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

Fiscal year ending June 30,	Grant Anticipation Notes		
	Principal	Interest	Total
2026	\$ 25,220,000	\$ 4,750,500	\$ 29,970,500
2027	8,610,000	3,489,500	12,099,500
2028	9,040,000	3,059,000	12,099,000
2029	9,505,000	2,607,000	12,112,000
2030	9,975,000	2,131,750	12,106,750
2031-2034	32,660,000	3,588,500	36,248,500
	<u>\$ 95,010,000</u>	<u>\$ 19,626,250</u>	<u>\$ 114,636,250</u>

The Department has pledged federal revenues to repay \$95.0 million in outstanding Grant Anticipation Notes. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona and to refund certain maturities of various outstanding Grant Anticipation Notes. The bonds are payable solely from federal revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds is \$114.6 million. Principal and interest paid for the current year and total pledged revenues were \$30.0 million and \$986.8 million, respectively. The annual principal and interest payments on the bonds required 3.0% of the pledged revenues.

**Refunded Bonds Deposited with Escrow Agents**

The Transportation Board refinanced various bond issues through refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for these legally defeased bonds are not reflected in the financial statements of the Department.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**Changes in Noncurrent Liabilities**

The activity for the fiscal year ended June 30, 2025, was as follows:

	Beginning Balance July 1, 2024 as restated	Additions	Reductions	Ending Balance June 30, 2025	Due Within One Year
<i>Governmental activities</i>					
Bonds and notes					
Highway Revenue bonds	\$ 810,060,000	\$ —	\$ (91,255,000)	\$ 718,805,000	\$ 85,445,000
Transportation Excise Tax Revenue bonds	137,135,000	—	(137,135,000)	—	—
Grant Anticipation notes	119,030,000	—	(24,020,000)	95,010,000	25,220,000
Unamortized premium on bonds, as restated	68,267,971	—	(15,410,692)	52,857,279	10,873,621
Total bonds and notes	1,134,492,971	—	(267,820,692)	866,672,279	121,538,621
Compensated absences (annual & comp)	23,017,543	—	(465,079)	22,552,464	12,655,793
Compensated absences (sick)	15,789,486	30,466	—	15,819,952	4 878,903
GASB 87 Leases	2,918,982	—	(613,311)	2,305,671	632,980
Accrued relocation costs	51,599,574	—	(1,478,605)	50,120,969	5,572,299
Total governmental activities	<u>\$ 1,227,818,556</u>	<u>\$ 30,466</u>	<u>\$ (270,377,687)</u>	<u>\$ 957,471,335</u>	<u>\$ 145,278,596</u>

Accrued relocation costs represent expenditures to relocate displaced individuals and businesses resulting from eminent domain proceedings related to the I-10 Corridor and other miscellaneous projects. As a part of the eminent domain proceedings, the Department does retain ownership of the land and is treated as so until sell date. Such expenditures will be paid out over several years, and, therefore, are accrued as a long-term liability.

The Internal Service Fund predominantly serves the governmental funds. Accordingly, long-term liabilities for that fund are included as part of the above totals for governmental activities. At year-end, \$1.2 million of the Internal Service Fund's compensated absences is included in the above amounts.

Bonds and notes issued by the Department require compliance with a number of covenants. The Department believes that it is in compliance with all such covenants. In addition, certain of the Department's obligations are subject to Internal Revenue Service regulations pertaining to issuance of tax-exempt debt by governmental entities. The Department does not have and has not accrued a liability under these regulations.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**F. Fund Balances**

The fund balance classifications of the governmental funds as of June 30, 2025 were as follows:

	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Debt Service Fund	Capital Projects Funds	Non-major Governmental Funds	Total
<b>Fund Balances</b>							
<b>Nonspendable</b>							
Inventories	\$ 418,937	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 418,937
Leases	2,044,656	—	—	—	—	—	2,044,656
Total nonspendable	<u>2,463,593</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,463,593</u>
<b>Restricted for</b>							
Highway	288,549,478	716,365,799	—	—	44,948,175	—	1,049,863,452
Debt Service	365,824,824	238,461,790	—	741,801	—	—	605,028,415
Aid to local governments	110,195,551	134,536,460	—	—	—	82,159,881	326,891,892
Motor vehicle	3,634,201	—	—	—	—	—	3,634,201
Total restricted	<u>768,204,054</u>	<u>1,089,364,049</u>	<u>—</u>	<u>741,801</u>	<u>44,948,175</u>	<u>82,159,881</u>	<u>1,985,417,960</u>
<b>Committed to</b>							
Administration	—	—	—	—	—	60,364,556	60,364,556
Highway	668,514,029	—	—	—	—	—	668,514,029
Highway maintenance	736,517,558	—	—	—	—	—	736,517,558
Motor vehicle	—	—	—	—	—	19,064,212	19,064,212
Total committed	<u>1,405,031,587</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>79,428,768</u>	<u>1,484,460,355</u>
<b>Unassigned</b>							
	—	—	(8,128,423)	—	—	—	(8,128,423)
Total fund balances	<u>\$2,175,699,234</u>	<u>\$1,089,364,049</u>	<u>\$ (8,128,423)</u>	<u>\$ 741,801</u>	<u>\$44,948,175</u>	<u>\$ 161,588,649</u>	<u>\$ 3,464,213,485</u>

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

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**6) Other Information**

**A. Interstate 10 Broadway Curve Project**

**Interstate 10 Broadway Curve Project**

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

The I-10 Broadway Curve Project is mainly located on I-10 between milepost (MP) 149.5 and MP 160.5 in Maricopa County, Arizona within the cities of Phoenix, Tempe, Chandler, and the town of Guadalupe. I-10 is a key component of the National Highway System and a major element of the MAG-adopted Regional Transportation Plan Freeway Program. The Project also includes segments of 48th Street/SR 143, from Broadway Road to the south bank of the Salt River and US 60 from I-10 to Hardy Drive. Pre-construction activities and preparation began early 2021. Construction began in the fall 2021 and was completed in Spring of 2025. Final acceptance is anticipated September 2026.

**Cost and Funding Sources**

The anticipated cost of this project is approximately \$863.5 million, including capital asset replacement and routine maintenance costs, but not including financing costs as shown in the schedule below. Right-of-way cost estimates are not contractually committed, but are necessary costs to complete the project. The significant cost components of this project are as follows:

Developer Design and construction	\$	646,278,488
Construction Management, Other Utilities & Contingency		58,016,633
SRP - Utilities paid by ADOT (from contingency)		17,261,573
SRP - Utilities paid by ADOT (now separate from developer costs)		18,120,000
Local construction funding		1,032,620
Preliminary engineering and right of way		122,791,366
Total anticipated cost of project	\$	863,500,680

Actual cost incurred by the Department through June 30, 2025 for this project is \$807.4 million.

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

Regional Area Road Fund (1/2 - cent sales tax)	\$	241
Federal Funds		622
Local JPAs		1
Total funding by source	\$	864

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**B. Contingent Liabilities**

Risk Management Insurance Losses

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

Claims

The Department has a variety of claims pending against it that arose during the normal course of its activities. Management of the Department believes, based on the advice of legal counsel, that losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the Department.

Grants

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

Light Rail Transit System

Arizona Revised Statutes, §28-9201, requires the Department to establish, implement, and enforce minimum safety standards for light rail transit systems. If a violation of the safety standards is discovered, the Department shall report the violation in writing to the Federal Transit Administration. Furthermore, the organization that operates a light rail transit system shall include a safety oversight function and pay the Department's costs resulting from administration.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

**C. Pension**

Arizona State Retirement System

*Plan descriptions* – Employees of the Department participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost sharing multiple employer defined benefit pension plan; a cost-sharing, multiple- employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB). The Arizona State Retirement System Board governs the ASRS according to the provisions of A R S Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at [www.azasrs.gov](http://www.azasrs.gov).

*Benefits Provided* – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date Eligibility for full retirement benefits	
	Before July 1, 2011	On or after July 1, 2011
Years of service plus age required to receive full Retirement benefits	Sum of credited service years plus age equals 80 10 years of credited service, at age 62 Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 Any years, age 65
Early Retirement	5 years of service, at age 50*	5 years of service, at age 50*
Average Monthly Compensation is based on	Highest 36 consecutive months of last 120 months - termination pay excluded	Highest 60 consecutive months of last 120 months - termination pay excluded
Benefit percent multiplier	2 1% to 2.3%	2 1% to 2.3%

Early retirement eligibility with actuarially reduced benefits

Although an ASRS and Arizona Department of Administration (ADOA) OPEB Liability and asset has been recorded at June 30, 2025, these plans have not been further disclosed due to the relative insignificance to the Department's financial statements.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to Cost of living adjustment based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for Cost of living adjustment. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survival benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

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

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

*Contributions* – In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and the Department was required by statute to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for the health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. In addition, the Department was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the Department in positions that would typically be filled by an employee who contributes to the ASRS. The Department's contributions to the pension plan health insurance premium benefit, and long-term disability plans for the year ended June 30, 2025, were \$27.2 million respectively.

During the fiscal year ended June 30, 2025, the Department paid for ASRS pension contributions as follows: 92% from the General Fund (State Highway Fund), 2% from major funds, and 6% from other non-major funds.

The Department's total covered payroll for fiscal year 2025 was \$225.5 million. The System is funded through payroll deductions from employees' gross earnings and amounts contributed by the Department. Retirement benefits, health care benefits, and long term disability benefits are obligations of the System and not of the Department. The Arizona Revised Statutes provide statutory authority for employee and employer contributions. The contribution requirement for fiscal year 2025 was \$27.2 million each by both the employees and the Department, of which 100% was contributed.

Presentation of Deferred Outflows and Deferred Inflows of Resources

Deferred outflows and inflows of resources are reported in the basic statements of net position in a separate section following assets and liabilities, respectively. The Department elected the optional statement of net position presentation.

The Department recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. The deferred outflows of resources are related to the Department's pension plan.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

The Department recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. The deferred inflows of resources relate to the Department’s pension plan.

Liability—At June 30, 2025, the Department reported the following asset and liabilities for its proportionate share of the ASRS’ net pension or liability.

ASRS	Net Pension/OPEB (asset) liability
Pension	\$ 258,144,283

The net liabilities were measured as of June 30, 2024. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

The Department’s proportion of the net liability was based on the Department’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2024. The Department’s proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were

ASRS	Proportion June 30, 2024 %	Increase (decrease) from June 30, 2023
Pension	(3.23)%	\$ (8,621,400)

*Pension Liability* – At June 30, 2025, the Department reported a liability of \$258.1 million for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024 using generally accepted actuarial procedures.

The Department’s proportion of the net pension liability was based on the Department’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2024. The Department’s proportion measured as of June 30, 2024, was 1.61325, which was a decrease of 0.04% from its proportion measured as of June 30, 2023.

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

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

Expense—For the year ended June 30, 2025, the department recognized the following pension expense.

ASRS		Pension/OPEB expense
Pension	\$	19,511,900

*Pension Expense and Deferred Outflows/Inflows of Resources* – For the year ended June 30, 2025, the Department recognized pension expense from ASRS of \$19.5 million. This amount excludes current year contribution deferrals and the Department's internal change in proportion. At June 30, 2025, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$14,409,373	\$—
Change in Assumptions	\$—	\$—
Net difference between projected and actual earnings on pension plan investment earnings	\$—	\$16,485,338
Changes in proportion and differences between State contributions and proportionate share of contributions	\$474,226	\$3,820,491
Contributions subsequent to the measurement date	\$27,169,235	\$—
<b>Total</b>	<b>\$42,052,834</b>	<b>\$20,305,829</b>

The \$27.2 million reported as deferred outflows of resources related to ASRS pensions resulting from the department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense
2026	\$ (9,042,054)
2027	\$ (10,818,060)
2028	\$ (4,172,982)
2029	\$ (3,025,254)
2030	\$ —

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

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

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Asset valuation	Fair value
Investment rate of return (Discount Rate)	7.0%
Projected salary increases	2.9 - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5 year period ending June 30 2020.

The long-term expected geometric real return on ASRS pension plan investments was determined to be 20.59%. The geometric method reflects the pension fund's projected average annual investment return that the plan expects to earn over an extended period, after adjusting for inflation and incorporating the effects of compounding. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	44 %	4.48 %
Credit	23 %	4.4 %
Interest Rate Sensitive Bonds	6 %	(0.45)%
Private Equity	10 %	6.11 %
Real estate	17 %	6.05 %
Total	100 %	20.59 %

*Discount Rate* – As of June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Arizona Department of Transportation**  
**Notes to the Financial Statements**  
**June 30, 2025**

*Sensitivity of the Department's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate* – The following table presents the department's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$ 395,271,684	\$ 258,144,283	\$ 143,860,567

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

**D. Accounting Changes**

**Government-wide Financial Statements**

Governmental activities beginning net position has been restated to reflect the impact on calculation of implementation of GASB Statement No. 101, Compensated Absences for the inclusion of \$15,789,487 in sick time that is more likely than not to be used, paid, or converted after year-end.

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

	<u>Governmental Activities</u>
Net Position, as Previously Reported at June 30, 2024	27,425,121,099
Implementation of GASB Statement No. 101	(15,789,487)
Net Position, as Restated, at July 1, 2025	27,409,331,612

# REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

**Budgetary Comparison Schedule – General Fund (State Highway Fund)**

**Budgetary Comparison Schedule – Highway User Revenue Fund**

**Note to Required Supplementary Information**

**Information about Infrastructure Assets Reported Using the Modified Approach**

**Pension Liability and Pension Contributions**

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2025**

**Budgetary Comparison Schedule  
General Fund (State Highway Fund) – Budgetary Basis  
For the Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Actual Positive (Negative)
	Original	Final		
Expenditures appropriated by State legislature in 2025 budget				
Department of Transportation	\$ 483,367,200	\$ 488,489,300	\$ 428,318,368	\$ 60,170,932
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			61,717,109	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			(13,132,461)	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			75,665,207	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			845,495,533	
Distributions to Arizona counties and cities			57,607,292	
Distributions to other state agencies			70,562,395	
Lease			696,740	
3rd Party MVD Fees			61,044,971	
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (General Fund) - Exhibit 4			<u>\$ 1,587,975,154</u>	

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

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2025**

**Budgetary Comparison Schedule  
Highway User Revenue Fund – Budgetary Basis  
For the Year Ended June 30, 2025**

	Budgeted Amounts		Actual	Variance with Actual Positive (Negative)
	Original	Final		
Expenditures appropriated by State legislature in 2025 budget				
Department of Transportation	\$ 898,600	\$ 951,500	\$ —	\$ 951,500
Timing differences:				
Prior year appropriation expenditures expended in current budgetary year			—	
Basis differences:				
Net increase (decrease) from cash basis for budgeting purposes and modified accrual basis for financial reporting purposes			(4,206,705)	
Entity differences:				
Funds not appropriated, but included for financial reporting purposes			14,132,415	
Perspective differences:				
Expenditures on modified accrual basis and not recognized on budgetary basis:				
Capital outlay and asset preservation			—	
Distributions to Arizona counties and cities			902,001,347	
Distributions to other state agencies			12,384,524	
Lease			—	
3rd Party MVD Fees			—	
Total expenditures as reported on the Statement of Revenues, Expenditures, and				
Changes in Fund Balances - Governmental Funds (Highway User Revenue Fund) - Exhibit 4			<u>\$ 924,311,581</u>	

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

**Arizona Department of Transportation**  
**Required Supplementary Information**  
**June 30, 2025**

**Note to Required Supplementary Information**

**Budgets and Budgetary Accounting**

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

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

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

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

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

**Arizona Department of Transportation**  
**Required Supplementary Information**  
**June 30, 2025**

**Information About Infrastructure Assets Reported Using the Modified Approach**

As allowed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), as amended, the Arizona Department of Transportation (the “Department”) reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 9,470 center line miles (22,668 travel lane miles) of roads and 4,946 bridges that the Department is responsible to maintain.

In order to utilize the modified approach, the Department is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Department.
- Document that the assets are being preserved approximately at or above the established condition level.

As adopted by the Transportation Board of the State of Arizona Department of Transportation (the “Transportation Board”) on an annual basis, the Five-Year Transportation Facilities Construction Program (the “Program”) contains estimated expenditures for highway system improvements and the preservation of existing roadway and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2025 and beyond was adopted by the Transportation Board on June 17, 2022.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the Department to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the Department. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on “programmed” projects which may or may not be spent in the current year of the Program. Programmed expenditures consist of those items that are planned for the future, with contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were programmed for a prior year’s Estimated Expenditures, but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the Department’s success in achieving condition levels that exceed the established levels.

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2025**

**Roads**

The mission of the Department’s Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the state’s investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the PMS both work toward the same basic goal, the efficient, effective management of the Department’s assets to produce long-term benefits while minimizing expenditures.

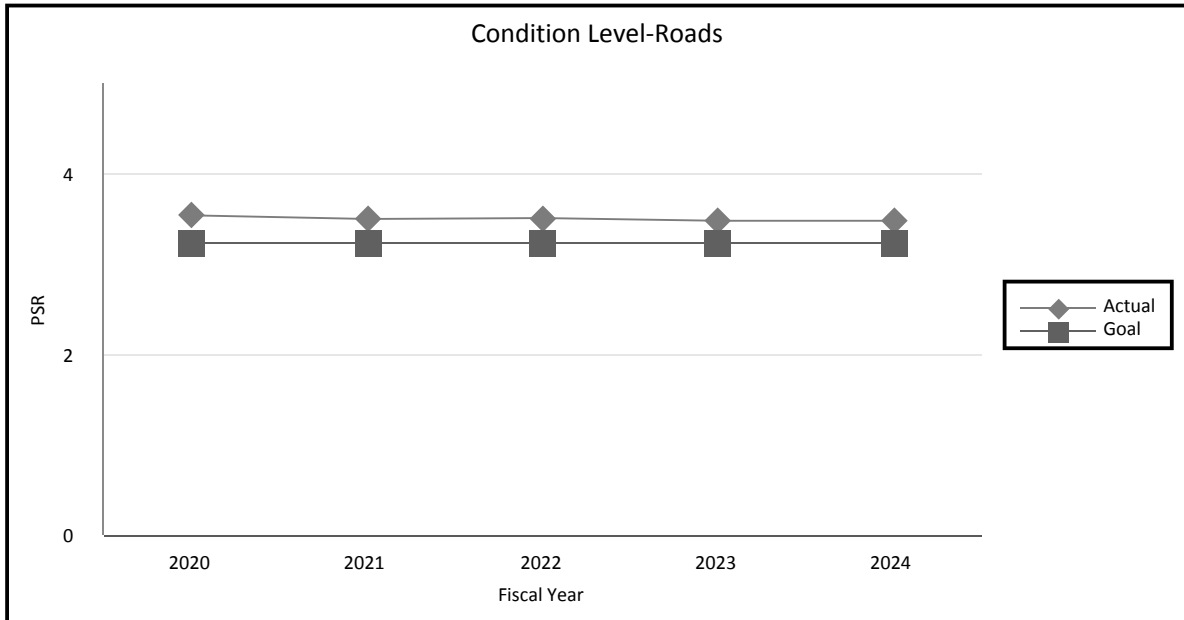
The PMS has developed performance goals for the condition level of the pavement in the state highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called “Serviceability” which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement. Many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called Present Serviceability Rating and abbreviated as PSR. PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

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

The goal of the Department is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the state highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2025, an overall rating of 3.48 was achieved as shown in the following graph:

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2025**

Figure 1



Preservation of the roads is accomplished through programs managed primarily by the Department’s PMS, as well as other units within the Department. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2021 through 2025 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2021	\$371.2	\$209.4
2022	\$845.8	\$374.4
2023	\$1,317.3	\$691.5
2024	\$1,567.9	\$773.2
2025	\$1,454.9	\$571.9

**Arizona Department of Transportation**  
**Required Supplementary Information**  
**June 30, 2025**

**Bridges**

The Department's bridge assets constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2025, the Department owned and maintained 4,946 bridges with an approximate total deck area of 46,919,194 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in AASHTOWare™ Bridge Management software (BrM). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, BrM is used for reporting bridge inventory and condition, on an annual basis, to the Federal Highway Administration (FHWA).

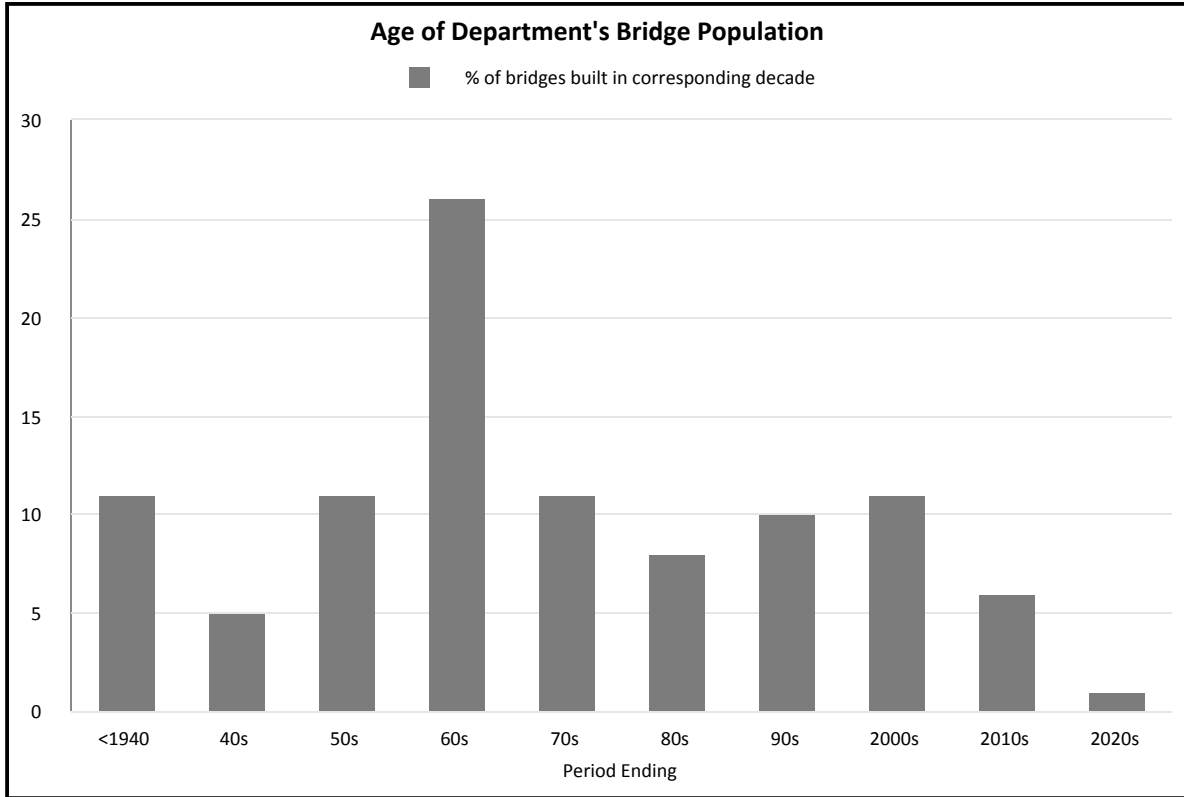
Historically, a Condition Rating Index (CRI) has been used to track the condition of the bridge network. The CRI was based on four selected bridge inspection condition ratings, which in turn were based on standards established in the FHWA's "Recording and Coding Guide for the Structural Inventory of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

In 2015, FHWA issued new rules which have had the effect of replacing CRI as the summary statistic for bridge condition. Instead, the departments of Transportation of the various States are expected to maintain their bridges so that no more than 10% are classified as Poor. Financial sanctions are held against States that do not comply with this standard. Management of the bridge inventory is a major function of the department's Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. In fiscal year 2025, 0.4% of bridges maintained by the Department were classified as Poor.

Bridges represent a major public investment, and their inspection and maintenance is an essential function of the department in its mission of providing products and services for a safe efficient and cost effective transportation system. Figure 2 indicates that approximately 64% of the bridges in the state were constructed in 1980 and prior while only 36% have been constructed after 1980.

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2025**

Figure 2



Each bar represents the percentage of bridges built in corresponding decade.

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2021 through 2025 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2021	\$358.2	\$202.0
2022	\$228.3	\$101.1
2023	\$104.2	\$54.7
2024	\$110.1	\$54.3
2025	\$171.4	\$67.4

**Arizona Department of Transportation  
Required Supplementary Information  
June 30, 2025**

**Pension Liability and Pension Contributions**

**Schedule of the Proportionate Share of the Net Pension Liability**

For the last ten fiscal years ended

Fiscal Year (Measurement Date)

	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability	1.61%	1.65%	1.64%	1.68%	1.64%	1.7%	1.78%	1.91%	1.99%	2.07%
Proportion share of the net pension liability	\$258,144,283	\$266,765,683	\$267,359,611	\$220,920,611	\$284,995,265	\$246,681,510	\$248,089,762	\$296,900,511	\$321,346,418	\$322,028,132
Covered payroll	\$223,119,651	\$211,420,349	\$191,699,109	\$192,927,433	\$176,319,415	\$178,584,660	\$176,727,743	\$178,648,729	\$186,117,539	\$190,570,110
Proportion share of the net pension liability as a percentage of its covered payroll	115.70%	126.18%	139.47%	114.51%	161.64%	138.13%	140.38%	166.19%	172.66%	168.98%
net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.4%	69.92%	67.06%	68.35%

**Schedule of Pension Contributions**

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

Fiscal Year (Measurement Date)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$27,169,235	\$26,841,294	\$25,201,306	\$23,023,063	\$22,476,046	\$20,188,573	\$19,965,765	\$19,263,324	\$19,258,333	\$20,193,753
DOT's Contributions in relation to the statutorily required contribution	\$27,169,235	\$26,841,294	\$25,201,306	\$23,023,063	\$22,476,046	\$20,188,573	\$19,965,765	\$19,263,324	\$19,258,333	\$20,193,753
OT's Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
OT's Covered payroll	\$225,470,833	\$223,119,650	\$211,420,349	\$191,699,109	\$192,927,433	\$176,319,415	\$178,584,660	\$176,727,743	\$178,648,729	\$186,117,539
DOT's Contributions as a percentage of covered payroll	12.05 %	12.03 %	11.92 %	12.01 %	11.65 %	11.45 %	11.18 %	10.9 %	10.78 %	10.85 %

# Supplementary Information

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## NONMAJOR GOVERNMENTAL FUNDS

### FINANCIAL STATEMENTS

#### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**The State Aviation Fund** is appropriated by the legislature and receives monies from aviation gasoline taxes, sale of abandoned or seized aircraft, flight property taxes, and the operation of the Grand Canyon National Park Airport. The State Aviation Fund monies are used to build and maintain airport facilities throughout Arizona.

**The Motor Vehicle Liability Insurance Enforcement Fund** is appropriated by the legislature and receives reinstatement fees for insurance-related driver license and vehicle registration suspensions. Monies are used to administer the State's Mandatory Liability Insurance Program.

**The Motor Vehicle Inspection and Title Enforcement Fund** is appropriated by the legislature and receives monies from the fees charged for certain vehicle inspections. Monies are used to defray the cost of investigations involving certificates of title, licensing fraud, registration enforcement, and other enforcement related issues.

**The Motor Carrier Safety Revolving Fund** receives fees to administer and enforce the rules governing the safety operations of motor carriers, shippers, and vehicles transporting hazardous materials, substances, or waste.

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

**The Grant Anticipation Notes Fund** receives revenues from the Federal Highway Administration under various grant agreements for the repayment of Grant Anticipation Notes (GARVEE bonds).

**The Local Agency Deposits Fund** receives monies from the U.S. Government and local agencies for the payment of local agency sponsored county secondary road construction projects.

**Arizona Department of Transportation**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2025**

**Exhibit 8**

	State Aviation Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
<b>Assets</b>			
Unrestricted cash on deposit with State Treasurer	\$ 54,730,039	\$ 15,513,195	\$ 3,481,268
Receivables:			
Interfund (Note 5D)	500,368	167,257	36,979
Notes and loans	295,562	—	—
Other (net)	5,125,639	—	—
Amounts due from U.S. Government	—	—	—
Restricted cash on deposit with the State Treasurer	—	—	—
<b>Total assets</b>	<b>\$ 60,651,608</b>	<b>\$ 15,680,452</b>	<b>\$ 3,518,247</b>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,192,790	\$ 105,656	\$ 16,241
Accrued payroll and other accrued expenditures	88,419	9,627	2,970
Interfund payables (Note 5D)	448	—	—
Amounts due to			
Arizona counties and cities	1,639,093	—	—
<b>Total liabilities</b>	<b>2,920,750</b>	<b>115,283</b>	<b>19,211</b>
 <b>Fund balances</b>			
Restricted	—	—	—
Committed	57,730,858	15,565,169	3,499,036
<b>Total fund balances</b>	<b>57,730,858</b>	<b>15,565,169</b>	<b>3,499,036</b>
<b>Total liabilities and fund balances</b>	<b>\$ 60,651,608</b>	<b>\$ 15,680,452</b>	<b>\$ 3,518,247</b>

Exhibit 8 - Continued

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
\$ 7	\$ 3,266,500	—	\$ —	\$ 76,991,009
—	—	—	—	704,604
—	—	—	—	295,562
—	—	—	6,685,421	11,811,060
—	—	—	25,204,723	25,204,723
—	—	—	76,151,391	76,151,391
<u>\$ 7</u>	<u>\$ 3,266,500</u>	<u>\$ —</u>	<u>\$ 108,041,535</u>	<u>\$ 191,158,349</u>
—	—	—	8,799,632	10,114,319
—	—	—	54,910	155,926
—	—	—	—	448
—	632,802	—	17,027,112	19,299,007
—	632,802	—	25,881,654	29,569,700
—	—	—	82,159,881	82,159,881
7	2,633,698	—	—	79,428,768
<u>7</u>	<u>2,633,698</u>	<u>—</u>	<u>82,159,881</u>	<u>161,588,649</u>
<u>\$ 7</u>	<u>\$ 3,266,500</u>	<u>\$ —</u>	<u>\$ 108,041,535</u>	<u>\$ 191,158,349</u>

**Arizona Department of Transportation**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances — Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2025**

**Exhibit 9**

	State Aviation Fund	Motor Vehicle Liability Insurance Enforcement Fund	Motor Vehicle Inspection and Title Enforcement Fund
<b>Revenues</b>			
Transportation excise taxes	\$ 5,404,253	\$ —	\$ —
Vehicle registration, title, license, and related taxes and fees	34,541	9 299,650	2 393,626
Fuel and motor carrier taxes and fees	433,300	—	—
Flight property taxes	14,535,014	—	—
Reimbursement of construction expenditures - federal aid	2,914,895	—	—
Other federal grants and reimbursements	—	—	—
Reimbursements from Arizona counties and cities	557,850	—	—
Interest on loans receivable	13,561	—	—
Income from investments	2,556,931	—	—
Rental income	321,981	—	—
Other	521,764	—	3,770
Total revenues	<u>27,294,090</u>	<u>9 299,650</u>	<u>2 397,396</u>
<b>Expenditures</b>			
<b>Current</b>			
Administration	4 232,680	700	—
Highway	4 958,490	—	—
Motor vehicle	—	1,305,095	1 411,326
Total current expenditures	<u>9,191,170</u>	<u>1 305,795</u>	<u>1 411,326</u>
<b>Intergovernmental</b>			
Distributions to other state agencies	—	1 003,300	—
Distributions to Arizona counties and cities	31,231,412	—	—
Capital outlay	1,544,053	—	—
Total expenditures	<u>41,966,635</u>	<u>2 309,095</u>	<u>1 411,326</u>
Revenues over (under) expenditures	<u>(14,672,545)</u>	<u>6,990,555</u>	<u>986 070</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	—	—	—
Transfers out	—	—	—
Sale of capital assets	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(14,672,545)</u>	<u>6,990,555</u>	<u>986,070</u>
Fund balances, beginning of year	72,403,403	8 574,614	2,512,966
<b>Fund balances, end of year</b>	<u>\$ 57,730,858</u>	<u>\$ 15,565,169</u>	<u>\$ 3,499,036</u>

Exhibit 9 - Continued

Motor Carrier Safety Revolving Fund	Economic Strength Project Fund	Grant Anticipation Notes Fund	Local Agency Deposits Funds	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ 5,404,253
—	—	—	—	11,727,817
—	1,000,000	—	—	1 433,300
—	—	—	—	14,535,014
—	—	29,971,500	—	32,886,395
—	—	—	131,119,303	131,119,303
—	—	—	61,731,554	62,289,404
—	—	—	—	13,561
—	116,993	—	1,881,910	4 555,834
—	—	—	—	321,981
—	—	—	1,452,784	1 978,318
<u>—</u>	<u>1,116,993</u>	<u>29,971,500</u>	<u>196,185,551</u>	<u>266,265,180</u>
—	—	—	598,584	4 831,964
—	—	—	77,153,471	82,111,961
—	—	—	—	2 716,421
<u>—</u>	<u>—</u>	<u>—</u>	<u>77,752,055</u>	<u>89,660,346</u>
—	—	—	140,863	1 144,163
—	752,652	—	64,762,482	96,746,546
—	—	—	—	1 544,053
<u>—</u>	<u>752,652</u>	<u>—</u>	<u>142,655,400</u>	<u>189,095,108</u>
<u>—</u>	<u>364,341</u>	<u>29,971,500</u>	<u>53,530,151</u>	<u>77,170,072</u>
—	—	(29,971,500)	—	—
—	—	—	—	(29,971,500)
<u>—</u>	<u>—</u>	<u>(29,971,500)</u>	<u>—</u>	<u>(29,971,500)</u>
—	364,341	—	53,530,151	47,198,572
7	2 269,357	—	28,629,730	114,390,077
<u>\$ 7</u>	<u>\$2,633,698</u>	<u>\$ —</u>	<u>\$ 82,159,881</u>	<u>\$ 161,588,649</u>

## Statistical Section



**Arizona Department of Transportation**  
**Overview — Statistical Section**  
**For the Year Ended June 30, 2025**

This part of the Arizona Department of Transportation's (the "Department") Annual Comprehensive Financial Report provides detail in the form of graphs and tables intended to assist the reader of the report with understanding the information presented in the financial statements, note disclosures, and required supplementary information regarding the overall financial health of the Department.

Financial Trends

These schedules show trend information that gives an insight into the Department's financial well-being and performance over time.

Revenue Capacity

Information about the Motor Vehicle Fuel Tax and the Highway User Revenue Fund, the Department's most significant own-source revenues, is presented in these tables.

Debt Capacity

These tables present information to help the reader assess the affordability of the Department's current levels of outstanding debt as well as the Department's ability to issue additional debt in the future.

Demographic and Economic Information

The demographic and economic indicators presented in this section offer an understanding of the environment in which the Department's financial activities take place.

Operating Information

The Department's relationship of the financial report to the services provided as well as its activities is illustrated in these tables depicting service and infrastructure information.

*Sources: Unless otherwise stated, all information in the following tables is derived from the Annual Comprehensive Financial Reports for the years shown.*

**Arizona Department of Transportation  
Index — Statistical Section  
For the Year Ended June 30, 2025**

	<u>Page</u>
Financial Trends	
Changes in Net Position (Table A-1)	<u>97</u>
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds (Table A-2)	<u>101</u>
Fund Balances of Governmental Funds (Table A-3)	<u>105</u>
Expenditures of Federal Awards (Table A-4)	<u>107</u>
Government-wide Expenses by Function (Table A-5)	<u>109</u>
Government-wide Revenues (Table A-6)	<u>111</u>
Net Position by Component (Table A-7)	<u>113</u>
Revenue Capacity	
Highway User Revenue Fund Collections (Table B-1)	<u>116</u>
Highway User Revenue Fund Distributions (Table B-2)	<u>117</u>
Fuel Tax Rates (Table B-3)	<u>118</u>
Motor Vehicle Fuel Tax – Top Ten Suppliers (Table B-4)	<u>119</u>
Gasoline Volume Sold – Top Twenty-Five Suppliers (Table B-5)	<u>121</u>
Debt Capacity	
Highway Revenue Bonds – Bond Coverage (Table C-1)	<u>124</u>
Transportation Excise Tax Revenue Bonds – Bond Coverage (Table C-2)	<u>125</u>
Transportation Excise Tax Revenue Bonds – Debt Service	
Revenue and Cost Per Capita (Table C-3)	<u>126</u>
Ratios of Outstanding Debt by Type (Table C-4)	<u>127</u>
Demographic and Economic Information	
Number of Vehicle Registrations Per Year (Table D-1)	<u>130</u>
Vehicle Registrations Per Year Compared to Fuel Sales (Table D-2)	<u>131</u>
Demographic and Economic Statistics (Table D-3)	<u>132</u>
Principal Employers (Table D-4)	<u>133</u>
Operating Information	
Full-Time Equivalents (FTEs) (Table E-1)	<u>135</u>
Capital Assets – Schedule by Function and Activity (Table E-2)	<u>136</u>
Capital Assets – Schedule of Changes by Function and Activity (Table E-3)	<u>137</u>
Total Public Road Mileage by Highway Class and Governmental	
Ownership (Table E-4)	<u>138</u>
Vehicle Miles Traveled with Population Data (Table E-5)	<u>139</u>

# FINANCIAL TRENDS

Table A-1

**Arizona Department of Transportation**  
**Changes in Net Position**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

	2016	2017	2018	2019	2020
<b>Expenses</b>					
<b>Governmental activities</b>					
Administration	\$ 88,899	\$ 74,516	\$ 77,547	\$ 77,469	\$ 152,885
Aeronautics					
Highway	122,025	138,400	133,915	164,752	83,497
Highway maintenance	116,067	102,173	97,197	112,939	147,508
Motor vehicle	113,029	112,119	110,516	116,727	166,968
Non-capital, including asset preservation	373,006	253,205	319,870	279,298	346,941
Distributions to other state agencies	232,905	210,333	224,221	306,615	385,134
Distributions to Arizona counties and cities	1 260,019	1 276,427	1 307,530	1 427,636	1 443,761
Local government assistance	114,650	127,028	127,400	121,971	113,486
Other expenses	—	—	—	—	—
Interest on long-term debt	93,840	78,481	58,874	87,783	81,939
Total governmental activities expenses	<u>2 514,440</u>	<u>2 372,682</u>	<u>2 457,070</u>	<u>2 695,190</u>	<u>2 922,119</u>
<b>Business-Type activities</b>					
Arizona Highways Magazine	—	—	—	—	—
Highway Expansion and Extension Loan Program	20,037	—	30,000	30,000	—
Total business-type activities expenses	<u>20,037</u>	<u>—</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
Total primary government expenses	<u>\$ 2,534,477</u>	<u>\$ 2,372,682</u>	<u>\$ 2,487,070</u>	<u>\$ 2,725,190</u>	<u>\$ 2,922,119</u>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
Charges for services					
Administration	\$ 13,185	\$ 13,636	\$ 12,679	\$ 8,049	\$ 19,194
Aeronautics	—	—	—	—	—
Highway	2,597	2 658	2 640	1 849	2 654
Highway maintenance	6 302	3 544	6 530	6 369	6 186
Motor vehicle	145,899	145,035	146,720	180,162	200,755
Non-capital, including asset preservation	—	—	13,650	34,195	—
Local government assistance	—	—	—	—	—
Operating grants and contributions	134,446	158,156	149,779	188,020	197,910
Capital grants and contributions	856,434	714,608	744,854	532 678	554,633
Total governmental activities program revenues	<u>1,158,863</u>	<u>1 037 637</u>	<u>1 076,852</u>	<u>951,323</u>	<u>981,332</u>
Charges for services					
Arizona Highways Magazine	—	—	—	—	—
Total primary government program revenues	<u>\$ 1 158,863</u>	<u>\$ 1,037,637</u>	<u>\$ 1,076,852</u>	<u>\$ 951,323</u>	<u>\$ 981,332</u>
<b>Net (expenses)/revenues</b>					
Governmental activities	\$ (1,355,577)	\$ (1,335,045)	\$ (1,380,218)	\$ (1,743,867)	\$ (1,940,787)
Business-type activities	<u>(20,037)</u>	<u>—</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>—</u>
Total primary government net expense	<u>\$ (1,375,614)</u>	<u>\$ (1,335,045)</u>	<u>\$ (1,410,218)</u>	<u>\$ (1,773,867)</u>	<u>\$ (1,940,787)</u>

**Table A-1 - Continued**

	2021	2022	2023	2024	2025
\$	146,991	\$ 155,468	\$ 141,035	170,213	\$ 152,535
					\$ —
	84,955	115,387	130,571	134,017	141,788
	152,740	135,540	184,945	182,133	153,901
	222,308	170,138	210,366	219,067	233,362
	436,306	476,232	766,655	847,576	663,889
	380,698	192,616	181,061	353,935	222,385
	1 636,707	1 659,180	1 721,840	2 058,402	1 824,422
	85,789	116,712	116,362	138,135	142,515
	41	14,298	1 834	6 221	—
	53,122	35,109	34,092	(6,094)	31,259
	<u>3 199,656</u>	<u>3 070,680</u>	<u>\$ 3,488,760</u>	<u>4 103,606</u>	<u>3 566,056</u>
	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
\$	<u>3,199,656</u>	<u>\$ 3,070,680</u>	<u>\$ 3,488,760</u>	<u>\$ 4,103,606</u>	<u>\$ 3,566,056</u>
\$	46,889	\$ 19,832	\$ 18,797	\$ 11,742	\$ 21,635
	—	—	\$ —	—	\$ —
	3 033	901	2 775	4 426	4 446
	5 851	9 211	10,930	8 436	7 747
	217,057	163,377	166,357	177,103	203,944
	—	26,297	20,197	18,777	22,918
	—	—	—	—	—
	179,562	205,523	222,423	453,858	233,635
	667,686	839,289	938,978	1 101,020	989,816
	<u>1 120,077</u>	<u>1 264,429</u>	<u>1 380,457</u>	<u>1 775,362</u>	<u>1 484,141</u>
	—	—	—	—	—
\$	<u>1,120,077</u>	<u>\$ 1,264,429</u>	<u>\$ 1,380,457</u>	<u>\$ 1,775,362</u>	<u>\$ 1,484,141</u>
\$	(2,079,579)	\$ (1,806,251)	\$ (2,108,304)	\$ (2,328,245)	\$ (2,081,915)
	—	—	—	—	—
\$	<u>(2,079,579)</u>	<u>\$ (1,806,251)</u>	<u>\$ (2,108,304)</u>	<u>\$ (2,328,245)</u>	<u>\$ (2,081,915)</u>

**Arizona Department of Transportation**  
**Changes in Net Position**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

	2016	2017	2018	2019	2020
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities					
Transportation excise taxes	\$ 262,971	\$ 274,553	\$ 295,100	\$ 316,144	\$ 331,044
Motor vehicle registration, title, and related taxes	1,134,913	1,135,060	1,142,561	1,400,749	1,563,351
Fuel and motor carrier taxes and fees	735,928	777,315	838,823	846,289	749,567
Flight property taxes	9,620	10,365	13,012	10,297	16,895
Other taxes and fees	—	—	—	—	—
Income from investments	9,064	10,512	17,264	26,135	26,097
Other	7,050	5,884	8,618	6,151	21,403
Transfers	—	—	—	—	—
Governmental activities before accounting	<u>2,159,546</u>	<u>2,213,689</u>	<u>2,315,378</u>	<u>2,605,765</u>	<u>2,708,357</u>
<b>Special Item – State appropriation for Statewide Transportation</b>					
Acceleration Needs (STAN)	—	—	—	—	—
Total governmental activities	<u>2,159,546</u>	<u>2,213,689</u>	<u>2,315,378</u>	<u>2,605,765</u>	<u>2,708,357</u>
Business-Type activities					
Income from investments	560	657	570	677	22
Other	—	—	—	—	—
Transfers	—	—	—	—	—
Total business-type activities	<u>560</u>	<u>657</u>	<u>570</u>	<u>677</u>	<u>22</u>
Total primary government	<u>\$ 2,160,106</u>	<u>\$ 2,214,346</u>	<u>\$ 2,315,948</u>	<u>\$ 2,606,442</u>	<u>\$ 2,708,379</u>
<b>Changes in Net Position</b>	(1,373,454)	(1,332,831)	(1,407,903)	(1,771,261)	(1,938,079)
<b>Net Position - July 1 Beginning, as Restated</b>	18,337,205	19,121,697	19,934,835	20,840,566	21,579,152
<b>Net Position - June 30</b>	<u>9,121,697</u>	<u>,001,000</u>	<u>,840,566</u>	<u>,673,141</u>	<u>,346,743</u>
Governmental activities	\$ 803,969	\$ 878,644	\$ 935,160	\$ 861,898	\$ 767,570
Business-Type activities	(19,477)	657	(29,430)	(29,323)	22
Total primary government	<u>\$ 784,492</u>	<u>\$ 879,301</u>	<u>\$ 905,730</u>	<u>\$ 832,575</u>	<u>\$ 767,592</u>

**Table A-1 - Continued**

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 376,901,322	\$ 448,237	\$ 1,433,456	\$ 518,764	\$ 517,387
1 692,766,312	1 591,474	1 666,596	1 729,284	1 817,302
868,074,330	855,965	828,526	877,244	853,585
17,310,560	14,027	12,837	15,851	14,535
—	33,727	41,613	41,934	43,547
7 540,269	6 727	78,049	137,198	146,441
4 485,874	10,642	5 595	6 281	8 808
—	—	—	—	—
<u>2 967,078,667</u>	<u>2 960,799</u>	<u>4 066,673</u>	<u>3 326,556</u>	<u>3 401,605</u>
—	—	—	—	—
<u>2 967,078,667</u>	<u>2 960,799</u>	<u>4 066,673</u>	<u>3 326,556</u>	<u>3 401,605</u>
5,691	1	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>5,691</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 2,967,084,358</u>	<u>\$ 2,960,800</u>	<u>\$ 4,066,673</u>	<u>\$ 3,326,556</u>	<u>\$ 3,401,605</u>
887,500	1 154,549	1 958,369	998,307	1 319,690
22,346,743	23,221,958	24,376,506	26,426,814	27,409,332
<b><u>3,234,248</u></b>	<b><u>4,376,506</u></b>	<b><u>6,334,875</u></b>	<b><u>7,425,121</u></b>	<b><u>8,729,022</u></b>
\$ 2,964,999,088	\$ 2,958,993	\$ 4,064,564	\$ 3,324,228	\$ 3,399,523
5 691	1	—	—	—
<u>\$ 2,965,004,779</u>	<u>\$ 2,958,994</u>	<u>\$ 4,064,565</u>	<u>\$ 3,324,228</u>	<u>\$ 3,399,523</u>

Table A-2

**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances — Governmental Funds**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

	2016	2017	2018
<b>Revenues</b>			
Transportation excise taxes	\$ 262,971	\$ 274,553	\$ 295,100
Vehicle registration, title, license, and related taxes and fees	1,280,812	1,280,095	1,289,281
Fuel and motor carrier taxes and fees	735,928	777,315	838,823
Flight property taxes	9,620	10,365	13,012
Other taxes and fees	—	—	—
Reimbursement of construction expenditures – federal aid	859,985	638,098	750,540
Other federal grants and reimbursements	106,660	138,168	106,304
Reimbursements from Arizona counties and cities	24,235	55,828	24,307
Distributions from other state agencies	744	963	27,573
Interest on loans receivable	207	194	112
Income from investments	9,064	10,512	17,264
Sales and charges for services	9,189	10,832	23,279
Grand Canyon National Park Airport	344	647	1,015
Rental income	5,556	3,931	3,346
Other	6,990	5,880	5,954
<b>Total revenues</b>	<b>\$ 3,312,305</b>	<b>\$ 3,207,381</b>	<b>\$ 3,395,910</b>
<b>Expenditures</b>			
<b>Current</b>			
Transportation			
Administration	\$ 81,191	\$ 71,638	\$ 79,475
Aeronautics	—	—	—
Highway	163,011	218,959	235,195
Highway maintenance	108,882	96,396	94,996
Motor vehicle	106,030	106,461	109,592
<b>Total transportation</b>	<b>459,114</b>	<b>493,454</b>	<b>519,258</b>
Intergovernmental			
Distributions to other state agencies	232,990	211,145	224,221
Distributions to Arizona counties and cities	1,320,949	1,312,206	1,334,573
Debt service			
Principal	194,308	174,448	204,161
Interest	122,449	108,230	108,976
Bond issuance costs	—	2,125	425
Lease - Principal	—	—	—
Lease - Interest	—	—	—
Non-capital, including asset preservation	356,753	209,802	233,316
Capital outlay	689,613	741,658	793,955
<b>Total expenditures</b>	<b>\$ 3,376,176</b>	<b>\$ 3,253,068</b>	<b>\$ 3,418,885</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (63,871)</b>	<b>\$ (45,687)</b>	<b>\$ (22,975)</b>

Table A-2 - Continued

	2019	2020	2021	2022	2023	2024	2025
\$	316,144	\$ 331,044	\$ 376,901	\$ 448,237	\$ 1,433,456	\$ 518,764	\$ 517,387
	1 580,911	1 764,106	1 909,824	1 754,850	1 832,953	1 906,388	2 021,245
	846,290	749,567	868,074	855,965	828,526	877,244	853,585
	10,297	16,895	17,311	14,027	12,837	15,851	14,535
	—	—	—	33,727	41,613	41,934	43,547
	542,212	579,266	712,031	784,520	866,571	956,582	883,852
	128,045	106,449	91,330	95,754	137,757	96,450	131,119
	50,991	14,854	10,607	39,220	19,335	76,271	71,267
	15,009	52,444	40,741	97,272	142,935	401,085	135,272
	127	76	13	84	495	126	14
	26,135	26,298	7 603	6 812	79,228	138,440	148,323
	41,705	17,501	40,081	36,866	31,263	22,539	34,907
	—	—	—	—	—	—	—
	2 262	4 271	9 827	10,079	10,011	12,279	14,078
	5 926	19,917	4 489	10,697	5 668	6 654	10,261
<u>\$</u>	<u>3,566,054</u>	<u>\$ 3,682,688</u>	<u>\$ 4,088,832</u>	<u>\$ 4,188,110</u>	<u>\$ 5,442,649</u>	<u>5 070,607</u>	<u>\$ 4,879,394</u>
\$	107,970	\$ 152,251	\$ 145,720	\$ 160,117	\$ 141,646	\$ 172,791	\$ 157,179
	—	—	—	—	—	—	—
	257,117	156,409	139,969	202,314	201,911	210,942	223,111
	116,226	145,727	150,688	137,891	184,578	187,399	158,357
	122,395	165,680	211,529	173,205	202,099	216,878	230,310
	603,708	620,067	647,906	673,528	730,234	788,010	768,958
	306,616	385,134	380,698	192,616	181,061	353,935	222,385
	1 465,877	1 484,276	1 666,878	1 694,345	1 766,988	2 123,571	1 889,185
	199,355	214,765	225,595	238,655	245,500	555,666	252,410
	114,125	102,482	88,283	74,186	65,233	52,884	45,477
	1 688	1 753	—	501	—	3 288	—
	—	—	—	—	—	—	613
	—	—	—	—	—	—	83
	248,782	305,636	411,376	475,531	746,229	827,539	639,250
	798,722	724,048	400,686	473,638	496,754	575,823	841,913
<u>\$</u>	<u>3,738,873</u>	<u>\$ 3,838,161</u>	<u>\$ 3,821,422</u>	<u>\$ 3,823,001</u>	<u>\$ 4,231,999</u>	<u>\$ 5,280,717</u>	<u>\$ 4,660,274</u>
<u>\$</u>	<u>(172,819)</u>	<u>\$ (155,473)</u>	<u>\$ 267,410</u>	<u>\$ 365,110</u>	<u>\$ 1,210,650</u>	<u>\$ (210,110)</u>	<u>\$ 219,119</u>

Table A-2 - Continued

**Arizona Department of Transportation**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances — Governmental Funds**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

	2016	2017	2018
Other Financing Sources (Uses)			
Transfers in	\$ 304,311	\$ 274,990	\$ 252,974
Transfers out for debt service	(304,311)	(274,990)	(252,974)
Transfers out other	—	—	—
Leases	—	—	—
Sale of capital assets	60	1 294	3 524
Insurance recovery	6 302	3 544	6 530
Debt issuance	—	—	62,595
Debt issuance – refunding bond	—	403,310	—
Premium from debt issuance	—	100,305	12,840
Payment to refunded bond escrow agent	—	(501,478)	—
Total other financing sources (uses)	<u>6,362</u>	<u>6 975</u>	<u>85,489</u>
Net change in fund balances before accounting change	(57,509)	(38,712)	62,514
Special item – State appropriation for Statewide Transportation Acceleration Needs (STAN)	—	—	—
Net change in fund balances	<u>(57,509)</u>	<u>(38,712)</u>	<u>62,514</u>
Fund balances, beginning of year	<u>1,240,753</u>	<u>1 183,244</u>	<u>1,144,532</u>
Fund balances, end of year	<u>\$ 1 183,244</u>	<u>\$ 1,144,532</u>	<u>\$ 1,207,046</u>
Debt service as a percentage of noncapital expenditures	11.8 %	11.3 %	11.9 %
Debt service as a percentage of total revenues	9.6 %	8.8 %	9.2 %

**Table A-2 - Continued**

	2019	2020	2021	2022	2023	2024	2025
\$	310,894	\$ 314,255	\$ 313,209	\$ 314,902	\$ 307,319	\$ 604,290	\$ 292,483
	(310,894)	(314,255)	(313,209)	(313,682)	(307,319)	(604,290)	(292,483)
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	343	1,591	52	42	952	705	1,853
	6,369	6,186	5,851	9,211	10,930	8,436	7,747
	324,475	—	—	—	—	654,018	—
	—	510,275	—	84,520	—	—	—
	41,448	—	—	—	—	31,514	—
	—	(508,278)	—	(84,005)	—	(380,924)	—
	<u>372,635</u>	<u>9,774</u>	<u>5,902</u>	<u>10,989</u>	<u>11,883</u>	<u>313,749</u>	<u>9,599</u>
	199,816	(145,699)	273,312	376,099	1,222,533	103,639	228,719
	—	—	—	—	—	—	—
	<u>199,816</u>	<u>(145,699)</u>	<u>273,312</u>	<u>376,099</u>	<u>1,222,533</u>	<u>103,639</u>	<u>228,719</u>
	1,207,046	1,406,862	1,261,165	1,534,477	1,910,576	3,133,109	3,235,495
\$	<u>1,406,862</u>	<u>1,261,163</u>	<u>1,534,477</u>	<u>1,910,576</u>	<u>3,133,110</u>	<u>3,236,748</u>	<u>3,464,213</u>
	10.7 %	10.2 %	9.2 %	9.3 %	8.3 %	12.9 %	7.8 %
	8.8 %	8.6 %	7.7 %	7.5 %	5.7 %	12.0 %	6.1 %

**Arizona Department of Transportation**  
**Fund Balances of Governmental Funds**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

	2016	2017	2018	2019	2020
General Fund(State Highway Fund)					
Nonspendable	\$ 6,179	\$ 40	\$ 53	\$ 212	\$ 437
Restricted	337,534	428,369	430,204	464,087	301,046
Committed	282,312	273,063	312,823	364,198	443,733
Total general fund	<u>626,025</u>	<u>701,472</u>	<u>743,080</u>	<u>828,497</u>	<u>745,216</u>
Unassigned	(8,128)	(8,128)	(14,194)	(8,128)	(8,128)
Nonspendable					
Restricted	548,082	437,071	448,026	545,081	460,778
Committed	17,265	14,117	30,134	41,414	63,299
Total all other governmental funds	<u>557,219</u>	<u>443,060</u>	<u>463,966</u>	<u>578,366</u>	<u>515,949</u>
Total general and other governmental funds	<u>\$ 1,183,244</u>	<u>\$ 1,144,532</u>	<u>\$ 1,207,046</u>	<u>\$ 1,406,862</u>	<u>\$ 1,261,165</u>

**Table A-3 - Continued**

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 271	\$ 402	\$ 475	\$ 397	\$ 2,464
345,711	410,241	520,193	645,413	768,204
<u>574,443</u>	<u>732,639</u>	<u>1 703,804</u>	<u>1 316,631</u>	<u>1 405,032</u>
<u>920,425</u>	<u>1 143,283</u>	<u>2 224,472</u>	<u>1 962,441</u>	<u>2 175,699</u>
(8,128)	(8,128)	(8,128)	(8,128)	(8,128)
—	—	—	—	—
531,620	679,148	810,524	1 195,422	1 217,214
90,561	96,274	106,241	85,760	79,429
<u>614,052</u>	<u>767,293</u>	<u>908,636</u>	<u>1 273,054</u>	<u>1 288,514</u>
<u>\$ 1,534,477</u>	<u>\$ 1,910,576</u>	<u>\$ 3,133,109</u>	<u>\$ 3,235,495</u>	<u>\$ 3,464,213</u>

**Arizona Department of Transportation**  
**Expenditures of Federal Awards**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

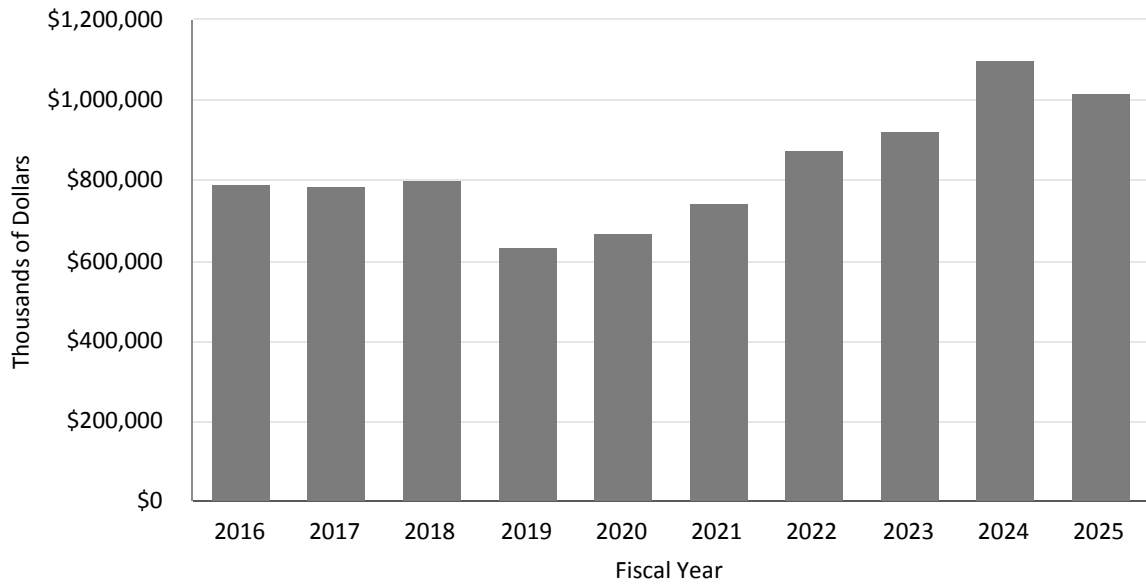
Federal Agencies <sup>1</sup>	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
BIA	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
BJA	—	—	—	—	—	—	—	—	—	—
FAA	3,292	4,313	1,220	1,151	512	5,804	5,853	1,574	1,794	2,977
FHWA	763,879	764,482	778,021	590,592	631,025	685,265	812,923	880,588	1,065,567	958,793
FMCSA	827	502	274	791	427	277	749	1,474	1,787	2,642
FRA	53	120	6	—	—	—	—	—	—	413
FTA	14,923	19,830	20,966	28,577	22,856	30,475	24,247	19,295	20,534	19,261
GSA	—	—	—	—	—	—	—	—	—	—
NHTSA	193	117	100	100	116	—	105	103	220	214
OST	8,916	117	2,808	12,192	5,963	19,037	—	—	—	330
CARES	—	—	—	—	6,140	2,877	—	—	\$ —	\$ —
AZGF	—	—	—	—	—	—	—	125	160	\$ 350
DOD	—	—	—	—	—	—	—	—	6,576	\$ 4,237
USDT	—	—	—	—	—	—	32,301	20,059	4,361	\$ 32,626
DOE	—	—	—	—	—	725	—	—	\$ —	\$ —
<b>Total Federal Expenditures</b>	<b>\$ 792,083</b>	<b>\$ 789,481</b>	<b>\$ 803,395</b>	<b>\$ 633,403</b>	<b>\$ 667,039</b>	<b>\$ 744,460</b>	<b>\$ 876,177</b>	<b>\$ 923,216</b>	<b>\$ 1,100,999</b>	<b>\$ 1,021,843</b>

SOURCE: Arizona Department of Transportation Schedule of Expenditures of Federal Awards – fiscal years 2016 through 2025

NOTES: <sup>1</sup>Bureau of Justice Assistance (BJA); Federal Aviation Administration (FAA); Federal Highway Administration (FHWA); Federal Motor Carrier Safety Administration (FMCSA); Federal Railroad Administration (FRA); Federal Transit Administration (FTA); General Services Administration (GSA); National Highway Transportation Safety Administration (NHTSA); Office of the Secretary (OST) Administration Secretariate; Coronavirus Aid Relief and Economic Security (CARES) Act; Arizona Game and Fish (AZGF); United States Department of Treasury (USDT); Department of Education (DOE).

<sup>2</sup>The 2016 total federal expenditures are prepared on the other comprehensive basis of accounting using the cash basis.

### Total Expenditures of Federal Awards



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**Arizona Department of Transportation**  
**Government-Wide Expenses by Function**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

Fiscal Year	2016	2017	2018	2019
Administration	\$ 88,899	\$ 74,516	\$ 77,547	\$ 77,469
Aeronautics	—	—	—	—
Highway	122,025	138,400	133,915	164,752
Highway Maintenance <sup>1</sup>	116,067	102,173	97,197	1 129,392
Motor Vehicle	113,029	112,119	110,516	1 167,272
Distributions to Arizona Counties, Cities and Other State Agencies	1,492,924	1 486,760	1 531,750	1 734,250
Local Governmental Assistance	114,650	127,028	127,400	121,971
Premium on Long-Term Debt	—	—	—	—
Interest on Long-Term Debt	93,840	78,481	58,874	87,784
Other	373,006	253,205	319,870	279,298
Arizona Highways Magazine <sup>2</sup>	—	—	—	—
Highway Expansion and Extension Loan Program	20,037	—	30,000	30,000
<b>Total</b>	<b>\$2,534,477</b>	<b>\$2,372,682</b>	<b>\$2,487,069</b>	<b>\$4,792,188</b>

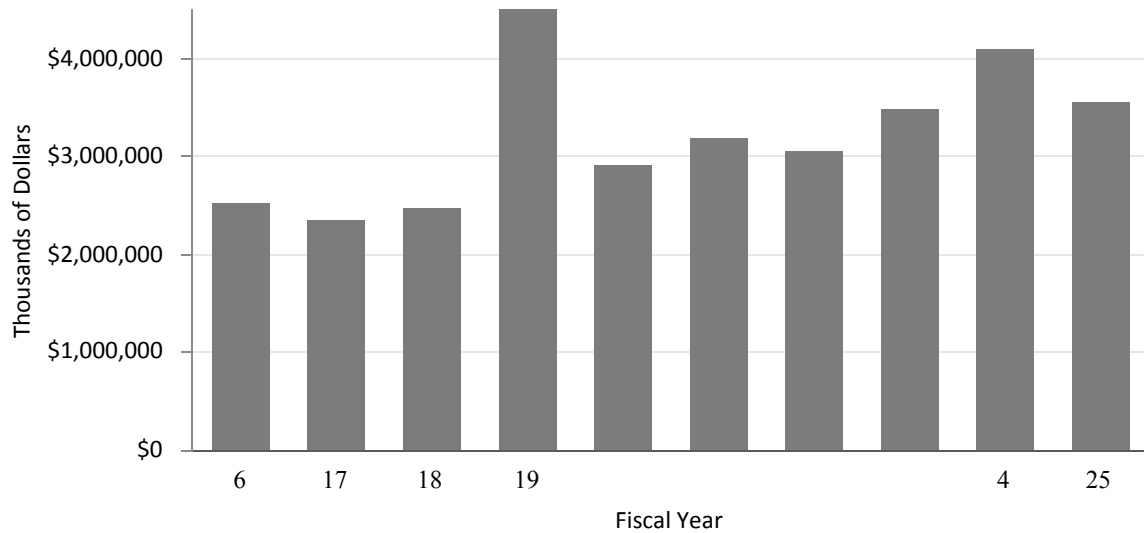
NOTES: <sup>1</sup>Includes non-capital, including asset preservation.

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

**Table A-5 - Continued**

	2020	2021	2022	2023	2024	2025
\$	152,885	\$ 146,991	\$ 155,468	\$ 141,035	\$ 170,213	\$ 152,535
	—	—	—	\$ —	—	—
	83,497	84,955	115,387	130,571	134,017	141,788
	147,508	152,740	135,540	184,945	182,133	153,901
	166,968	222,308	170,138	210,366	219,067	233,362
	1 828,895	2 017,404	1 851,797	1 902,901	2 412,337	2,046,807
	113,486	85,789	116,712	116,362	138,135	142,515
	—	—	—	—	—	—
	81,939	53,122	35,109	34,092	(6,094)	31,259
	346,941	436,306	490,530	768,489	853,797	663,889
	—	—	—	—	—	—
	—	—	—	—	—	—
\$	2,922,119	\$ 3,199,614	\$ 3,070,680	\$ 3,488,760	\$ 4,103,606	\$ 3 566,056

**Government-Wide Expenses**



**Table A-6**

**Arizona Department of Transportation  
Government-Wide Revenues  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2025  
(Thousands of Dollars)**

Fiscal Year	Program Revenues Governmental		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2025	\$ 260,689	\$ 233,635	\$ 989,816
2024	220,484	453,858	1 101,020
2023	219,056	222,423	938,978
2022	219,617	205,523	839,289
2021	272,829	179,562	667,686
2020	228,790	197,910	554,633
2019	230,625	188,021	532,677
2018	182,219	149,779	744,854
2017	164,873	158,156	714,608
2016	167,983	134,446	856,434

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

**Table A-6 - Continued**

	General Revenues				Total Government-Wide Revenues
	Governmental		Business-Type		
	Taxes	Other Revenues <sup>1</sup>	Income from Investments	Income from Investments	
\$	3,246,356	\$ 8,808	\$ 146,441	\$ —	\$ 4,885,746
	3 183,076	6 281	137,198	—	5 101,917
	3 983,029	5 595	78,049	—	5 447,130
	2 943,430	10,642	6 727	1	4 225,229
	2 955,053	4 444	7 540	6	4 087,120
	2 660,856	21,403	26,097	22	3 689,711
	2 573,480	6 151	26,135	676	3 557,765
	2 289,496	8 618	17,264	570	3 392,800
	2 197,293	5,884	10,512	657	3 251,983
	2 143,432	7 050	9 064	560	3 318,969

**Government-Wide Revenues**

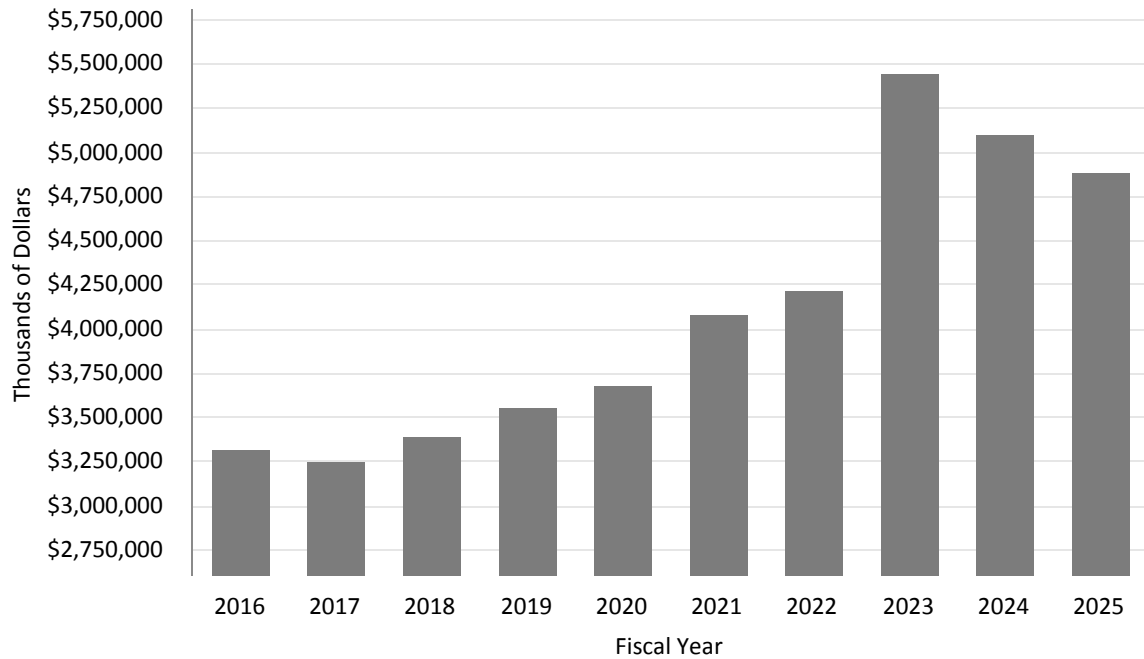


Table A-7

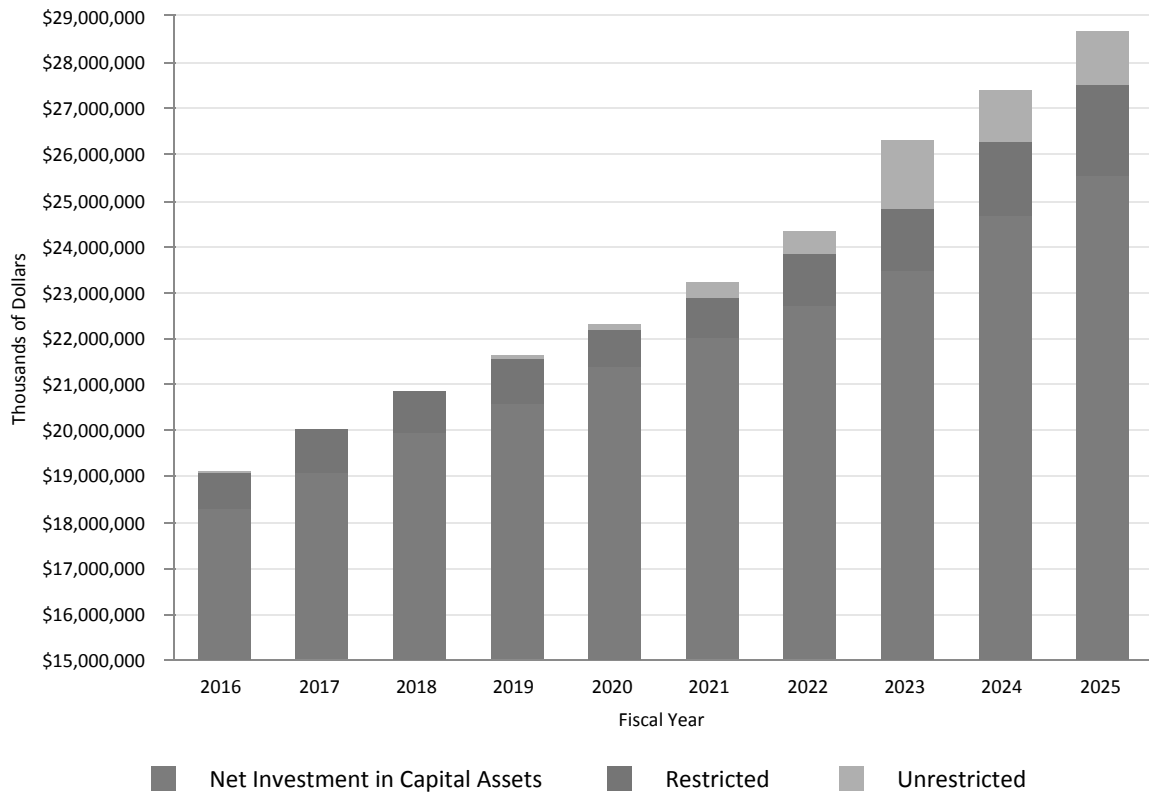
**Arizona Department of Transportation**  
**Net Position by Component**  
**As of the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

Fiscal Year	Governmental Activities				Business-Type	
	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Net Investment in Capital Assets	Restricted
2025	\$ 25,545,036	\$ 1,995,030	\$ 1,188,956	\$ 28,729,022	\$ —	—
2024	24,680,649	1,645,731	1,098,742	27,425,122	—	—
2023	23,476,161	1,365,246	1,493,465	26,334,872	—	—
2022	22,728,370	1,117,816	530,317	24,376,503	—	—
2021	22,040,146.776	877,979.541	314,898.315	23,233,024.632	—	—
2020	21,417,624	775,343	152,558	22,345,525	—	—
2019	20,611,959	962,899	97,087	21,671,945	—	—
2018	19,987,899	881,310	(59,164)	20,810,045	—	—
2017	19,118,586	890,204	(67,741)	19,941,049	—	59,951
2016	18,305,646	746,099	10,659	19,062,404	—	59,293

**Table A-7 - Continued**

Business-Type			Primary Government		
Unrestricted	Total	Net Investment in Capital Assets	Restricted	Unrestricted	Total
\$ —	\$ —	\$ 25,545,036	\$ 1,995,030	\$ 1,188,956	\$ 28,729,022
—	—	24,680,649	1,645,731	1,098,742	27,425,122
4	4	23,476,161	1,365,246	1,493,469	26,334,876
4	4	22,728,370	1,117,816	530,320	24,376,506
1,224	1,224	22,040,146.776	877,979.541	316,121.826	23,234,248
1,218	1,218	21,417,624	775,343	153,776	22,346,743
1,196	1,196	20,611,959	962,899	98,283	21,673,141
30,520	30,520	19,987,899	881,310	(28,644)	20,840,565
—	59,951	19,118,586	950,155	(67,741)	20,001,000
—	59,293	18,305,646	805,392	10,659	19,121,697

**Primary Government Net Position by Component**



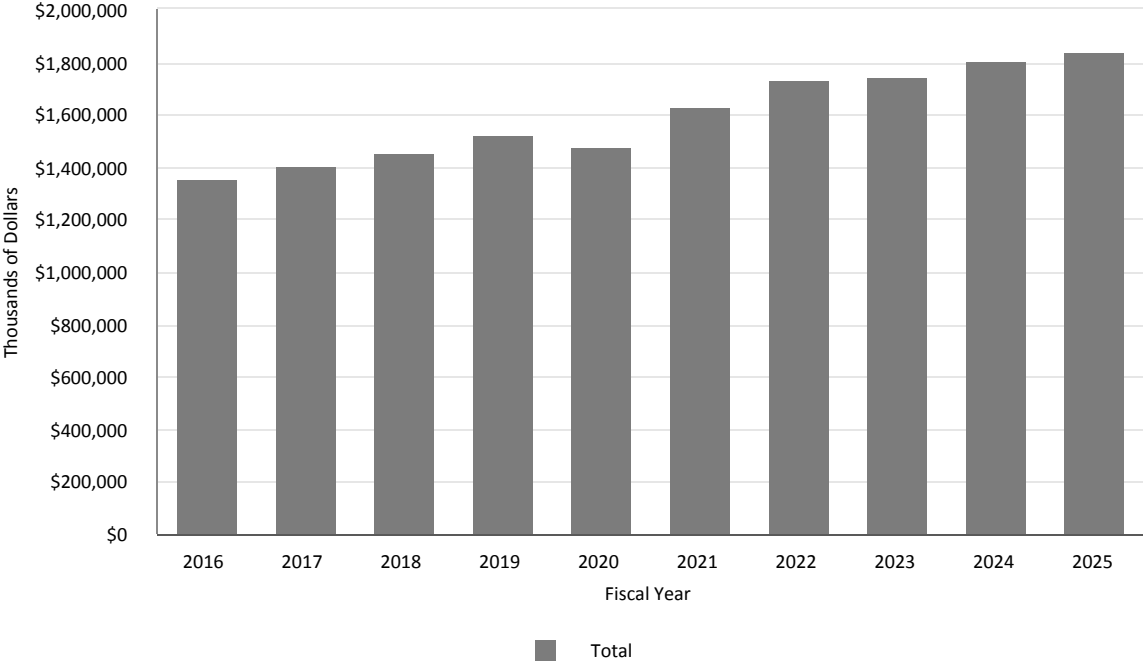
# REVENUE CAPACITY

**Arizona Department of Transportation  
Highway User Revenue Fund Collections  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2025  
(Thousands of Dollars)**

Table B-1

Fiscal Year	Motor Vehicle Fuel Tax Revenues	Motor Vehicle Reg. Fee Revenues	Motor Carrier Tax Revenues	Motor Vehicle Operators' License Fees and Other Fees	Motor Vehicle License (In Lieu) Tax Revenues	Smart & Safe AZ Act	Total Deposited to Arizona HURF
2025	\$ 822,992	\$ 241,504	\$ 57,827	\$ 52,344	\$ 619,226	\$ 43,547	\$ 1,837,440
2024	817,064	241,394	58,405	52,475	589,860	41,934	1,801,132
2023	784,698	242,960	58,486	54,234	567,304	41,613	1,749,295
2022	794,737	236,121	56,698	55,578	542,835	43,167	1,729,136
2021	755,063	220,075	52,129	48,762	551,141	—	1,627,170
2020	733,406	191,464	45,472	37,236	473,258	—	1,480,836
2019	749,885	192,926	45,812	62,128	469,470	—	1,520,221
2018	729,469	181,227	42,823	57,503	444,757	—	1,455,779
2017	705,737	177,868	42,091	57,813	421,939	—	1,405,448
2016	688,105	173,693	41,058	57,943	395,952	—	1,356,751

**Highway User Revenue Fund Collections**



**Arizona Department of Transportation**  
**Highway User Revenue Fund Distributions**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

Table B-2

Fiscal Year	State Highway Fund	Cities and Towns	Counties	Department of Public Safety <sup>2</sup>	Economic Strength Project Fund	Other	Total
2025	\$ 921,137	\$ 556,330	\$ 346,567	\$ —	\$ 1,000	\$ 12,405	\$ 1,837,439
2024	902,750	545,226	339,649	—	1,000	12,507	1 801,132
2023	876,661	529,468	329,833	—	1,000	12,333	1 749,295
2022	866,515	523,341	326,016	—	1,000	12,266	1 729,138
2021	815,387	492,462	306,780	—	1,000	11,541	1 627,170
2020	726,339	454,683	287,273	—	1,000	11,541	1 480,836
2019	738,294	461,903	291,771	15,509	1 000	11,744	1 520,221
2018	663,318	416,621	263,562	99,284	1 000	11,994	1 455,779
2017	646,308	406,348	253,135	93,980	1 000	11,725	1 412,496
2016	621,182	405,169	233,712	95,035	1 000	11,524	1 367,622

The Highway User Revenue Fund receives certain Motor Vehicle Division revenues from the Motor Vehicle Division Clearing Fund. These monies are distributed: 50.5% to the State Highway Fund, 27.5% to cities and towns, 3% to cities with population over 300,000, and 19% to counties based on Arizona Revised Statutes – Section 28-6538.

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

SOURCE: Cash Basis HURF Distribution summary Report

**Arizona Department of Transportation  
Fuel Tax Rates  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2025  
(Cents per Gallon)**

Table B-3

Fiscal Year	Gasoline Tax	Use Fuel Tax 1
2025	0.18	0.26
2024	0.18	0.26
2023	0.18	0.26
2022	0.18	0.26
2021	0.18	0.26
2020	0.18	0.26
2019	0.18	0.26
2018	0.18	0.26
2017	0.18	0.26
2016	0.18	0.26

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

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

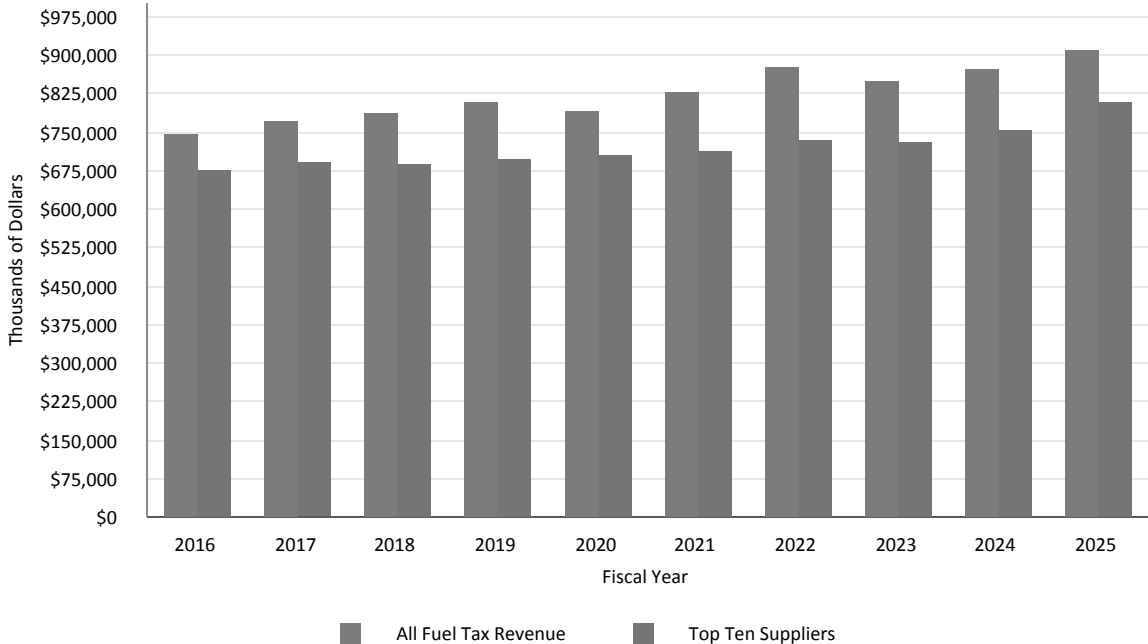
1 Light class motor vehicles with a declared vehicle weight < 26,001 pounds and have less than three axles pay \$.18 per gallon.

**Arizona Department of Transportation  
Motor Vehicle Fuel Tax – Top Ten Suppliers  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2025  
(Thousands)**

Table B-4

Fiscal Year	Gallons from Top Ten Suppliers	Revenue from Top Ten Suppliers	All Motor Vehicle Fuel Tax Revenue	Revenue Percentage from Top Ten Suppliers
2025	\$ 4,020,870	\$ 812,509	\$ 911,258	89.2 %
2024	3 793,523	756,349	873,047	86.6 %
2023	3 684,788	734,434	853,021	86.1 %
2022	3 691,127	736,116	876,790	84.0 %
2021	3 567,811	715,603	830,389	86.2 %
2020	3 558,043	707,947	793,639	89.2 %
2019	3 515,864	698,726	809,750	86.3 %
2018	3 493,478	688,248	788,033	87.3 %
2017	3 516,976	691,191	774,162	89.3 %
2016	3 466,062	677,464	749,433	90.4 %

**Motor Vehicle Fuel Tax Sources**



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**Table B-5**

**Arizona Department of Transportation  
Gasoline Volume Sold – Top Twenty-Five Suppliers  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2025**

	2016		2017		2018		2019		2020	
Range – in Millions of Gallons	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold
< 25	16	3.9 %	15	3.5 %	14	4.2 %	13	3.2 %	16	6.3 %
26–50	0	— %	1	1.0 %	1	1.2 %	3	3.6 %	1	1.1 %
50–100	2	4.9 %	2	4.9 %	3	7.0 %	1	2.8 %	1	3.1 %
101–200	2	9.8 %	2	8.6 %	2	8.8 %	2	8.8 %	2	8.6 %
201–300	1	9.0 %	1	9.5 %	1	9.2 %	2	18.6 %	2	19.5 %
>300	4	72.4 %	4	72.5 %	4	69.6 %	4	63.0 %	3	61.4 %
	25	100 %	25	100 %	25	100 %	25	100 %	25	100.0 %

Total Gallons of										
Gasoline (Thousands)	2 871,627		2 911,255		2 965,365		2 990,890		2 879,733	
Gasoline % of Total	78.2 %		77.9 %		77.4 %		76.7 %		75.9 %	
Total Gallons of Use Fuel										
(Diesel) (Thousands)	800,914		825,432		865,445		906,498		913,216	
Diesel % of Total	21.8 %		22.1 %		22.6 %		23.3 %		24.1 %	

**Table B-5 Continued**

	2021		2022		2023		2024		2025	
Range – in Millions of Gallons	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold	Suppliers within Range	% of Total Gallons Sold
< 25	13	4.2 %	12	3.9 %	15	5.5 %	15	5.0 %	14	4.1 %
26–50	3	3.7 %	3	3.4 %	2	2.2 %	1	1.1 %	3	3.0 %
50–100	2	5.2 %	1	1.7 %	0	— %	1	2.2 %	0	— %
101–200	2	11.6 %	1	5.3 %	2	11.0 %	2	8.5 %	2	11.4 %
201–300	2	19.0 %	5	38.4 %	2	16.6 %	2	17.1 %	2	17.8 %
>300	3	56.3 %	3	47.3 %	4	64.7 %	4	66.1 %	4	63.7 %
	25	100.0 %	25	100.0 %	25	100.0 %	25	100.0 %	25	100.0 %

Total Gallons of Gasoline (Thousands)	2 873,657	3 030,543	2 988,289	3 040,643	3 091,049
Gasoline % of Total	74.1 %	75.3 %	74.9 %	75.1 %	71.9 %
Total Gallons of Use Fuel (Diesel) (Thousands)	1 003,352	994,441	1 003,728	1 006,483	1 210,253
Diesel % of Total	25.9 %	24.7 %	25.1 %	24.9 %	28.1 %

Source: Data provided by the Revenue & Fuel Tax Administration

# DEBT CAPACITY

**Arizona Department of Transportation  
Highway Revenue Bonds  
Bond Coverage  
For the Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2025  
(Thousands of Dollars)**

**Table C-1**

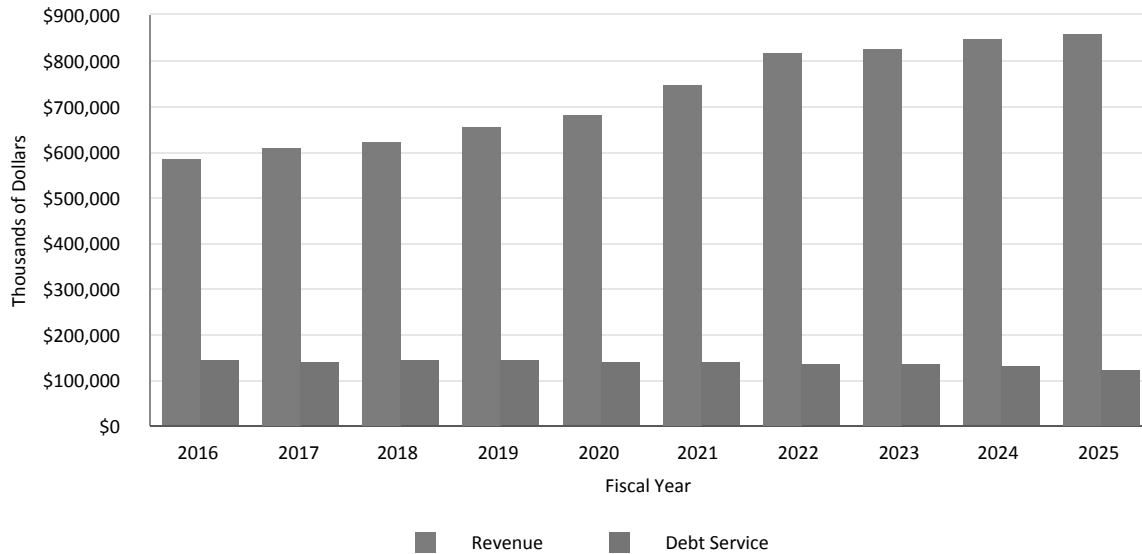
Fiscal Year	Principal	Interest	Total	Pledged Revenues <sup>1,2</sup>	Coverage
2025	\$ 91,255	\$ 33,288	\$ 124,543	\$ 861,405	6.9
2024	100,880	33,020	133,900	849,990	6.3
2023	99,300	38,059	137,359	829,723	6
2022	98,660	40,825	139,485	820,170	5.9
2021	92,545	47,652	140,197	749,986	5.3
2020	87,150	55,529	142,679	682,308	4.8
2019	78,670	65,562	144,232	656,751	4.6
2018	76,125	68,104	144,229	624,919	4.3
2017	74,855	68,419	143,274	610,998	4.3
2016	70,195	74,248	144,443	589,476	4.1

SOURCES: Highway User Revenue Fund Schedule fiscal years 2016 through 2025, Debt Service Funds fiscal years 2016 through 2025.

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

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

**Highway Revenue Bonds - Bond Coverage**



**Arizona Department of Transportation**  
**Transportation Excise Tax Revenue Bonds**  
**Bond Coverage**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands of Dollars)**

Table C-2

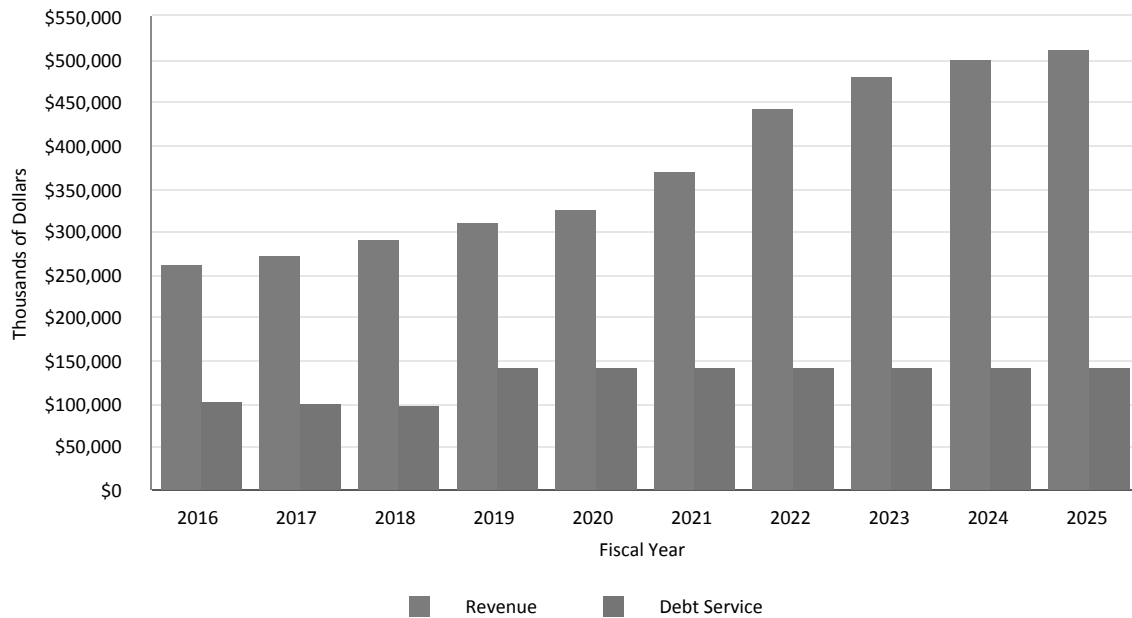
Fiscal Year	Principal	Interest	Total	Pledged Revenues <sup>1</sup>	Coverage
2025	\$ 137,135	\$ 6,238	\$ 143,373	\$ 511,983	3.6
2024	130,620	12,769	143,389	500,969	3.5
2023	124,400	18,989	143,389	481,726	3.4
2022	119,240	24,138	143,378	443,462	3.1
2021	113,290	30,423	143,713	371,847	2.6
2020	107,950	35,763	143,713	326,546	2.3
2019	104,685	39,031	143,716	311,188	2.2
2018	68,270	31,411	99,681	290,949	2.9
2017	67,495	33,257	100,752	274,553	2.7
2016	65,585	38,001	103,586	262,969	2.5

SOURCE: Maricopa County Regional Area Road Fund Report

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

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

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



**Arizona Department of Transportation  
 Transportation Excise Tax Revenue Bonds  
 Debt Service Revenue and Cost Per Capita  
 For the Last Ten Fiscal Years Ended June 30, 2025 (Thousands)**

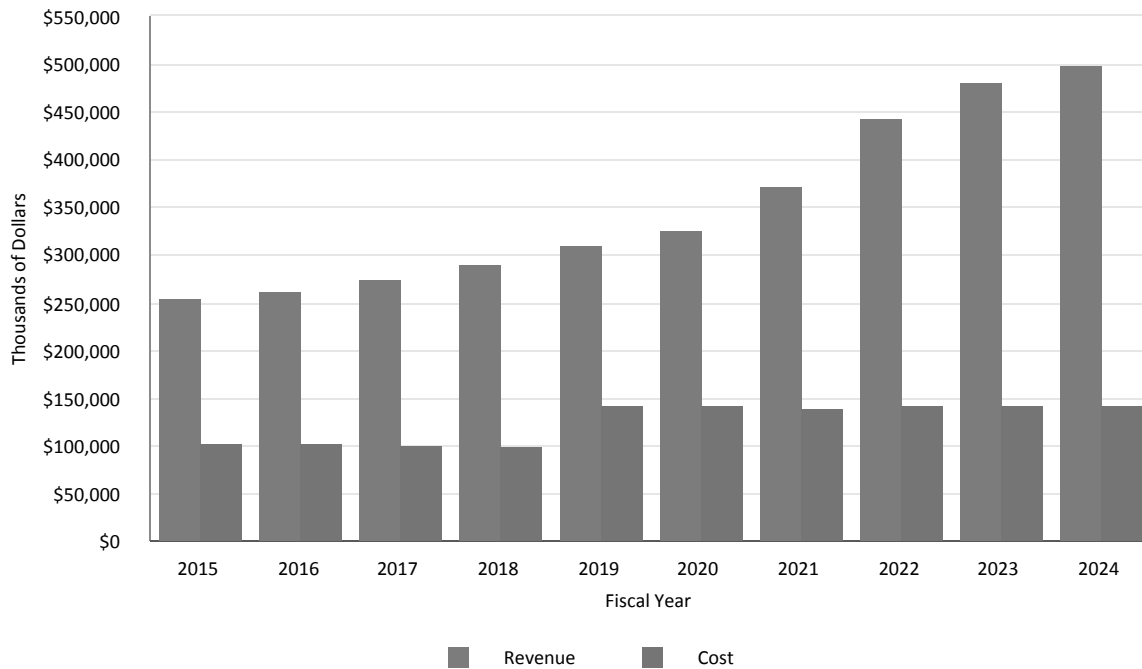
**Table C-3**

Fiscal Year	Principal	Interest	Total Cost	Revenues <sup>1</sup>	Maricopa County Population	Cost per Capita	Revenue per Capita
2025	2024 is the most current Population Data available . The latest 10 years are displayed below.						
2024	\$ 130,620	\$ 12,769	\$ 143,389	\$ 500,969	4 673	\$ 31	\$ 107
2023	124,400	18,989	143,389	481,726	4 586	31	105
2022	119,240	24,138	143,378	443,462	4 552	31	97
2021	92,545	47,652	140,197	371,847	4 497	31	83
2020	107,950	35,763	143,713	326,546	4 421	33	74
2019	104,685	39,030	143,715	311,188	4 485	32	69
2018	68,270	31,411	99,681	290,949	4 402	23	66
2017	67,495	33,257	100,752	274,553	4 327	23	63
2016	65,585	38,001	103,586	262,971	4 256	24	62
2015	58,600	44,988	103,588	254,871	4 173	25	61

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

Note 2: Maricopa County Regional Area Road Fund Report; population data from the U.S. Census Bureau available only through July 2024.

**Transportation Excise Tax Revenue and Cost Per Capita**



**Arizona Department of Transportation**  
**Ratios of Outstanding Debt by Type**  
**For the Last Ten Fiscal Years Ended June 30, 2025**  
**(Thousands of Dollars)**

Table C-4

	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)
Governmental Activities				
Highway Revenue Bonds	\$ 1,589,965	\$ 1,519,770	\$ 1,435,625	\$ 1,359,500
Transportation Excise Tax Revenue Bonds	782,810	717,225	643,310	575,040
Grant Anticipation Notes	194,670	147,320	129,475	177,420
Premium on bonds	401,520	367,143	389,860	344,153
Leases	30,945	37,745	33,791	24,252
Advances and notes payable	22,178	40,486	22,179	—
Net pension and OPEB liabilities	307,848	331,831	338,474	363,265
Other long-term liabilities	18,900	—	49,913	47,567
Total governmental activities	<u>3,348,836</u>	<u>3,161,520</u>	<u>3,042,627</u>	<u>2,891,197</u>
Notes payable				
Total primary government	<u>\$ 3,348,836</u>	<u>\$ 3,161,520</u>	<u>\$ 3,042,627</u>	<u>\$ 2,891,197</u>
Debt as a Percentage of Personal Income	1.14%	1.01%	1.03%	0.91%
Amounts of Debt per Capita <sup>1</sup>	\$445	\$408	\$434	\$403

Note:

2024 is the most current population data available. The latest 10 years are displayed in this table.

SOURCES:

U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures);

U.S. Bureau of the Census (also for population) population data only available through 2024.

NOTE:

<sup>1</sup>The Arizona population data are midyear population estimates of the U.S. Bureau of the Census. Years 2015 through 2024 have been revised to reflect revisions made by the U.S. Bureau of the Census. Per capital personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census. Previous years have been revised to reflect revisions in personal income and population estimates.

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

**Table C-4 - Continued**

	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
\$	1,280,830	\$ 1,231,000	\$ 1,138,455	\$ 988,100	\$ 943,450	\$ 810,060
	732,365	624,415	511,125	446,805	267,755	137,135
	223,885	204,220	184,460	163,705	141,905	119,030
	349,554	329,736	289,528	243,927	209,473	68,268
	—	—	—	—	—	—
	316,081	322,271	378,801	292,589	326,124	297,774
	33,837	36,455	35,837	55,275	49,334	77,536
	<u>2,936,552</u>	<u>2,748,097</u>	<u>2,538,206</u>	<u>2,190,401</u>	<u>1,938,041</u>	<u>1,509,803</u>
\$	<u>2,936,552</u>	\$ <u>2,748,097</u>	\$ <u>2,538,206</u>	\$ <u>2,190,401</u>	\$ <u>1,938,041</u>	\$ <u>1,509,803</u>
	0.90 %	0.71 %	0.63 %	0.53 %	0.42 %	0.31 %
\$	416	\$ 371	\$ 349	\$ 298	\$ 261	\$ 199

# DEMOGRAPHIC AND ECONOMIC INFORMATION

**Arizona Department of Transportation**  
**Registrations, Temporary Registration Permits and Disability Placards Per Year**  
**For the Last Ten Fiscal Years Ended June 30, 2025**  
**(Thousands)**

**Table D-1**

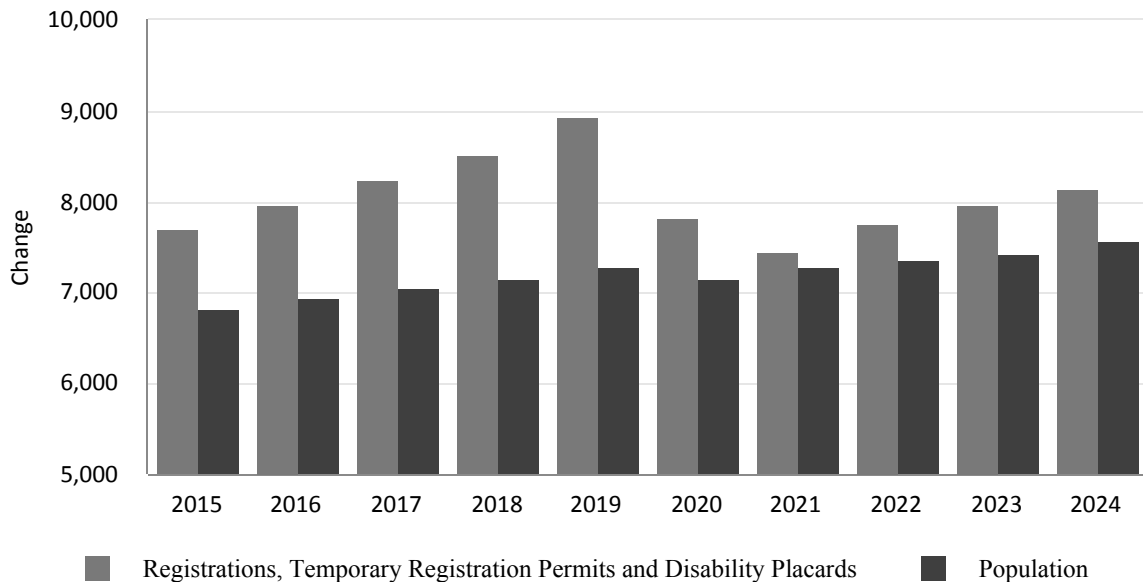
Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards <sup>2</sup>	Change in Number of Registered Vehicles	Arizona Population <sup>1</sup>	Change in Population	Vehicles per Person
2024	8,147	177	7,582	151	1.075
2023	7,970	205	7,431	72	1.073
2022	7,764	320	7,359	83	1.055
2021	7,444	(384)	7,276	125	1.023
2020	7,828	(1,095)	7,152	(127)	1.095
2019	8,923	404	7,279	121	1.226
2018	8,519	271	7,158	114	1.190
2017	8,248	277	7,044	103	1.171
2016	7,971	277	6,941	111	1.148
2015	7,694	241	6,830	99	1.127

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

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

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

**Change in Registrations, Temporary Registration Permits and Disability Placards Compared to Population Change**



**Arizona Department of Transportation** **Table D-2**  
**Registrations, Temporary Registration Permits and Disability Placards Per Year Compared to Fuel Sales**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**  
**(Thousands)**

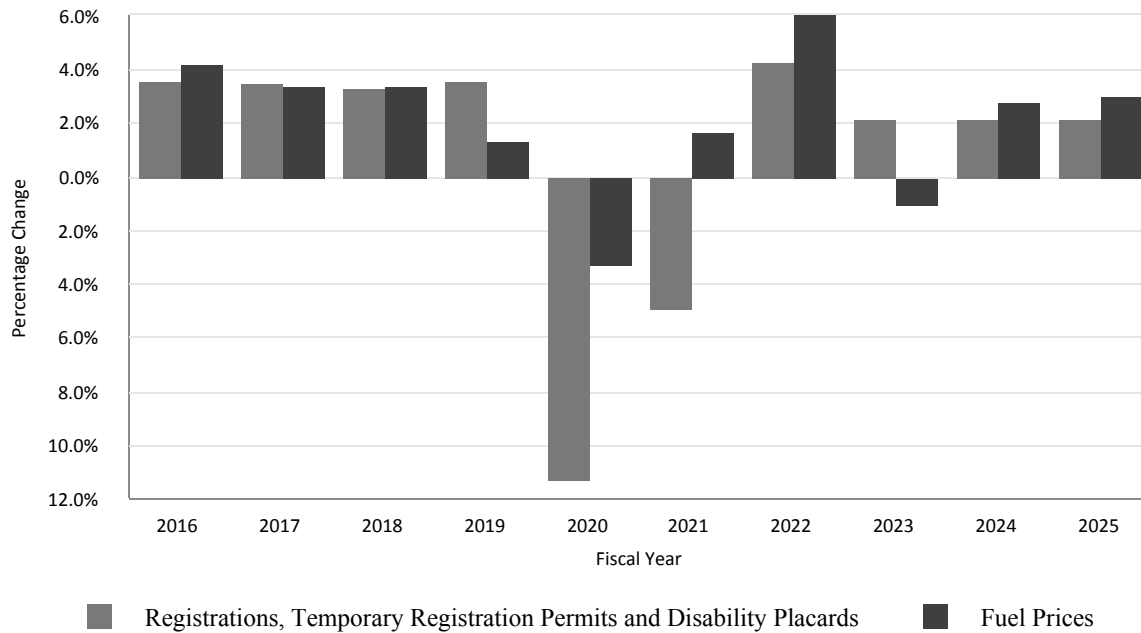
Fiscal Year	Registrations, Temporary Registration Permits and Disability Placards <sup>2</sup>	Percentage Change	Fuel Sales <sup>1</sup>	Percentage Change
2025	8,323	2.2 %	\$ 4,284,280	3.0 %
2024	8,147	2.2 %	4 161,167	2.8 %
2023	7,970	2.2 %	4 047,168	(1.0)%
2022	7,764	4.3 %	4 086,829	6.0 %
2021	7,444	(4.9)%	3 853,858	1.7 %
2020	7,828	(11.3)%	3 790,920	(3.3)%
2019	8,822	3.6 %	3 920,898	1.3 %
2018	8,519	3.3 %	3 828,459	3.4 %
2017	8,248	3.5 %	3 776,517	3.4 %
2016	7,971	3.6 %	3 658,017	4.2 %

SOURCES: Registrations, Temporary Registration Permits and Disability Placards from Motor Vehicle Division website.  
 Fuel sales from Motor Vehicle Division data reported by fuel suppliers.

NOTE 1: Fuel sales include both gasoline and use fuel (primarily diesel) sales.

NOTE 2: Prior to 2020, not all of the items included in this total represent actual vehicles; disability placards issued to individuals are included in this total. Starting in 2020, this total includes only registered Vehicles. This is a point-in-time count and is not limited to items that renew annually.

**Percentage Change in Registrations, Temporary Registration Permits, Disability Placards, and Fuel Sales**



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

**Table D-3**

Calendar Year Ended December 31	Population <sup>1</sup>	Personal Income <sup>2</sup> (in thousands)	Per Capita Personal Income <sup>3</sup>	Unemployment Rate <sup>4</sup>
2024	7,582,384	\$ 488,730,400	\$ 64,456	3.6 %
2023	7,431,344	458,153,800	61,652	3.9 %
2022	7,359,197	417,020,800	56,667	3.8 %
2021	7,276,316	395,110,700	54,301	5.0 %
2020	7,151,502	368,458,600	51,522	7.9 %
2019	7,278,717	334,024,900	45,808	4.9 %
2018	7,158,024	313,040,200	43,733	4.8 %
2017	7,044,008	292,108,028	41,469	4.9 %
2016	6,941,072	278,924,877	40,185	5.3 %
2015	6,829,676	267,361,132	39,147	6.1 %

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

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

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

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

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

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

**Table D-4**

Employer	Calendar Year Ended December 31, 2024			Calendar Year Ended December 31, 2015		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
Banner Health	46,602	1	1.24 %	35,406	2	1.14 %
State of Arizona	41,531	2	1.11 %	50,816	1	1.63 %
Amazon.com Inc.	40,000	3	1.07 %			
Walmart Inc.	37,648	4	1.00 %	32,373	3	1.04 %
AZ State University	37,402	5	1.00 %	12,676	8	0.41 %
University of Arizona	23,439	6	0.63 %	11,442	10	0.37 %
Fry Food Stores	21,000	7	0.56 %	17,286	4	0.56 %
City of Phoenix	15,018	8	0.40 %	14,585	5	0.47 %
HonorHealth	14,801	9	0.40 %			
Wells Fargo & Co.	13,000	10	0.35 %	14,480	6	0.47 %
U.S. Postal Service	13,000	10	0.35 %			
Maricopa County				13,567	7	0.44 %
Dignity Health				12,100	9	0.39 %
<b>Total</b>	<b>303,441</b>		<b>8.11 %</b>	<b>214,731</b>		<b>6.90 %</b>

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

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

# OPERATING INFORMATION

**Arizona Department of Transportation**  
**Full-Time Equivalents (FTEs)**  
**For the Last Ten Fiscal Years**  
**Fiscal Year Ended June 30, 2025**

**Table E-1**

Fiscal Year	Appropriated						Non-appropriated			Total All FTEs
	Admin.	Highways	Multimodal Planning Division	Motor Vehicle Division	Enforcement & Compliance Division	Total Appropriated FTEs	Arizona Highways Magazine	Other	Total Non-Appropriated FTEs	
2025	904	2 121	81	1 109	356	4 571	21	15	36	4 607
2024	904	2 121	81	1 109	356	4 571	24	13	37	4 608
2023	840	2 187	70	1 084	373	4 554	24	13	37	4 591
2022	829	2 200	70	1 079	376	4 554	17	20	37	4 591
2021	829	2 200	70	1 079	376	4 554	17	20	37	4 591
2020	824	2 199	84	1 079	368	4 554	17	28	45	4 599
2019	792	2 229	84	1 079	368	4 552	18	44	63	4 615
2018	792	2 229	84	1 079	368	4 552	18	44	63	4 615
2017	792	2 229	84	1 079	368	4 552	18	44	63	4 615
2016	792	2 235	78	1 075	368	4 548	18	44	63	4 611

**Arizona Department of Transportation**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2025**  
**(Thousands of Dollars)**

**Table E-2**

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings	Machinery, Equipment, Computer Software, Mobile fleet and aircraft	Infrastructure	Construction in Progress	Right to Use Lease	Total
Administration	\$ 5,014	\$ 45,537	\$ 9,421	\$ 99,427	\$ —	\$ —	\$ 2,236	\$ 161,635
Highway	3,949,318	64,598	13,364	70,161	18,034,777	4,192,542	—	26,324,757
Highway maintenance	5,048	45,849	9,485	102,148	—	—	—	162,530
Motor vehicle	7,343	66,692	13,797	173,494	—	—	—	261,326
Total governmental funds capital assets	<u>\$ 3,966,723</u>	<u>\$ 222,676</u>	<u>\$ 46,067</u>	<u>\$ 445,230</u>	<u>\$ 18,034,774</u>	<u>\$ 4,192,542</u>	<u>\$ 2,236</u>	<u>\$ 26,910,248</u>

**NOTE:**

<sup>1</sup>This schedule presents only the gross cost of the capital assets related to governmental funds. In prior fiscal years the Department's internal service fund was excluded from the above capital asset amounts. Since the internal service only provides goods and services to governmental funds, its capital assets should be included. Internal service funds are included as governmental activities in the statement of net position.

Reconciliation of Governmental Funds Capital Assets – acquisition cost

Capital assets not subject to depreciation – cost	\$ 26,194,042
Capital assets subject to depreciation – cost	713,617
Capital assets right to use	3,513
Total gross cost	26,911,172
Less: Accumulated Depreciation (Note 5A)	(431,934)
Accumulated Amortization (Note 5A)	(1,278)
Total capital asset per Exhibit 1	<u>\$ 26,477,960</u>

**Arizona Department of Transportation**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Year Ended June 30, 2025**  
**(Thousands of Dollars)**

Table E-3

Function and Activity	Governmental Funds Capital Assets	Additions	Deductions	Governmental Funds Capital Assets June 30, 2025
Administration <sup>2</sup>	\$ 152,788	\$ 17,867	\$ (9,020)	\$ 161,635
Highway	25,524,872	835,615	(35,730)	26,324,757
Highway maintenance	152,336	17,989	(7,795)	162,530
Motor vehicle	246,498	26,166	(11,338)	261,326
<b>Total governmental funds capital assets</b>	<b><u>\$ 26,076,494</u></b>	<b><u>\$ 897,637</u></b>	<b><u>\$ (63,883)</u></b>	<b><u>\$ 26,910,248</u></b>

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

<sup>2</sup>Administration beginning balance has been restated to include right to use capital asset as part of GASB 87 implementation

Reconciliation of Governmental Funds Capital Assets – acquisition cost

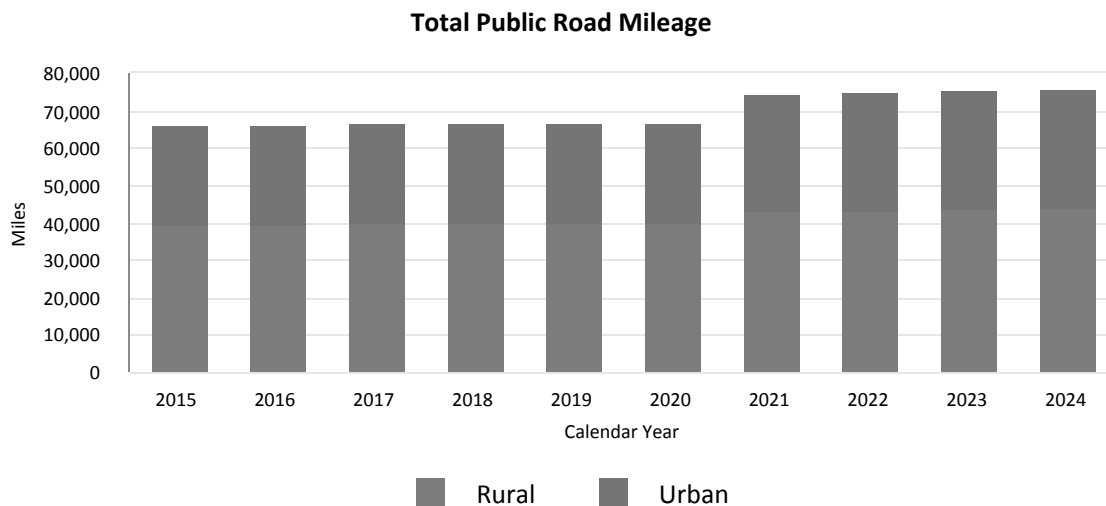
Capital assets not subject to depreciation – cost	\$ 26,194,042
Capital assets subject to depreciation – cost	713,617
Capital assets right to use	3,513
Total gross cost	26,911,172
Less: Accumulated depreciation	(431,934)
Accumulated amortization	(1,278)
Capital assets, net of accumulated depreciation per Exhibit 1	<b><u>\$ 26,477,960</u></b>

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

Table E-4

Functional Classification	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Rural</b>										
Interstate Freeway	917	916	916	916	916	916	916	916	916	933
<sup>1</sup> Principal Arterial Freeways & Expressways	18	18	18	18	19	19	19	19	19	19
Principal Arterial	1,210	1 210	1 210	1 211	1 263	1 263	1 263	1 263	1 263	1 270
Minor Arterial	1,284	1 284	1 281	1 281	2 186	2 186	2 186	2 190	2 187	2 224
Major Collector	4 204	4 205	4 206	4 208	3 343	3 342	3,336	3,355	3 352	3 441
Minor Collector	1 882	1 882	1 894	1 890	2 961	2 962	2,962	2,949	2 952	3 039
Local	30,285	30,170	30,675	30,876	29,703	29,702	32,429	32,621	32,918	33,337
<b>Total Rural</b>	<b>39,800</b>	<b>39,685</b>	<b>40,200</b>	<b>40,400</b>	<b>40,391</b>	<b>40,390</b>	<b>43,111</b>	<b>43,313</b>	<b>43,607</b>	<b>44,263</b>
<b>Urban</b>										
Interstate Freeway	252	252	252	253	252	252	252	252	252	235
<sup>2</sup> Principal Arterial Freeways & Expressways	214	214	215	215	252	252	251	254	254	253
Principal Arterial	843	844	844	849	854	854	854	858	859	852
Minor Arterial	2,635	2 636	2 638	2 631	2 543	2 539	2 539	2 535	2 541	2 507
Urban Collector	2 159	2 145	2 156	2 153	5 479	5 479	5,478	5,474	5 400	5 267
Local	20,219	20,258	20,253	20,281	17,129	17,201	22,121	22,175	22,318	22,707
<b>Total Urban</b>	<b>26,322</b>	<b>26,349</b>	<b>26,358</b>	<b>26,382</b>	<b>26,509</b>	<b>26,577</b>	<b>31,495</b>	<b>31,548</b>	<b>31,624</b>	<b>31,821</b>
<b>Statewide composite</b>										
Freeways and expressways	1,383	1 382	1 383	1 384	1 420	1,420	1 419	1 422	1 422	1 421
Arterials	5,990	5,992	5,991	5,990	6,865	6,861	6,861	6,865	6,869	6,872
Collectors	8,245	8 232	8 256	8 251	11,783	11,783	11,776	11,778	11,704	11,747
Locals	50,504	50,428	50,928	51,157	46,832	46,903	54,550	54,796	55,236	56,044
<b>Total statewide composite</b>	<b>66,122</b>	<b>66,034</b>	<b>66,558</b>	<b>66,782</b>	<b>66,900</b>	<b>66,967</b>	<b>74,606</b>	<b>74,861</b>	<b>75,231</b>	<b>76,084</b>

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



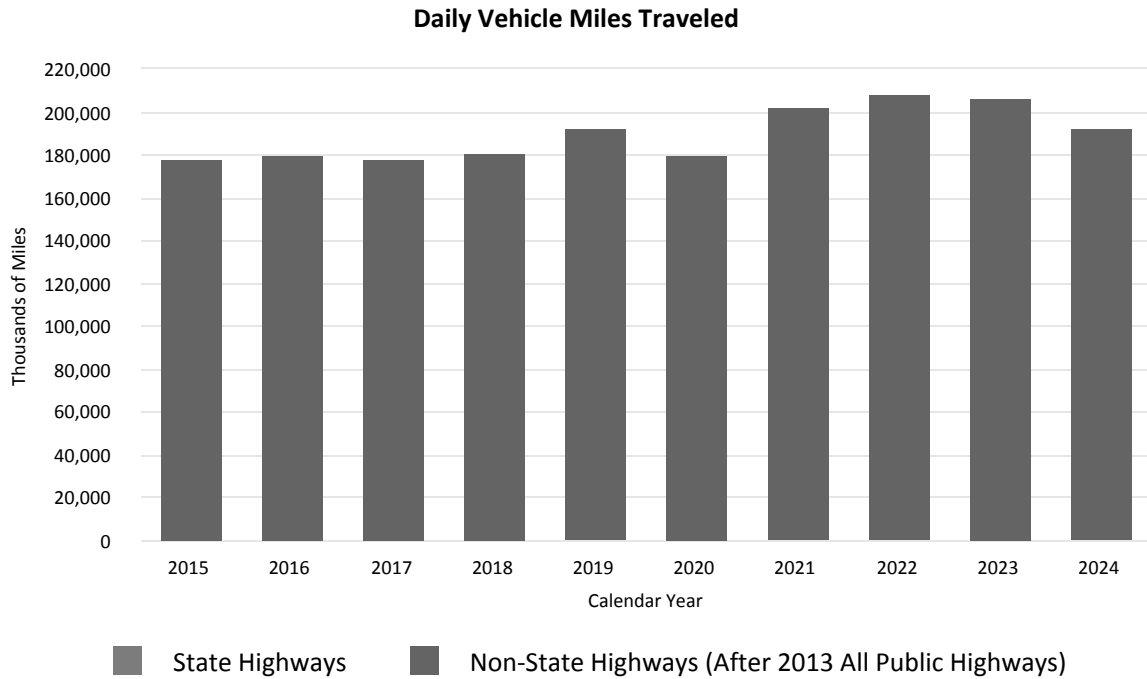
**Arizona Department of Transportation**  
**Vehicle Miles Traveled With Population Data**  
**For the For the Last Ten Calendar Years Ended December 31**  
**(Thousands)**

**Table E-5**

Calendar <sup>1</sup> Year Ended December 31	Non-State <sup>3</sup> Highways	State <sup>3</sup> Highways	All Public Highways	Arizona <sup>3</sup> Population	Daily Miles per Capita
2024	—	—	192,525	7 582	25.4
2023	—	—	206,680	7 431	27.8
2022	—	—	208,670	7 359	28.4
2021	—	—	202,082	7 276	27.8
2020	—	—	179,667	7 421	24.2
2019	—	—	192,550	7 279	26.5
2018	—	—	181,218	7 172	25.3
2017	—	—	178,273	7 049	25.3
2016	— <sup>1</sup>	—	179,742	6 945	25.9
2015	—	—	178,205	6 834	26.1

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

1 Calendar year end 2021 is the latest population information available at the time of publication.



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**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Independent Auditors' Report

Honorable Katie Hobbs  
Governor of the State of Arizona  
Members of the Arizona State Legislature  
Arizona Department of Transportation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arizona Department of Transportation (the Department), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 25, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Tempe, Arizona  
November 25, 2025

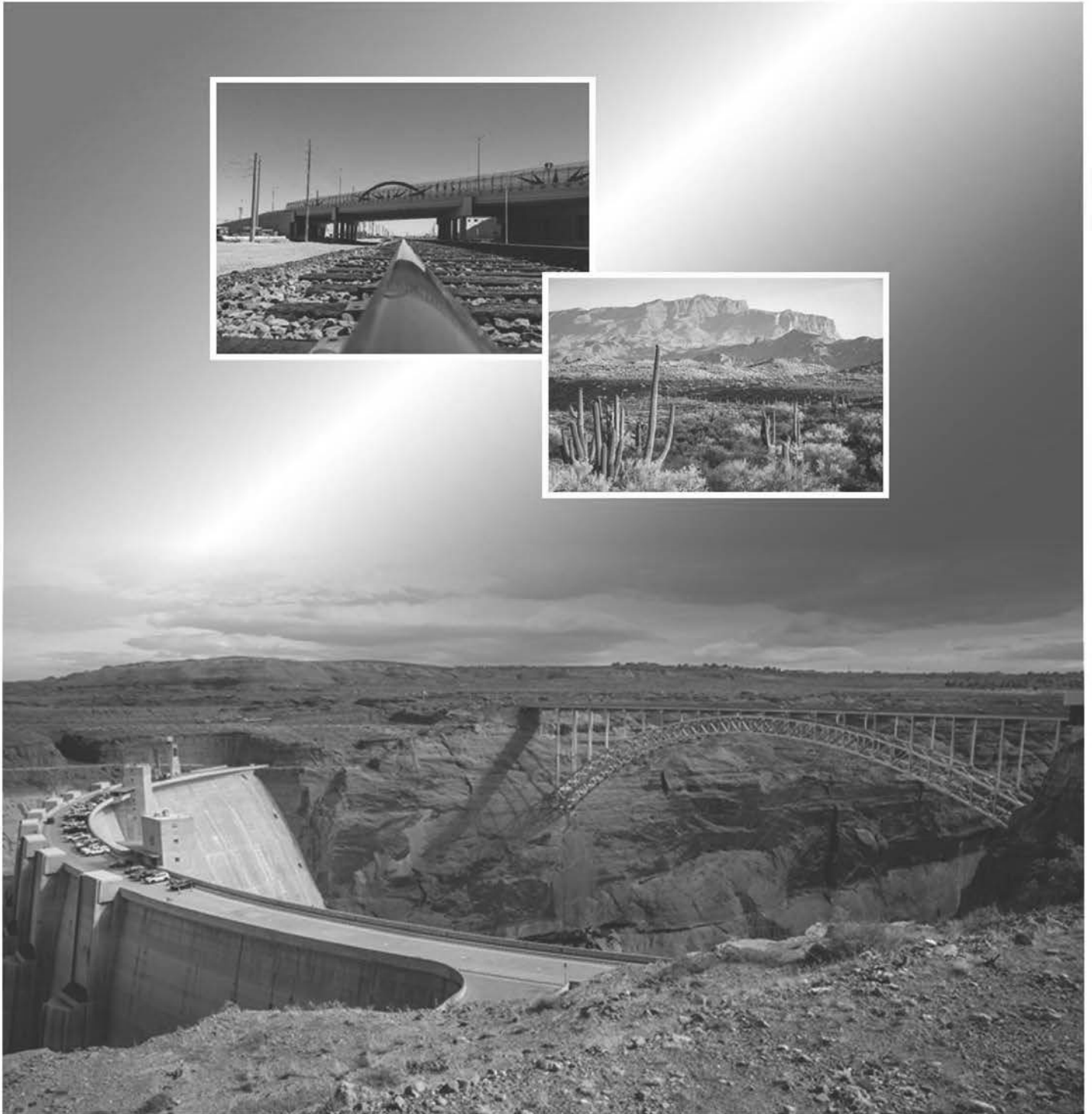
## **ACKNOWLEDGMENTS**

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

*rianna Nelson, MBA*  
*Kara Sullivan*  
*Karuna Ramisetty, CPA*  
*Lawernce Ehrke, MBA*  
*ante Lohavanijaya*  
*Ethan Tomas*  
*Michelle Huckabay, CPA, CGFM*

Special acknowledgment goes to:

The staff of Fiscal Operations, Project and Program Finance, Revenue and Fuel Tax Administration, Financial Planning & Cash Management, and Debt Administration, whose cooperation and hard work contributed to the compilation of financial information that appears in this report.



**STATE OF ARIZONA | DEPARTMENT OF TRANSPORTATION**

**206 South 17th Avenue, Phoenix, Arizona**

**ARIZONA**  
— DEPARTMENT OF —  
**TRANSPORTATION**

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## APPENDIX B

### PROPOSED FORM OF BOND COUNSEL OPINION

April 7, 2026

To: Arizona Transportation Board  
Phoenix, Arizona

Ladies and Gentlemen:

We have served as bond counsel to our client the Arizona Transportation Board (the “Board”) and not as counsel to any other person in connection with the issuance by the Board of its \$794,775,000 aggregate principal amount of Arizona Transportation Board, Highway Revenue and Revenue Refunding Bonds, Series 2026 (the “Series 2026 Bonds”), dated the date of this letter.

The Series 2026 Bonds are issued pursuant to Title 28, Chapter 21, Article 1, Arizona Revised Statutes, as amended (the “Act”), and the resolution adopted by the Board on May 1, 1980, as supplemented to date, including as supplemented by a supplemental resolution adopted by the Board on January 16, 2026 (collectively, the “Resolution”). Capitalized terms not otherwise defined in this letter are used as defined in the Resolution.

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Series 2026 Bonds, a copy of the signed and authenticated Series 2026 Bond of the first maturity, the Resolution and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Series 2026 Bonds and the Resolution are valid and binding obligations of the Board, enforceable in accordance with their respective terms.
2. The Series 2026 Bonds constitute special obligations of the Board, and the principal of and interest and any premium on (collectively, “debt service”) the Series 2026 Bonds, together with debt service on Outstanding Senior Bonds and on any Additional Senior Bonds that may subsequently be issued under the Resolution on a parity with the Outstanding Senior Bonds and the Series 2026 Bonds, as provided in the Resolution, are payable solely from and secured solely by those moneys paid into the State Highway Fund that constitute Pledged Revenues as defined in the Resolution. The payment of debt service on the Series 2026 Bonds is not secured by an obligation or pledge of any money raised by taxation other than the Pledged Revenues pledged pursuant to the Resolution, and the Series 2026 Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the Board, the Department, the State of Arizona or any of its political subdivisions.
3. The Resolution creates a valid lien and pledge on the moneys that constitute Pledged Revenues paid into the State Highway Fund for the Senior Bonds, which lien and pledge is subject to no prior liens or pledges granted under the Act.
4. Interest on the Series 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The interest on the Series 2026 Bonds is exempt from Arizona state income taxes. We express no opinion as to any other tax consequences regarding the Series 2026 Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Board.

In rendering those opinions with respect to treatment of the interest on the Series 2026 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Board. Failure to comply with certain of those covenants subsequent to issuance of the Series 2026 Bonds may cause interest on the Series 2026 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Series 2026 Bonds and the enforceability of the Series 2026 Bonds and the Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery, and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as bond counsel in connection with the original issuance and delivery of the Series 2026 Bonds is concluded upon delivery of this letter.

Respectfully submitted,

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

**\$794,775,000**

### ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE AND REVENUE REFUNDING BONDS SERIES 2026

#### CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING (“Undertaking”) is executed and delivered by the ARIZONA TRANSPORTATION BOARD (the “Board”) and the DEPARTMENT OF TRANSPORTATION (the “Department” which, together with the Board, is referred to as the “Issuer”), in connection with the issuance by the Board of its \$794,775,000 aggregate principal amount of bonds designated the Arizona Transportation Board, Highway Revenue and Revenue Refunding Bonds, Series 2026 (the “Series 2026 Bonds”) dated April 7, 2026.

The Board and the Department each covenant and agree as follows:

Section 1. Purpose of this Undertaking. This Undertaking is executed and delivered by the Issuer, as of the date set forth below, in accordance with the Rule (defined below) for the benefit of the Beneficial Owners (defined below) of the Series 2026 Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Information*” means, for the most recent Fiscal Year, the type of financial information set forth under the heading “REVENUES AND DEBT SERVICE COVERAGE – Historical Revenues” in the final Official Statement, dated March 3, 2026, for the Series 2026 Bonds.

“*Audited Financial Statements*” means the audited financial statements of the Department, prepared in conformity with generally accepted accounting principles.

“*Beneficial Owner*” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2026 Bonds including persons holding Series 2026 Bonds through nominees, depositories or other intermediaries, or (b) is treated as the owner of any Series 2026 Bonds for federal income tax purposes.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Filing Date*” means the first day of the eighth month following the end of each Fiscal Year (or the next succeeding business day if that day is not a business day), beginning February 1, 2027.

“*Financial Obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Fiscal Year*” means the 12-month period beginning on July 1 of each year or such other 12-month period as the State shall adopt as its fiscal year.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means Rule 15c2-12(b)(5), as adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“*SEC*” means the Securities and Exchange Commission.

“*Specified Event*” means the occurrence of any of the events with respect to the Series 2026 Bonds set forth in Sections 4(a) and (b) below.

“*State*” means the State of Arizona.

Section 3. Filing of Annual Information and Audited Financial Statements. The Issuer is the only Obligated Person (as defined in the Rule) for the Series 2026 Bonds. The Issuer hereby agrees to provide or cause to be provided to the MSRB, in a format and with identifying information prescribed by the MSRB:

(a) Annual Information for the preceding Fiscal Year and unaudited financial statements of the Department for the preceding Fiscal Year if Audited Financial Statements are not provided at the same time, not later than the Filing Date for each Fiscal Year; and

(b) Audited Financial Statements for the preceding Fiscal Year, not later than the later of the Filing Date for each Fiscal Year or 30 days after receipt thereof by the Department.

Currently, the MSRB requires filing such information electronically through EMMA. Audited Financial Statements are expected to be available together with the Annual Information. The Issuer is required to deliver, or cause to be delivered, such information in such manner and by such time so that the MSRB receives the information on or before the date specified.

Section 4. Notice of Specified Events and Failure to Provide Annual Information.

(a) The Issuer agrees to provide to the MSRB, in a format and with identifying information prescribed by the MSRB, notice of the occurrence of any of the following events (1) through (10) with respect to Series 2026 Bonds, in a timely manner not in excess of ten business days after the occurrence of the following events:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties<sup>1</sup>;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of Notices of Proposed Issue (IRS Form 5701TEB);
- (6) Tender offers;

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<sup>1</sup> The Series 2026 Bonds are not secured by a debt service reserve as of the date of issue.

- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the Issuer; or
- (10) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

*Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.*

(b) The Issuer agrees to provide to the MSRB, in a format and with identifying information prescribed by the MSRB, notice of the occurrence of any of the following events (11) through (18) with respect to Series 2026 Bonds, in a timely manner not in excess of ten business days after the occurrence of the following events, if material:

- (11) Unless described in subparagraph (a)(5) above, other material notices or determinations by the Internal Revenue Service with respect to the tax status of Series 2026 Bonds or other material events affecting the tax status of Series 2026 Bonds;
- (12) Modification to rights of security holders;
- (13) Bond calls;
- (14) Release, substitution or sale of property securing repayment of Series 2026 Bonds;
- (15) Non-payment related defaults;
- (16) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (17) Appointment of a successor or additional trustee or the change of name of a trustee for the Series 2026 Bonds; or
- (18) The incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.

(c) The Issuer acknowledges that it must make a determination whether a Specified Event listed in subsection (b) is material under applicable federal securities laws in order to determine whether a filing is required under subsection (b).

(d) The Issuer agrees to provide to the MSRB and in a format and with identifying information prescribed by the MSRB, notice of the Issuer's failure to file the Annual Information on or prior to the applicable Filing Date.

(e) Notwithstanding the foregoing, notice of the Specified Event described in subsection 4(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2026 Bonds pursuant to the Senior Bond Resolution (as defined in the Series 2026 Bonds).

(f) Currently, the MSRB requires filing of notice of Specified Events electronically through EMMA.

Section 5. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information or providing notice of the occurrence of an event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information from any document or notice of occurrence of an event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Information or notice of Specified Events.

Section 6. Failure to Perform. The Issuer agrees that its agreements set forth in Sections 3 and 4 of this Undertaking are intended to be for the benefit of the Beneficial Owners from time to time of the Series 2026 Bonds. Any Beneficial Owner of a Series 2026 Bond may enforce the Issuer's obligation to provide or cause to be provided a filing that is due in accordance with Section 3 or 4 hereof by commencing an action in a court of competent jurisdiction in Phoenix, Arizona to seek specific performance by court order to compel the Issuer to make such filings; provided that any Beneficial Owner seeking to require the Issuer to comply with this Undertaking shall first provide at least 30 days' prior written notice to the Board and the Department of the Issuer's failure, giving reasonable detail of such failure, following which notice the Issuer shall have 30 days to comply. The right of a Beneficial Owner to enforce any provision of this Undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and no person or entity shall be entitled to recover monetary damages under this Undertaking, and provided further that any failure of the Issuer to comply with any provisions of this Undertaking shall not be a default or an Event of Default with respect to the Series 2026 Bonds under the Senior Bond Resolution.

Section 7. Amendments; Waiver. The Board reserves the right to amend this Undertaking, and noncompliance with any provision of this Undertaking may be waived, as may be necessary or appropriate to (a) achieve its compliance with the Rule or any other applicable federal securities law or rule, (b) cure any ambiguity, inconsistency or formal defect or omission and (c) address any changes in circumstances arising from a change in legal requirements, change in law or change in the identity, nature or status of the Board. Any such amendment or waiver shall not be effective unless the Undertaking (as amended or taking into account such waiver) would have materially complied with the requirements of the Rule at the time of the primary offering of the Series 2026 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Board shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by Board that the amendment or waiver would not materially impair the interests of Holders or Beneficial Owners or (ii) the written consent to the amendment or waiver of the Holders of at least a majority of the principal amount of the Series 2026 Bonds then outstanding.

In the event of any amendment or waiver of a provision of this Undertaking, the Issuer shall describe such amendment in the Annual Information or Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (i) notice of such change shall be given in the same manner as Section 3, and (ii) the Annual Information or the Audited Financial Statement for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the Audited Financial Statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Termination of Undertaking. This Undertaking shall terminate when (a) the Series 2026 Bonds are no longer outstanding (within the meaning of the Senior Bond Resolution) or (b) the Rule no longer applies to the Series 2026 Bonds.

Section 9. Dissemination Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 10. Beneficiaries. This Undertaking shall inure solely to the benefit of the Issuer and the Beneficial Owners from time to time of the Series 2026 Bonds and shall create no rights in any other person or entity.

Section 11. Recordkeeping. The Issuer shall maintain records of all Annual Information and notice of Specified Events including the content of such disclosure, the names of the entities with whom such disclosures were filed and the date of filing such disclosure.

Section 12. Governing Law. This Undertaking shall be governed by the laws of the State.

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Undertaking to be executed and delivered by their duly authorized officers as of this 7<sup>th</sup> day of April, 2026.

ARIZONA TRANSPORTATION BOARD

By: \_\_\_\_\_  
Name: Ted Maxwell  
Its: Chair

ARIZONA DEPARTMENT OF TRANSPORTATION

By: \_\_\_\_\_  
Name: Jennifer Toth  
Its: Director

(Signature page of Continuing Disclosure Undertaking)

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## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX D - "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE BOARD, THE DEPARTMENT, BOND COUNSEL, THE MUNICIPAL ADVISOR, THE UNDERWRITERS OR COUNSEL TO THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2026 Bond will be issued for each maturity of the Series 2026 Bonds in the aggregate principal amount of the Series 2026 Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of beneficial interests in the Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of a beneficial interest in a Series 2026 Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2026 Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026 Bonds, except in the event that use of the book-entry system for the Series 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2026 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2026 Bonds such as redemptions, defaults, and proposed amendments to the Senior Bond Resolution. For example, Beneficial Owners of Series 2026 Bonds may wish to ascertain that the nominee holding the Series 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2026 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will, if applicable, consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments represented by the Series 2026 Bonds will be made by the Bond Registrar and Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Board or the Bond Registrar and Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar and Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2026 Bonds purchased or tendered, through its Participant, to the Bond Registrar and Paying Agent, and shall effect delivery of such Series 2026 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2026 Bonds, on DTC's records, to the Bond Registrar and Paying Agent. The requirement for physical delivery of Series 2026 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2026 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2026 Bonds to the Bond Registrar and Paying Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the Bond Registrar and Paying Agent or the Board. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2026 Bonds are required to be printed and delivered. The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2026 Bonds will be printed and delivered.

NONE OF THE BOARD, THE DEPARTMENT, THE BOND REGISTRAR AND PAYING AGENT WILL HAVE RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2026 BONDS UNDER THE SENIOR BOND RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2026 BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF

ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2026 BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2026 BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered Owner of the Series 2026 Bonds, as nominee for DTC, references herein to “Owner” or registered owners of the Series 2026 Bonds (other than under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Series 2026 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Board or the Paying Agent to DTC only.

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