

STATE OF OREGON DEPARTMENT OF TRANSPORTATION ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



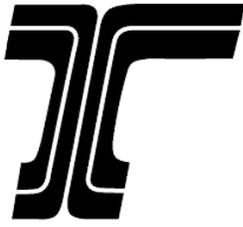
“Providing a safe, efficient transportation system that supports economic opportunity and livable communities for all Oregonians”



**State of Oregon
Department of Transportation
Annual Financial Report
For the Fiscal Year Ended June 30, 2006**

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Oregon

Theodore R. Kulongoski, Governor

Department of Transportation

Transportation Building
355 Capitol St. NE
Salem, Oregon 97301

FILE CODE:

December 5, 2006

The Honorable Theodore R. Kulongoski
Governor of the State of Oregon and,

Citizens of Oregon:

The Oregon Department of Transportation (Department) is pleased to present its annual financial report for the fiscal year ended June 30, 2006. Although the report is not audited by the Oregon Secretary of State, Audits Division, it is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

The responsibility for the accuracy of the data and the overall completeness of the presentation, including all disclosures, rests with the Chief Financial Officer of the Department. To the best of our knowledge, the financial activity presented in this report is accurate in all material respects and fairly presents the Department's financial position and results of operations. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities are included.

The Department was established by the Oregon Legislature in 1969 and reorganized in 1973 and 1993. The primary responsibilities of the Department are to manage the State's highway and bridge systems, administer motor vehicle and motor carrier laws, and oversee public transit, rail and traffic safety programs throughout the State.

The Director of the Department is appointed by the Governor and confirmed by the Oregon Senate and works with the Oregon Transportation Commission (OTC) to provide direction for all of the Department's programs.

The OTC is a five-member, volunteer citizen's board. The Governor, with the approval of the Oregon Senate, appoints the members to four-year terms. The OTC is empowered to:

- Develop and maintain a State transportation policy and a comprehensive, long-range plan for a multi-modal transportation system.
- Coordinate and administer programs relating to highways, motor vehicles, public transit, rail, transportation safety and other transportation-related programs. The Board of Maritime Pilots is part of the Department for administrative purposes.
- Give priority direction for programs and the Statewide Transportation Improvement Program (STIP).
- Exercise other powers vested in it by State law.



The Chief Financial Officer is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Department are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements.

The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by Department management.

The Department's internal control system includes both automated controls and comprehensive policies and procedures. In addition, the Department has an Office of Audit Services that maintains an independent and objective position within the Department. The Office performs independent internal audits of the various programs and Divisions within the Department in accordance with generally accepted government auditing standards (GAGAS).

MISSION STATEMENT

To provide a safe, efficient transportation system that supports economic opportunity and livable communities for Oregonians.

OUR VALUES

These are the values that guide our decision making and which we follow in implementing ODOT's mission and goals.

Safety: We protect the safety of the traveling public, our employees and the workers who build, operate and maintain our transportation system.

Customer Focus: We learn from and respond to our customers so we can better deliver quality, affordable services to Oregonians and visitors. Our customers include travelers, freight movers, and others who use our services and facilities.

Efficiency: We strive to gain maximum value from the resources entrusted to us for the benefit of our customers.

Accountability: We build the trust of customers, stakeholders and the public by reporting regularly on what we are doing and how we are using the resources entrusted to us.

Problem Solving: We work with the appropriate customers, stakeholders and partners to find efficient, effective and innovative solutions to problems.

Positive Workplace: We recognize innovation and initiative, we show respect for all, and we honor diversity.

Environment: We provide services and facilities in ways that protect and enhance the environment.

OREGON TRANSPORTATION INVESTMENT ACT

The Oregon Transportation Investment Act marked the beginning of a new era of change and innovation in the Oregon Department of Transportation. To deliver OTIA highway construction projects, ODOT is making fundamental changes in the way it delivers the final product—a healthy transportation infrastructure for Oregon and more jobs for Oregonians.

Over the next 8 - 10 years, ODOT and its private-sector partners will work to:

- Keep traffic moving to limit effects on other industries and the public.
- Complete projects quickly.
- Involve Oregon firms and employees to benefit the State's economy.

Good roads, bridges, and highways help businesses keep Oregon's economy strong. Tens of thousands of workers get to their jobs every morning. Businesses that depend on the delivery of materials and supplies prosper. Every corner of rural and urban Oregon depends on transportation for its economic vitality.

ECONOMIC CONDITIONS AND OUTLOOK

Oregon's economy displayed rapid growth throughout 2005 and on through the first half of calendar year 2006. Job gains for the first half of this year are among the highest quarterly growth rates of the past 15 years, continuing a string of gains that began in the second quarter of 2003. Indeed, Oregon's job growth on a percentage basis is among the top 10 states or better across the nation for over the past two years. For the next several years, the state's total non-farm employment is forecast to keep growing at a rate slightly above the U.S. average. Nonetheless, our economy is expected to start slowing in the second half of 2006 and to continue to grow at only a moderate pace throughout the forecast period as economic conditions become less favorable for continued, rapid economic expansion nationwide.

The source of this expansion is based across a number of industry sectors. The State's durable goods manufacturing sector outperformed expectations, with transportation equipment and metals/machinery displaying strong, cyclical growth; even the wood products sector contributed unexpectedly to growth. Construction employment was very robust, although the residential portion may be in the early stages of a contraction. The services sector, representing approximately four out of every five jobs, had several strong contributors to the robust job gains over the past year. Professional and business services, health services, as well as both retail and wholesale trade were leading sources of this growth. Yet, despite these overall gains, improvements remain unevenly distributed throughout the state, with some of Oregon's rural areas continuing to suffer from high unemployment and slower job growth. Nevertheless, statewide job growth is expected to continue through 2011, albeit at a slightly slower rate than expected in the recent past.

Although employment is growing faster in Oregon than in most other states, the State's unemployment rate remains higher than the national average. Oregon's unemployment rate peaked during the summer of 2003 at 8.7%. Since that time, the situation has improved substantially and the current rate has been stable in the range of 5.3% to 5.6%. These changes resulted from more than just hiring decisions by businesses; they also reflect complex decisions by individuals to enter or exit the labor force depending on personal matters such as family

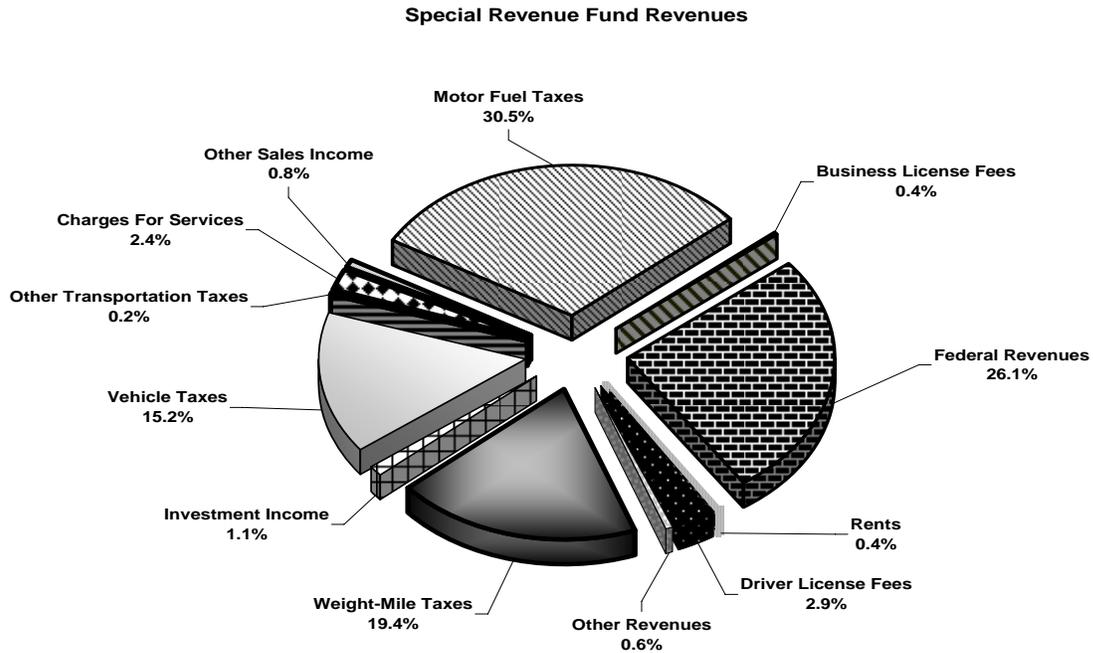
considerations and educational endeavors. It is anticipated that the State's unemployment rate will hold steady at these or very slightly higher levels throughout the 2007-2009 time frame.

Budget challenges continue to present themselves to both the State and to local governments. Because the Department is not dependent on State General Fund revenues for its operations, it is not necessarily affected by budget matters to the same extent as other State agencies. The Department receives a large share of its financial resources from motor fuel taxes, driver and vehicle-related fees, and weight-mile taxes. As the pace of economic growth in both Oregon and the nation are predicted to slow slightly during the next several years, revenues from these sources are expected to grow more slowly as well. High gas prices over the past two years have not materially affected fuel tax revenues. This was partly an outgrowth of the robust job gains and the overall pace of economic activity, which propped up travel demand by consumers and freight movers despite increases in prices at the pump. Financing for the Department's activities also comes from federal grants from the Federal Highway Administration. With the legislation supporting the Safe Accountable Flexible Efficient Transportation Act: A Legacy for Users (SAFETEA-LU) federal transportation initiative, Oregon can expect the federal grants to increase moderately over the next few years.

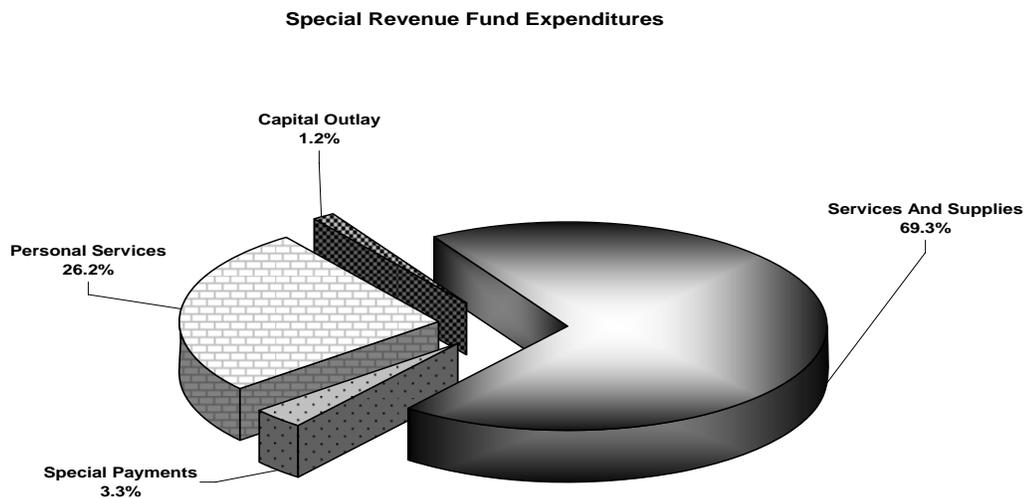
FINANCIAL ANALYSIS OF THE DEPARTMENT'S GOVERNMENTAL FUNDS

Special Revenue Funds

The Department accounts for 96% of its business in special revenue funds. The two principal revenue sources are taxes (65%) and federal revenues (26%). Total revenues decreased from \$1,405,218,797 in 2005 to \$1,368,793,797 in 2006.



Special revenue fund expenditures are comprised primarily of services and supplies (69%).



FINANCIAL HIGHLIGHTS

This section of the annual financial report presents an overview of the financial performance of the State of Oregon Department of Transportation for the fiscal year ended June 30, 2006. The following discussion and analysis is intended to serve as an introduction to the Department's basic financial statements and is designed to assist the reader in focusing on significant financial issues.

FINANCIAL INFORMATION

Fund Level

At June 30, 2006, the Department's governmental funds reported combined ending fund balances of \$607.3 million, compared to \$341.1 million for the previous year. In 2006, fund expenditures and transfers to other State agencies and local governments were lower and more bonds were issued, resulting in an increase in combined fund balances of \$266.2 million.

Long-Term Debt

The Department's total long-term debt increased by \$368.3 million, or 61.1%, during the current fiscal year. The primary reason for the increase was the issuance of revenue bonds under the terms of the Oregon Transportation Investment Act.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Department's basic financial statements include two components: (1) fund financial statements, and (2) notes to financial statements. In addition to the basic financial statements, the financial section of this report also contains *combining financial statements* for the Department's special revenue funds. A *statistical section* is presented following the combining financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the Department's governmental, and fiduciary funds. Some funds are required by State law and by bond covenants, while others have been established to control and manage money for particular purposes or to demonstrate that the legal responsibilities for using certain taxes, grants and other monies are being met. The Department's funds are divided into two categories. Each category uses a different basis of accounting.

Governmental Funds – Most of the Department's basic services are reported in the governmental fund financial statements. These statements provide a detailed short-term view of the Department's operations and are prepared using the traditional governmental fund financial statement format and the modified accrual basis of accounting.

The Department presents its governmental funds by the following fund types: general, special revenue, debt service, and capital projects. Individual fund detail for the special revenue funds can be found in the combining financial statements.

Fiduciary Funds – Agency funds are included under this fund category and are used to account for resources held for the benefit of parties outside the Department or to guarantee customer performance under certain regulatory requirements. Those funds are not available to support the Department's own programs.

Proprietary Funds – The Department's sole enterprise fund was changed to a special revenue fund and is included in governmental funds, along with its beginning balance. The fund's activity does not meet the criteria under GASB 34 to qualify as an enterprise fund, therefore, it was changed July 1, 2005 and reported as a special revenue fund.

Notes to Financial Statements

The notes provide additional information intended to assist the reader in understanding the Department's financial condition. The notes can be found immediately following the fund financial statements.

Other Information

The combined financial statements provide additional detail about the Department's special revenue funds. A statistical section is presented at the end of the report, and contains selected trend information for the Department's revenues and expenditures. If you have questions about this report or need additional financial information, please contact the Oregon Department of Transportation, Chief Financial Officer – Dennis Strachota, 355 Capitol Street NE, Room 434, Salem, OR 97301-3872, Phone: (503) 986-3900.

ACKNOWLEDGEMENTS

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. The Department appreciates the efforts of the Financial Services Branch staff who contributed to the preparation of this report. Of particular note was the work of Karen Krill, Jesse Moore and Mark Belleque under the direct supervision of Clay Flowers and Debra Tennant.

Sincerely,



Matthew L. Garrett
Director



Dennis Strachota
Chief Financial Officer

**PRINCIPAL OFFICERS OF THE OREGON DEPARTMENT OF TRANSPORTATION
JUNE 30, 2006**

OREGON TRANSPORTATION COMMISSION

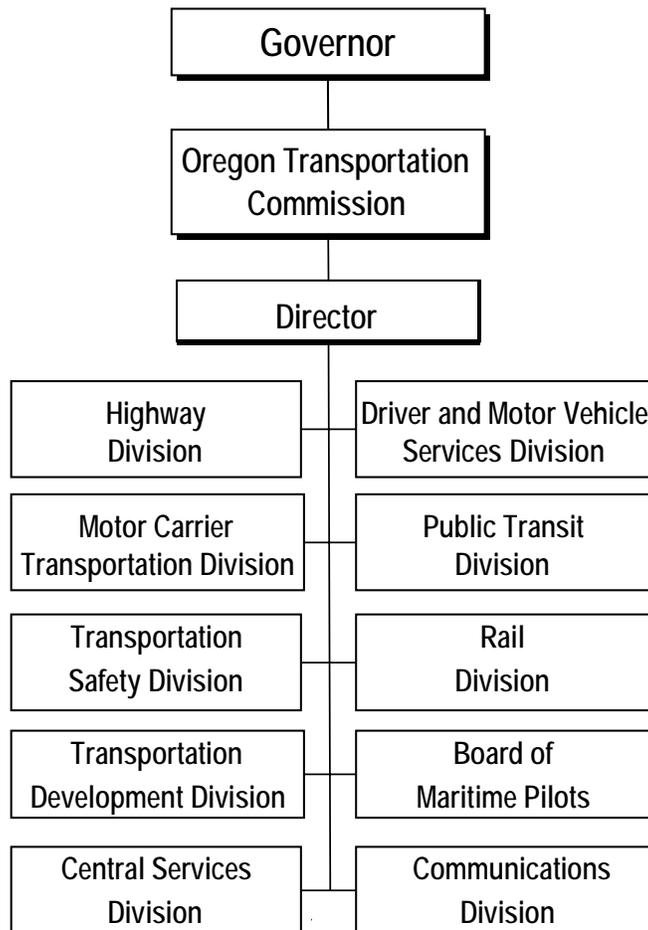
<u>Commissioner</u>	<u>Commission Expires</u>
Stuart Foster, Chair	June 30, 2009
Gail Achterman	June 30, 2008
Michael Nelson	June 30, 2007
Randall C. Papé	June 30, 2009
Janice Wilson	June 30, 2008

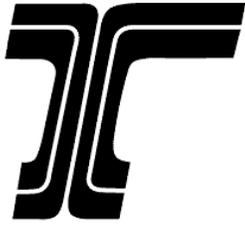
OREGON DEPARTMENT OF TRANSPORTATION

Director – Matthew Garrett
Deputy Director, Highway Division – Doug Tindall
Deputy Director, Central Services Division – Mike Marsh
Administrator, Driver and Motor Vehicle Services Division – Lorna Youngs
Administrator, Motor Carrier Transportation Division – Gregg Dal Ponte
Administrator, Transportation Development Division – Craig Greenleaf
Administrator, Public Transit Division – Martin Loring
Administrator, Rail Division – Kelly Taylor
Administrator, Transportation Safety Division – Troy Costales
Administrator, Communications Division – Patrick Cooney
Administrator, Board of Maritime Pilots - Susan Johnson
State Highway Engineer – Cathy M. Nelson
Chief Financial Officer, Financial Services – Dennis Strachota
Chief, Office of Audit Services – Marlene Hartinger, CIA, CPA

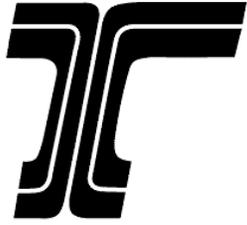


STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
ORGANIZATION CHART
JUNE 30, 2006





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FINANCIAL SECTION

State of Oregon
Department of Transportation
Combined Balance Sheet - All Fund Types
June 30, 2006

	Governmental Fund Types				Fiduciary Fund Type	Totals Memo Only
	General	Special Revenue	Debt Service	Capital Projects	Agency	
Assets						
Cash and Cash Equivalents	\$ -	\$ 614,700,238	\$ 8,782,396	\$ (279,595)	\$ 8,258,822	\$ 631,461,861
Advances to Other Funds	-	12,127,500	-	-	-	12,127,500
Investments	-	-	1,138,199	-	-	1,138,199
Cash and Securities Held in Trust	-	18,108,845	392,405	-	216,541	18,717,791
Taxes Receivable (net)	-	66,142,607	-	-	-	66,142,607
Due From the Federal Government	-	37,713,735	-	-	-	37,713,735
Due From Other State Agencies	-	2,591,538	11,034,494	-	-	13,626,032
Due From Other Funds	-	-	-	457,342	-	457,342
Loans Receivable (net)	-	16,121,017	-	-	-	16,121,017
Other Accounts Receivable (net)	-	12,130,056	-	-	-	12,130,056
Inventories	-	20,577,163	-	-	-	20,577,163
Contracts Receivable	-	1,942,300	-	-	-	1,942,300
Total Assets	\$ -	\$ 802,154,999	\$ 21,347,494	\$ 177,747	\$ 8,475,363	\$ 832,155,603
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ -	\$ 101,841,144	\$ -	\$ 177,747	\$ -	\$ 102,018,891
Surety Deposits	-	-	-	-	5,391,952	5,391,952
Due to Other Governments	-	56,476,852	-	-	3,083,411	59,560,263
Due to Other State Agencies	-	15,299,791	-	-	-	15,299,791
Due to Other Funds	-	457,342	-	-	-	457,342
Advances From Other Agencies	-	81,830	-	-	-	81,830
Advances From Other Funds	-	12,127,500	-	-	-	12,127,500
Deferred Revenue	-	8,530,079	-	-	-	8,530,079
Retainage Payable	-	21,376,586	-	-	-	21,376,586
Total Liabilities	-	216,191,124	-	177,747	8,475,363	224,844,234
<i>Fund Balances:</i>						
Reserved for:						
Inventories	-	20,577,163	-	-	-	20,577,163
Debt Service	-	-	21,347,494	-	-	21,347,494
Revolving Fund	-	40,000	-	-	-	40,000
Highway Programs	-	494,993,448	-	-	-	494,993,448
Other Dedicated Programs	-	70,353,264	-	-	-	70,353,264
Total Fund Balances	-	585,963,875	21,347,494	-	-	607,311,369
Total Liabilities and Fund Balances	\$ -	\$ 802,154,999	\$ 21,347,494	\$ 177,747	\$ 8,475,363	\$ 832,155,603

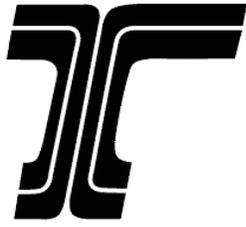
State of Oregon
Department of Transportation
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Fund Types
For the Fiscal Year Ended June 30, 2006

	<u>Governmental Fund Types</u>				<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
Revenues:					
Motor Fuel Taxes	\$ -	\$ 417,912,950	\$ -	\$ -	\$ 417,912,950
Federal Revenues	-	357,901,317	-	-	357,901,317
Weight-Mile Taxes	-	265,109,576	-	-	265,109,576
Vehicle Taxes	-	207,599,261	-	-	207,599,261
Driver License Fees	-	39,553,839	-	-	39,553,839
Other Transportation Taxes	-	2,699,549	-	-	2,699,549
Charges For Services	-	32,397,467	-	-	32,397,467
Other Sales Income	-	10,700,246	-	-	10,700,246
Investment Income	-	15,113,279	392,580	-	15,505,859
Business License Fees	-	5,798,722	-	-	5,798,722
Rents	-	6,056,106	-	-	6,056,106
Other Revenues	-	7,951,485	-	-	7,951,485
Total Revenues	<u>-</u>	<u>1,368,793,797</u>	<u>392,580</u>	<u>-</u>	<u>1,369,186,377</u>
Expenditures:					
Personal Services	-	303,846,063	-	129,365	303,975,428
Services And Supplies	-	803,119,307	7,697	1,584,502	804,711,506
Capital Outlay	-	14,383,378	-	-	14,383,378
Special Payments	4,500,000	38,432,192	-	-	42,932,192
Debt Service	-	-	52,613,801	-	52,613,801
Total Expenditures	<u>4,500,000</u>	<u>1,159,780,940</u>	<u>52,621,498</u>	<u>1,713,867</u>	<u>1,218,616,305</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(4,500,000)</u>	<u>209,012,857</u>	<u>(52,228,918)</u>	<u>(1,713,867)</u>	<u>150,570,072</u>
Other Financing Sources (Uses):					
General Fund Appropriations	4,500,000	-	-	-	4,500,000
Long-Term Debt Proceeds	-	402,047,930	-	-	402,047,930
Transfers In	-	6,370,506	54,202,922	1,713,867	62,287,295
Transfers Out	-	(373,383,579)	(226,805)	-	(373,610,384)
Total Other Financing Sources (Uses)	<u>4,500,000</u>	<u>35,034,857</u>	<u>53,976,117</u>	<u>1,713,867</u>	<u>95,224,841</u>
Net Change in Fund Balances	-	244,047,714	1,747,199	-	245,794,913
Fund Balances - Beginning	-	344,277,618	19,491,915	-	363,769,533
Prior Period Adjustment	-	(108,380)	108,380	-	-
Change in Reserve for Inventories	-	(2,253,077)	-	-	(2,253,077)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 585,963,875</u>	<u>\$ 21,347,494</u>	<u>\$ -</u>	<u>\$ 607,311,369</u>

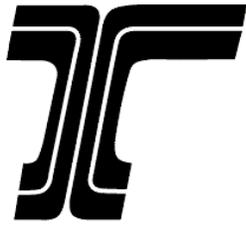
State of Oregon
Department of Transportation
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2006

	General Fund			Special Revenue Funds		
	2005-2007	2005-2007	Variance	2005-2007	2005-2007	Variance
	Biennial	Biennial	Uncollected/ Unspent	Biennial	Biennial	Uncollected/ Unspent
	Budget	Actuals		Budget	Actuals	
Revenues:						
Motor Fuel Taxes	\$ -	\$ -	\$ -	\$ 852,357,323	\$ 417,912,950	\$ 434,444,373
Federal Revenues	-	-	-	604,672,497	357,901,317	246,771,180
Weight-Mile Taxes	-	-	-	454,977,406	265,109,576	189,867,830
Vehicle Taxes	-	-	-	417,118,694	207,599,261	209,519,433
Driver License Fees	-	-	-	82,378,886	39,553,839	42,825,047
Other Transportation Taxes	-	-	-	63,087,118	2,699,549	60,387,569
Charges For Services	-	-	-	1,955,965	32,397,467	(30,441,502)
Other Sales Income	-	-	-	20,107,175	10,700,246	9,406,929
Investment Income	-	-	-	15,701,881	15,113,279	588,602
Business License Fees	-	-	-	5,143,477	5,798,722	(655,245)
Rents	-	-	-	1,872,146	6,056,106	(4,183,960)
Other Revenues	-	-	-	11,180,599	7,951,485	3,229,114
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,530,553,167</u>	<u>1,368,793,797</u>	<u>1,161,759,370</u>
Expenditures:						
Personal Services	-	-	-	632,071,885	303,846,063	328,225,822
Services and Supplies	-	-	-	1,700,365,221	803,119,307	897,245,914
Capital Outlay	-	-	-	27,931,703	14,383,378	13,548,325
Special Payments	8,626,167	4,500,000	4,126,167	226,993,557	38,432,192	188,561,365
Debt Service	-	-	-	-	-	-
Total Expenditures	<u>8,626,167</u>	<u>4,500,000</u>	<u>4,126,167</u>	<u>2,587,362,366</u>	<u>1,159,780,940</u>	<u>1,427,581,426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,626,167)</u>	<u>(4,500,000)</u>	<u>(4,126,167)</u>	<u>(56,809,199)</u>	<u>209,012,857</u>	<u>(265,822,056)</u>
Other Financing Sources (Uses):						
General Fund Appropriations	8,626,167	4,500,000	-	8,626,167	-	8,626,167
Long-Term Debt Proceeds	-	-	-	743,782,016	402,047,930	341,734,086
Transfers In	-	-	-	1,835,027,269	876,081,856	958,945,413
Transfers Out	-	-	-	(2,397,209,293)	(1,243,094,929)	(1,154,114,364)
Proceeds From Sale of Capital Assets	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>8,626,167</u>	<u>4,500,000</u>	<u>-</u>	<u>190,226,159</u>	<u>35,034,857</u>	<u>155,191,302</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ (4,126,167)</u>	<u>\$ 133,416,960</u>	<u>244,047,714</u>	<u>\$ (110,630,754)</u>
Fund Balances - Beginning					344,277,618	
Change in Reserve for Inventories					(2,253,077)	
Prior Period Adjustment					(108,380)	
Fund Balances - Ending		<u>\$ -</u>			<u>\$ 585,963,875</u>	

Debt Service Funds			Capital Projects Funds		
2005-2007	2005-2007	Variance	2005-2007	2005-2007	Variance
Biennial	Biennial	Uncollected/	Biennial	Biennial	Uncollected/
Budget	Actuals	Unspent	Budget	Actuals	Unspent
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	392,580	(392,580)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	392,580	(392,580)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	129,365	(129,365)
204,432	7,697	196,735	-	1,584,502	(1,584,502)
-	-	-	-	-	-
-	-	-	4,790,689	-	4,790,689
<u>169,712,551</u>	<u>52,613,801</u>	<u>117,098,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>169,916,983</u>	<u>52,621,498</u>	<u>117,295,485</u>	<u>4,790,689</u>	<u>1,713,867</u>	<u>3,076,822</u>
<u>(169,916,983)</u>	<u>(52,228,918)</u>	<u>(117,688,065)</u>	<u>(4,790,689)</u>	<u>(1,713,867)</u>	<u>(3,076,822)</u>
-	-	-	-	-	-
-	-	-	-	-	-
204,632,814	54,202,922	150,429,892	4,790,689	1,713,867	3,076,822
-	(226,805)	226,805	-	-	-
-	-	-	-	-	-
<u>204,632,814</u>	<u>53,976,117</u>	<u>150,656,697</u>	<u>4,790,689</u>	<u>1,713,867</u>	<u>3,076,822</u>
\$ <u>34,715,831</u>	1,747,199	\$ <u>32,968,632</u>	\$ -	-	\$ -
	19,491,915			-	
	-			-	
	<u>108,380</u>			-	
	<u>\$ 21,347,494</u>			\$ -	



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NOTES TO FINANCIAL STATEMENTS

STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of Oregon Department of Transportation (Department) are prepared in conformity with the State of Oregon Department of Administrative Services statewide accounting and reporting policies which are based on the generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). These statements have not been audited for compliance or conformity by the Oregon Secretary of State, Audits Division.

REPORTING ENTITY

The Department of Transportation is an agency within the Executive Branch of the State of Oregon. The State of Oregon is the reporting entity; therefore, this financial report is not prepared in accordance with GASB Statement 34.

The Department was established by the Oregon Legislature in 1969 and reorganized in 1973 and 1993. Its mission is to provide a safe, efficient transportation system that supports economic opportunity and livable communities for all Oregonians.

The Director of the Department, who is appointed by the Governor, works with the Oregon Transportation Commission, a five-member, volunteer citizen's board, to provide direction for all of the Department's programs.

The Department is organized into ten areas: Highway, Driver and Motor Vehicle Services, Motor Carrier Transportation, Public Transit, Transportation Safety, Rail, Transportation Development, Board of Maritime Pilots, Central Services, and Communications.

GOVERNMENTAL FUND STATEMENTS

Fund Financial Statements

The Department presents financial information for all governmental funds by fund type. Individual fund detail for the special revenue funds is provided in the *combining financial statements*.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

Governmental Fund Financial Statements

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus concentrates on the fund's resources available for spending in the near future. Accordingly, only transactions and events affecting the fund's current financial resources during the period are reported.

Under the modified accrual basis of accounting, revenues are recognized as soon as they become both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues available if they are collectible within 90 days of the end of the current fiscal period. Derived tax revenues, such as motor fuel and weight-mile taxes, are recognized in the fiscal year in which they become measurable and available. Federal reimbursement grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Revenue items not susceptible to accrual are considered to be measurable and available only when cash is received; for example, license and fee revenue, the principal portion of loan repayments and cash sales of goods and services.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

Fiduciary Fund Financial Statements

The assets and liabilities of fiduciary funds are recorded using the accrual basis of accounting. Because fiduciary funds are custodial in nature, they do not measure the results of operations.

BASIS OF PRESENTATION

The financial activities of the Department are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The various funds are reported by generic classification within the financial statements.

Governmental Funds

The *General Fund* accounts for the activities of the Department financed with general tax revenues of the State of Oregon.

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Expenditures from these accounts are usually charged against a legislatively approved limitation.

Debt Service Funds are used to account for the accumulation of resources and payment of principal and interest on general obligation bonds, revenue bonds and certificates of participation.

Capital Projects Funds account for financial resources segregated for the construction, improvement or acquisition of major capital facilities. However, ORS Chapter 291.224 exempts the Department from accounting for construction on highway and bridge infrastructure as Capital Projects Funds.

Fiduciary Funds

Agency Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations and other governmental units.

ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less at date of purchase. In addition to deposits in the statewide cash management pool, the Department may also have cash deposits with fiscal agents other than the State Treasury.

Certain investments are designated and held by the State Treasury. Other investments are made and held by the Department through fiscal agents. Investments, including equity in pooled investments, are stated at fair value.

Receivables and Payables

Financial transactions between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *Advances to/from Other Funds*. All other outstanding balances between funds are reported as *Due to/from Other Funds*.

Receivables in the governmental and proprietary funds are stated net of allowances for uncollectible amounts. The uncollectible amounts are based on Department policy, collection experience and a review of the status of existing receivables.

Inventories

Inventories of materials and supplies in the governmental funds are stated at cost using the first-in/first-out (FIFO) cost valuation method and are charged to expenditures when purchased. Reported inventories in governmental funds are equally offset by a reservation of fund balance, since they are not available for appropriation.

Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are valued at historical cost or, if donated, at the estimated fair value at the date of acquisition. Infrastructure was added as a capital asset beginning July 1, 2001. Both State highway and bridge capital assets were added on the basis of estimated historical cost in conformance with GASB Statement 34. All additions to infrastructure assets, beginning July 1, 2001, were added based on actual cost. In the governmental fund statements, capital assets are charged to expenditures when acquired. These assets are not reported in the financial statements, but are included in the notes to the Annual Financial Report.

The State defines a capital asset as an asset costing \$5,000 or more that has an estimated useful life of at least one year. Additions or improvements that significantly extend the useful life of an asset or that significantly increase the capacity of an asset are capitalized. The costs of normal maintenance and repairs are expensed as incurred.

Retainage Payable

ORS 279.435 allows the Department to retain up to five percent of each progress payment made to contractors engaged in public improvement projects. The amounts withheld are invested in interest bearing accounts. The retainage, plus the interest earned, is due to the contractor upon project completion and acceptance.

Deferred Revenue

Deferred revenue for governmental funds occurs when potential revenue does not meet the “available” criterion for recognition in the current period. “Available” is defined as due (or past due) at June 30 and collectible within 90 days thereafter to pay obligations due at June 30.

Deferred revenue arises when resources are received before the Department has a legal claim to them. In subsequent periods, when all revenue recognition criteria have been met, the deferred revenue is reduced and revenue is recognized.

Long-Term Liabilities

Proceeds received from the issuance of debt are reported under other financing sources in the *Statement of Revenues, Expenditures and Changes in Fund Balances*.

The accounting for proceeds received upon issuance of refunding debt closely parallels the accounting for original issue debt. However, when the refunding debt proceeds are paid to an escrow agent for purposes of repaying the old debt, that payment is reported as an other financing use in the fund financial statements.

Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either (1) funds legally segregated for a specific use, such as Reserve for Debt Service and Reserve for Revolving Fund, or (2) assets that, by their nature, are not available for expenditure, such as Reserve for Inventories.

USE OF ESTIMATES

In preparing the Department’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETARY INFORMATION

The Department submits its budget request to the Governor every other year (biennial basis). The budget is prepared based on the source of funding. The four primary revenue sources available to State agencies to budget expenditures are the State General Fund, Federal Funds, Lottery Funds and Fees for service.

The Legislature formally adopts the budget and authorizes the Department to spend against one of three types of spending authority. General Fund appropriations represent the legal authority provided by the Legislature to use resources from the State General Fund (primarily personal and corporate income taxes). This is the only spending authority where the Legislature provides the funding as part of the legal authority to spend. The other spending authorities are called *limited* and *nonlimited*. *Limited* spending authorities approved by the Legislature authorize the Department to spend up to a specific level of expenditures. The financing of those expenditures is the responsibility of the Department. The Department uses limitations of this type for all programs financed with federal funds, lottery funds and other revenues (e.g., gasoline tax, vehicle registration) generated by the Department. *Nonlimited* spending authorities are approved by the Legislature for nonappropriated budget items. For the Department, nonlimited expenditures are for the Oregon Transportation Infrastructure Bank loan program.

During interim periods when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. Any changes in the Department's original spending authority must be approved by the Emergency Board.

A budgetary comparison report is provided and presents the Department's budget by governmental fund type.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Cash/cash equivalents, investments and securities held in trust consist of the following at June 30, 2006:

Deposits in transit	\$ 3,736,752
Deposits with State Treasury	627,725,109
Deposits with fiscal agents	18,717,791
Investments with fiscal agents	<u>1,138,199</u>
Total	<u>\$ 651,317,851</u>

Deposits

The State of Oregon maintains the Oregon Short-Term Fund (OSTF), a cash and investment management pool in which the Department participates. Participants' account balances are determined by the amount of participants' deposits adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the OSTF exclusive of unrealized gains and losses.

Deposits with fiscal agents include money market accounts of pooled U.S. government securities held by the pledging financial institution or its trust department for the purpose of debt service and certain money market savings accounts held by escrow agents for safekeeping of construction contract retainage.

Investments

At June 30, 2006, the Department's investments consisted of guaranteed investment contracts and U.S. agency securities, held for payment of outstanding debt.

Fund Transfers

Internal transfer activity is included at the combining financial statement level and eliminated at the combined level. The total amount eliminated for the current fiscal year was \$869,711,350. Of that amount, \$100,377,356 was accrued at year-end as *Due to/from Other Funds*.

The following schedule summarizes the transfer activity for the fiscal year ended June 30, 2006:

	Transfers In	Transfers Out
<u>Intrafund transfers:</u>		
Special Revenue Funds		
Debt Service	\$ 226,805	\$ 43,316,195
Capital Projects	-	1,713,867
Debt Service Funds		
Special Revenue	43,316,195	226,805
Capital Projects Funds		
Special Revenue	1,713,867	-
Total intrafund transfers	<u>45,256,867</u>	<u>45,256,867</u>
 <u>State agency transfers:</u>		
Special Revenue Funds		
Department of Economic & Community Development	-	245,873
Department of Aviation	-	2,161,568
Oregon State Police	1,063,922	-
Department of Revenue	4,314,706	-
State Marine Board	1,950	5,601,996
Department of Veteran Affairs	-	19,173
Department of Forestry	1,494	-
Department of Consumer and Business Services	-	306,636
Watershed Enhancement Board	-	324,077
Department of Land Conservation and Development	477,777	-
Department of Parks and Recreation	283,852	25,760,413
Debt Service Funds		
Department of Administrative Services	10,886,727	-
Total State agency transfers	<u>17,030,428</u>	<u>34,419,736</u>
 <u>Local governmental transfers:</u>		
Special Revenue Funds		
Cities	-	119,631,206
Counties	-	174,302,576
Total local governmental transfers	<u>-</u>	<u>293,933,782</u>
 Total transfers	 <u>\$ 62,287,295</u>	 <u>\$ 373,610,385</u>

Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2006 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Land	\$ 1,474,743,415	\$ 29,798,506	\$ (2,708,004)	\$ 1,501,833,917
Land improvements	50,309,821	814,964	(108,458)	51,016,327
Buildings	130,864,056	661,416	(228,670)	131,296,802
Machinery and equipment	211,481,575	13,951,961	(7,944,793)	217,488,743
Data processing software	11,873,798	4,117,491	(809,979)	15,181,310
Leasehold improvements	314,730	-	-	314,730
Construction in progress - Highway	1,096,076,552	429,055,194	(4,406,738)	1,520,725,008
Construction in progress - Other	1,625,410	4,640,750	(1,066,724)	5,199,436
State highway network	10,818,021,560	15,793,595	(98,838,334)	10,734,976,821
State bridge network	<u>2,718,060,462</u>	<u>2,177,322</u>	<u>(9,395,318)</u>	<u>2,710,842,466</u>
Total capital assets	<u>\$ 16,513,371,379</u>	<u>\$ 501,011,199</u>	<u>\$ (125,507,018)</u>	<u>\$ 16,888,875,560</u>

Construction in progress includes all highway and bridge construction projects currently underway, equipment fabrication and various building projects located throughout the State.

Major capital asset events during fiscal year 2006 included the following:

- The Department spent over \$451.7 million on 1,270 highway and bridge construction projects.
- Nearly \$18.3 million was spent on capital equipment used to maintain highways and bridges, such as sweepers, trucks, tractors, sanders, and other heavy equipment.
- Commitments of \$936.1 million have been made for infrastructure improvements and capital projects.

Construction Commitments

These commitments represent the estimated dollar amount of planned highway construction approved by the Oregon Transportation Commission and presented in the State Transportation Improvement Plan (STIP). Outstanding commitments for highway construction contracts as of June 30, 2006 were (in millions):

<u>For Fiscal Year Ended June 30</u>	<u>Federal</u>	<u>Local</u>	<u>State</u>	<u>Total</u>
2007	245.8	40.1	243.8	529.7
2008	107.2	29.4	126.1	262.7
2009	31.6	11.8	56.2	99.6
2010	9.3	-	28.9	38.2
2011	<u>1.0</u>	<u>-</u>	<u>3.0</u>	<u>4.0</u>
Total Commitments	<u>\$ 394.9</u>	<u>\$ 81.3</u>	<u>\$ 458.0</u>	<u>\$ 934.2</u>

Operating Lease Commitments

The Department has commitments with entities outside of State government to lease certain buildings and equipment. Future minimum rental commitments under these operating leases as of June 30, 2006 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 4,543,069
2008	3,700,676
2009	3,082,442
2010	1,791,298
2011	1,435,996
2012-2016	2,090,914
Total	<u>\$ 16,644,395</u>

Long-Term Debt

The Oregon Revised Statutes give the Department the authority to issue bonds and to assume other forms of long-term debt to finance construction projects. Long-term debt outstanding at June 30, 2006 consisted of revenue bonds and certificates of participation.

Revenue Bonds Repaid by Lottery Proceeds:

In April 2002, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$2,394,000. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used to fund grants for (1) short line track improvements under the Department's 2001 Rail Plan and (2) the design, construction or acquisition of components of the South Metro Commuter Rail Project in Washington County. The final maturity date for this bond series is April 2014. The first principal payment was due April 1, 2004. The bonds have an outstanding principal balance at June 30, 2006 of \$1,052,000.

In August 2004 the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$6,313,983. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used for spur line and short line track improvements. The final maturity date for this bond series is April 2019. The bonds have an outstanding principal balance at June 30, 2006 of \$5,632,374.

In March 2005 the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$4,343,493. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used for spur line improvements. The final maturity date for this bond series is April 2025. The bonds have an outstanding principal balance at June 30, 2006 of \$4,194,353.

In April 2004, the Oregon Department of Administrative Services issued lottery-refunding bonds in the amount of \$985,511, in order to take advantage of lower interest rates. These bonds were issued to partially advance refund the 2002 Oregon Lottery Bonds. The final

maturity date for this bond series is April 2018. The bonds have an outstanding principal balance at June 30, 2006 of \$980,657.

In order to take advantage of lower interest rates, the Department issued lottery-refunding bonds in August 2002 in the amount of \$60,130,000. These bonds have an average coupon rate of 3.9% and were issued to advance refund the 1994 State of Oregon, Department of Transportation Regional Light Rail Extension Construction Fund Revenue Bonds. This advance refunding was undertaken to reduce total debt service payments over the next eight years by \$2,689,038 and results in an economic gain of \$2,672,782. The money from the sale of the new bonds was deposited with an escrow agent and will be used to meet all future debt service payments on the old bonds. The reacquisition price of the old debt exceeded the net carrying amount by \$5,082,770. This amount is being netted against the new debt and amortized over the life of the new debt. The refunding bonds are secured by and payable from the net proceeds of the Oregon State Lottery. The bonds will mature in June 2010, and have an outstanding principal balance at June 30, 2006 of \$29,850,000.

- Revenue Bonds Repaid by State Highway Fund revenues (Series 2000):
In August 2000, the Department issued highway user tax revenue bonds in the amount of \$58,355,000, with an average coupon rate of 5.3%. The proceeds from the issuance were used to finance construction projects for the Local Street Networks, Access Management and other miscellaneous modernization projects. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2000 Bonds are subject to optional redemption effective November 15, 2010 at a price of par, plus interest accrued to the date of redemption. In the fiscal year ending June 30, 2006, certain maturities were refunded with the issuance of the Series 2004B Bonds and the Series 2005B Bonds. This series was issued with a final maturity in November 2011 and had a balance outstanding at June 30, 2006 of \$12,450,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2002A):
In May 2002, the Department issued highway user tax revenue bonds in the amount of \$221,845,000, with an average coupon rate of 5.2%. The proceeds from the issuance are being used to finance preservation and modernization projects on highways and bridges in Oregon. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2002A Bonds are subject to optional redemption effective November 2012 at a price of par, plus accrued interest to the date of redemption. In the fiscal year ending June 30, 2006, certain maturities were refunded in the Series 2004B and the Series 2005B issues. The final maturity for this series is November 2026. The balance outstanding at June 30, 2006 was \$116,545,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2004A):
In July 2004, the Department issued highway user tax revenue bonds in the amount of \$294,750,000, with an average coupon rate of 4.44%. The proceeds from the issuance were used to provide grants to counties and cities for the repair and replacement of bridges on county and city highways. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2004A Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2028. The balance outstanding at June 30, 2006 was \$280,105,000.

- Revenue Bonds Repaid by State Highway Fund revenues (Series 2004B):
In July 2004, the Department issued highway user tax revenue bonds in the amount of \$75,575,000, with an average coupon rate of 5.40%. The proceeds from the issuance were used to refund certain maturities from the Series 2000 Bonds and the Series 2002A Bonds. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2004B Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2019. The balance outstanding at June 30, 2006 was \$74,980,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2005A):
In January 2005, the Department issued highway user tax revenue bonds in the amount of \$19,295,000, with an average coupon rate of 4.33%. The proceeds from the issuance are being used to finance preservation and modernization projects on highways and bridges in Oregon. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2005A Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2017. The balance outstanding at June 30, 2006 was \$19,295,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2005B):
In January 2005, the Department issued highway user tax revenue bonds in the amount of \$26,235,000. The proceeds from the issuance were used to refund certain maturities from the Series 2000 Bonds and the Series 2002A Bonds. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2005B Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2020. The balance outstanding at June 30, 2006 was \$26,210,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2006A):
In May 2006, the Department issued highway user tax revenue bonds in the amount of \$291,505,000. The proceeds from the issuance were used to finance state bridge and modernization projects under the OTIA III program. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2006A Bonds are subject to optional redemption effective November 2017 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2031. The balance outstanding at June 30, 2006 was \$291,505,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2006B):
In May 2006, the Department issued highway user tax revenue bonds in the amount of \$100,270,000. The Series 2006B bands are Subordinate Lien Bonds offering variable rate interest determined on a weekly basis and distributed monthly in arrears. The proceeds from the issuance were used to finance preservation and modernization projects under the OTIA I and OTIA II programs. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2006B Bonds are subject to optional redemption effective November 2017 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2026. The balance outstanding at June 30, 2006 was \$100,270,000.

Debt service requirements to maturity for the Department's revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 23,578,303	\$ 44,496,725	\$ 68,075,028
2008	34,061,836	44,447,078	78,508,914
2009	34,648,230	43,000,080	77,648,310
2010	29,089,438	41,424,278	70,513,716
2011	27,551,249	40,089,401	67,640,650
2012-2016	247,059,813	209,600,987	456,660,800
2017-2021	206,595,515	112,899,891	319,495,406
2022-2026	176,105,000	65,991,930	242,096,930
2027-2031	158,840,000	25,247,637	184,087,637
2032	<u>25,540,000</u>	<u>638,500</u>	<u>26,178,500</u>
Total	<u>\$ 963,069,384</u>	<u>\$ 627,836,507</u>	<u>\$ 1,590,905,891</u>

Certificates of Participation - ORS Chapter 283 authorizes the Department to enter into long-term financing agreements through the issuance of certificates of participation. Certificates of participation were issued for the construction of the *Driver and Motor Vehicle Services Division* headquarters building. This debt will mature in November 2019 and has an outstanding principal balance at June 30, 2006 of \$8,185,000. Debt service requirements to maturity on the certificates of participation are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 425,000	\$ 392,937	\$ 817,937
2008	440,000	373,255	813,255
2009	460,000	352,316	812,316
2010	485,000	329,875	814,875
2011	515,000	305,618	820,618
2012-2016	2,945,000	1,110,625	4,055,625
2017-2019	<u>2,915,000</u>	<u>299,875</u>	<u>3,214,875</u>
Total	<u>\$ 8,185,000</u>	<u>\$ 3,164,501</u>	<u>\$ 11,349,501</u>

Changes in Long-Term Debt

Long-term debt for governmental activities during fiscal year 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 594,337,857	\$ 391,775,000	\$ 23,043,473	\$ 963,069,384	\$ 23,578,303
Certificates of participation payable	<u>8,595,000</u>	<u>-</u>	<u>410,000</u>	<u>8,185,000</u>	<u>425,000</u>
Total long-term liabilities	<u>\$ 602,932,857</u>	<u>\$ 391,775,000</u>	<u>\$ 23,453,473</u>	<u>\$ 971,254,384</u>	<u>\$ 24,003,303</u>

Arbitrage Rebate Liability

The Tax Reform Act of 1986 placed restrictions on the non-purpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the non-purpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Non-purpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. At June 30, 2006, the Department's arbitrage rebate liability was \$24,813.

Advances from Other Funds/State Agencies

In August 1993, the Department's *Driver and Motor Vehicle Services Division* entered into a loan agreement with the Oregon Department of Energy. Under the authority of ORS Chapters 190 and 470, \$310,542 was loaned to the Department to implement energy conservation measures. Principal and interest are due monthly through fiscal year ending June 30, 2009. Debt service requirements for the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 28,089	\$ 4,419	\$ 32,508
2008	30,003	2,505	32,508
2009	<u>23,738</u>	<u>621</u>	<u>24,359</u>
Total	<u>\$ 81,830</u>	<u>\$ 7,545</u>	<u>\$ 89,375</u>

2009 principal amount was adjusted.

Trust Deposits

The following items represent all cash and cash equivalents held in trust in the agency funds on behalf of individuals, vendors or other governmental organizations:

Motor carrier surety deposits	\$ 5,182,786
Fuel dealers and retailers surety deposits	209,166
Maritime pilots surety deposits	16,500
Fuel taxes collected on behalf of local governments	<u>3,083,411</u>
Total cash and securities held in trust	<u>\$ 8,491,863</u>

Defined Benefit Retirement Plan

The Public Employees Retirement System (PERS) is a defined benefit retirement plan for units of State government, school districts, community colleges and political subdivisions of the State. PERS is administered by the Public Employees Retirement Board under the guidelines of chapter 238 of the Oregon Revised Statutes, and it provides retirement benefits and cost-of-living adjustments as well as disability, post employment healthcare and death benefits to plan members and beneficiaries. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information that may be obtained by writing to the Fiscal Services Division, Public Employees Retirement System, 11410 SW 68th Parkway, Tigard, Oregon 97223. For fiscal year ended June 30, 2006, the Department contributed a total of \$27,741,410 to PERS.

Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. Each State agency is required to pay the Employment Division for benefit payments made to their former employees. Total payments made by the Department for the fiscal year ended June 30, 2006 were \$363,983.

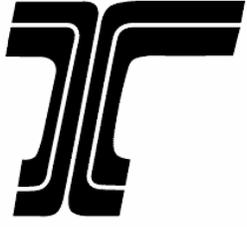
Insurance

The Risk Management Division (Division) of the Department of Administrative Services administers the State's property and liability insurance programs. It is the policy of the Division not to purchase commercial insurance for most of the risks of loss to which the State is exposed. Instead, the Division manages the State's risks by setting aside assets for actuarially forecasted losses in an internal service fund, the State Insurance Fund. ORS Chapter 278 established the State Insurance Fund to service claims for the risk of (1) direct physical loss or damage to State property, (2) tort liability claims brought against the State, its officers, employees, or agents, (3) workers compensation losses, (4) employee dishonesty and (5) faithful performance bonds for key positions.

All State agencies, commissions and boards participate in the State Insurance Fund. The Division allocates the cost of servicing insurance claims and payments by charging an assessment to each State entity, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and Division expenses, less any available fund balance from the prior biennium. Risk insurance payments for the current fiscal year were \$10,010,153.

Contingencies

Litigation – The Department is involved in various legal proceedings arising through the normal course of business. Although it is not possible to predict with certainty the outcome of these legal matters, management believes the disposition of these matters will not have a material impact on the Department's financial position.



COMBINING STATEMENTS

State of Oregon
Department of Transportation
Combining Balance Sheet
All Special Revenue Funds
June 30, 2006

	Highway Division	Central Services Division	Motor Carrier Transportation Division	Driver and Motor Vehicle Services Division	Other Funds	Total Special Revenue Funds
Assets						
Cash and Cash Equivalents	\$ 504,058,106	\$ 3,338,940	\$ 20,846,612	\$ 33,646,525	\$ 52,810,055	\$ 614,700,238
Cash and Securities Held in Trust	18,108,845	-	-	-	-	18,108,845
Loans Receivable (net)	-	-	-	-	16,121,017	16,121,017
Taxes Receivable (net)	35,316	39,322,842	25,014,527	1,655,303	114,619	66,142,607
Due From the Federal Government	33,765,121	84,918	484,346	-	3,379,350	37,713,735
Due From Other State Agencies	236,846	-	-	1,591,012	763,680	2,591,538
Due From Other Funds	98,649,646	36,568	-	-	1,691,142	100,377,356
Advances to Other Funds	12,127,500	-	-	-	-	12,127,500
Other Accounts Receivable (net)	8,038,291	90,185	505,821	3,016,189	479,570	12,130,056
Inventories	19,238,249	14,353	29,506	1,294,043	1,012	20,577,163
Contracts Receivable	1,942,300	-	-	-	-	1,942,300
Total Assets	\$ 696,200,220	\$ 42,887,806	\$ 46,880,812	\$ 41,203,072	\$ 75,360,445	\$ 902,532,355
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ 87,451,829	\$ 4,692,593	\$ 2,090,959	\$ 4,168,470	\$ 3,437,293	\$ 101,841,144
Advances From Other State Agencies	-	-	-	81,830	-	81,830
Advances From Other Funds	-	-	-	-	12,127,500	12,127,500
Due to Other Governments	55,518,762	-	-	-	958,090	56,476,852
Due to Other State Agencies	94,933	10,207,661	-	4,474,696	522,501	15,299,791
Due to Other Funds	484,367	27,822,992	41,253,678	31,094,803	178,858	100,834,698
Deferred Revenue	4,914,546	59,634	3,506,669	49,230	-	8,530,079
Retainage Payable	21,376,586	-	-	-	-	21,376,586
Total Liabilities	169,841,023	42,782,880	46,851,306	39,869,029	17,224,242	316,568,480
<i>Fund Balances:</i>						
Reserved for:						
Inventories	19,238,249	14,353	29,506	1,294,043	1,012	20,577,163
Revolving Fund	-	-	-	40,000	-	40,000
Highway Programs	494,993,448	-	-	-	-	494,993,448
Other Dedicated Programs	12,127,500	90,573	-	-	58,135,191	70,353,264
Total Fund Balances	526,359,197	104,926	29,506	1,334,043	58,136,203	585,963,875
Total Liabilities and Fund Balances	\$ 696,200,220	\$ 42,887,806	\$ 46,880,812	\$ 41,203,072	\$ 75,360,445	\$ 902,532,355

State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - All Special Revenue
For the Fiscal Year Ended June 30, 2006

	Highway Division	Central Services Division	Motor Carrier Transportation Division	Driver and Motor Vehicle Services Division	Other Funds	Total Special Revenue Funds
Revenues:						
Motor Fuel Taxes	\$ 10,269	\$ 417,902,681	\$ -	\$ -	\$ -	\$ 417,912,950
Federal Revenues	332,623,614	586,399	2,415,707	-	22,275,597	357,901,317
Weight-Mile Taxes	-	-	265,109,576	-	-	265,109,576
Vehicle Taxes	30,635	-	-	207,348,549	220,077	207,599,261
Driver License Fees	-	-	-	36,047,787	3,506,052	39,553,839
Other Transportation Taxes	-	-	21,948	1,443,958	1,233,643	2,699,549
Charges for Services	31,336,894	722,030	60	-	338,483	32,397,467
Other Sales Income	6,079,175	-	19,795	4,601,276	-	10,700,246
Investment Income	11,610,399	356,445	883,749	-	2,262,686	15,113,279
Business License Fees	929,894	-	2,429,200	212,825	2,226,803	5,798,722
Rents	2,470,353	-	-	-	3,585,753	6,056,106
Other Revenues	2,673,101	224,016	2,736,696	1,335,238	982,434	7,951,485
Total Revenues	<u>387,764,334</u>	<u>419,791,571</u>	<u>273,616,731</u>	<u>250,989,633</u>	<u>36,631,528</u>	<u>1,368,793,797</u>
Expenditures:						
Personal Services	197,732,908	38,903,850	18,207,885	42,326,762	6,674,658	303,846,063
Services and Supplies	741,902,679	24,833,706	6,393,721	19,694,390	10,294,811	803,119,307
Capital Outlay	13,946,663	177,942	217,705	28,577	12,491	14,383,378
Loan Interest	-	-	-	5,959	229,999	235,958
Special Payments	5,612,353	-	-	157,453	32,426,428	38,196,234
Total Expenditures	<u>959,194,603</u>	<u>63,915,498</u>	<u>24,819,311</u>	<u>62,213,141</u>	<u>49,638,387</u>	<u>1,159,780,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(571,430,269)</u>	<u>355,876,073</u>	<u>248,797,420</u>	<u>188,776,492</u>	<u>(13,006,859)</u>	<u>209,012,857</u>
Other Financing Sources (Uses):						
Long-Term Debt Proceeds	402,047,930	-	-	-	-	402,047,930
Transfers In	789,636,128	61,284,358	543,742	2,052,959	22,564,669	876,081,856
Transfers Out	(380,213,956)	(417,069,858)	(249,341,162)	(191,008,563)	(5,461,390)	(1,243,094,929)
Total Other Financing Sources (Uses)	<u>811,470,102</u>	<u>(355,785,500)</u>	<u>(248,797,420)</u>	<u>(188,955,604)</u>	<u>17,103,279</u>	<u>35,034,857</u>
Net Change in Fund Balances	240,039,833	90,573	-	(179,112)	4,096,420	244,047,714
Fund Balances - Beginning	286,991,200	166,275	15,653	3,061,371	54,043,119	344,277,618
Prior Period Adjustment	(287,492)	-	-	179,112	-	(108,380)
Change in Reserve for Inventories	(384,344)	(151,922)	13,853	(1,727,328)	(3,336)	(2,253,077)
Fund Balances - Ending	<u>\$ 526,359,197</u>	<u>\$ 104,926</u>	<u>\$ 29,506</u>	<u>\$ 1,334,043</u>	<u>\$ 58,136,203</u>	<u>\$ 585,963,875</u>

State of Oregon
Department of Transportation
Combining Balance Sheet
Special Revenue Funds - Other Divisions
June 30, 2006

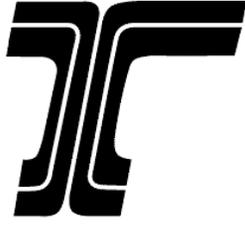
	Public Transit Division	Transportation Safety Division	Rail Division	Board of Maritime Pilots	Snowmobile Fund
Assets					
Cash and Cash Equivalents	\$ 4,567,506	\$ 10,149,209	\$ 7,874,474	\$ 19,781	\$ 3,474,384
Loans Receivable	-	-	-	-	-
Taxes Receivable	-	-	8,787	-	3,006
Due From the Federal Government	1,329,169	1,363,084	687,097	-	-
Due From Other State Agencies	479,828	-	-	-	283,852
Due From Other Funds	178,858	393,775	-	-	712,332
Other Accounts Receivable	-	1,170	31,362	-	13,780
Inventories	50	314	648	-	-
Total Assets	\$ 6,555,411	\$ 11,907,552	\$ 8,602,368	\$ 19,781	\$ 4,487,354
Liabilities And Fund Balances					
<i>Liabilities:</i>					
Accounts Payable	\$ 888,321	\$ 628,130	\$ 1,253,238	\$ 13,583	\$ -
Due to Other Governments	909,612	48,478	-	-	-
Due to Other State Agencies	-	522,501	-	-	-
Due to Other Funds	-	-	-	-	-
Advances From Other Funds	-	-	-	-	-
Total Liabilities	1,797,933	1,199,109	1,253,238	13,583	-
<i>Fund Balances:</i>					
Reserved for Inventories	50	314	648	-	-
Reserved for Other Dedicated Programs	4,757,428	10,708,129	7,348,482	6,198	4,487,354
Total Fund Balances	4,757,478	10,708,443	7,349,130	6,198	4,487,354
Total Liabilities and Fund Balances	\$ 6,555,411	\$ 11,907,552	\$ 8,602,368	\$ 19,781	\$ 4,487,354

Transportation Operating Fund	Winter Recreational Parking Fund	Environmental Quality Fund	Consumer Protection	Short-Line Premium Fund	Transportation Infrastructure Bank	Total Other Special Revenue Funds
\$ 1,808,713	\$ 906,817	\$ 1,514,705	\$ 60,269	\$ 2,677,284	\$ 19,756,913	\$ 52,810,055
-	-	-	-	-	16,121,017	16,121,017
98,641	-	-	4,185	-	-	114,619
-	-	-	-	-	-	3,379,350
-	-	-	-	-	-	763,680
-	-	406,177	-	-	-	1,691,142
433,258	-	-	-	-	-	479,570
-	-	-	-	-	-	1,012
<u>\$ 2,340,612</u>	<u>\$ 906,817</u>	<u>\$ 1,920,882</u>	<u>\$ 64,454</u>	<u>\$ 2,677,284</u>	<u>\$ 35,877,930</u>	<u>\$ 75,360,445</u>
\$ 442,640	\$ 95,600	\$ 107,477	\$ 1,701	\$ -	\$ 6,603	\$ 3,437,293
-	-	-	-	-	-	958,090
-	-	-	-	-	-	522,501
178,858	-	-	-	-	-	178,858
-	-	-	-	-	12,127,500	12,127,500
<u>621,498</u>	<u>95,600</u>	<u>107,477</u>	<u>1,701</u>	<u>-</u>	<u>12,134,103</u>	<u>17,224,242</u>
-	-	-	-	-	-	1,012
<u>1,719,114</u>	<u>811,217</u>	<u>1,813,405</u>	<u>62,753</u>	<u>2,677,284</u>	<u>23,743,827</u>	<u>58,135,191</u>
<u>1,719,114</u>	<u>811,217</u>	<u>1,813,405</u>	<u>62,753</u>	<u>2,677,284</u>	<u>23,743,827</u>	<u>58,136,203</u>
<u>\$ 2,340,612</u>	<u>\$ 906,817</u>	<u>\$ 1,920,882</u>	<u>\$ 64,454</u>	<u>\$ 2,677,284</u>	<u>\$ 35,877,930</u>	<u>\$ 75,360,445</u>

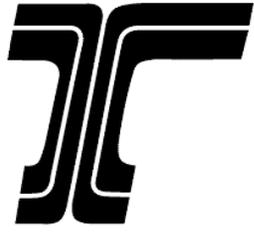
State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Special Revenue Funds - Other Divisions
For the Fiscal Year Ended June 30, 2006

	Public Transit	Transportation		Board of	
	Division	Safety Division	Rail Division	Maritime	Snowmobile
				Pilots	Fund
Revenues:					
Federal Revenues	\$ 12,006,847	\$ 7,713,415	\$ 2,349,550	\$ -	\$ -
Vehicle Taxes	-	-	-	-	201,781
Driver License Fees	-	-	-	-	-
Other Transportation Taxes	-	-	-	-	-
Charges for Services	-	-	338,483	-	-
Investment Income	171,529	336,134	218,780	-	139,112
Business License Fees	-	-	723,379	93,000	-
Rents	-	14,195	3,571,558	-	-
Other Revenues	-	44,085	809,927	28,424	-
Total Revenues	<u>12,178,376</u>	<u>8,107,829</u>	<u>8,011,677</u>	<u>121,424</u>	<u>340,893</u>
Expenditures:					
Personal Services	941,994	1,619,044	1,643,036	59,557	-
Services and Supplies	1,325,927	1,816,082	2,076,103	48,361	714,000
Capital Outlay	-	12,491	-	-	-
Loan Interest	-	-	-	-	-
Special Payments	19,027,834	7,575,350	(248,684)	-	-
Total Expenditures	<u>21,295,755</u>	<u>11,022,967</u>	<u>3,470,455</u>	<u>107,918</u>	<u>714,000</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(9,117,379)</u>	<u>(2,915,138)</u>	<u>4,541,222</u>	<u>13,506</u>	<u>(373,107)</u>
Other Financing Sources (Uses):					
Transfers In	9,033,006	5,914,191	318,574	-	996,184
Transfers Out	-	(585,278)	-	-	-
Total Other Financing Sources (Uses)	<u>9,033,006</u>	<u>5,328,913</u>	<u>318,574</u>	<u>-</u>	<u>996,184</u>
Net Change in Fund Balance	(84,373)	2,413,775	4,859,796	13,506	623,077
Fund Balances - Beginning	4,844,811	8,295,310	2,489,068	(7,308)	3,864,277
Change in Reserve for Inventories	(2,960)	(642)	266	-	-
Fund Balances - Ending	<u>\$ 4,757,478</u>	<u>\$ 10,708,443</u>	<u>\$ 7,349,130</u>	<u>\$ 6,198</u>	<u>\$ 4,487,354</u>

Transportation Operating Fund	Winter Recreational Parking Fund	Environmental Quality Fund	Consumer Protection	Short-Line Premium Fund	Transportation Infrastructure Bank	Total Other Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,782	\$ 22,275,594
18,296	-	-	-	-	-	220,077
3,506,051	-	-	-	-	-	3,506,051
-	1,197,706	-	35,937	-	-	1,233,643
-	-	-	-	-	-	338,483
52,912	38,918	-	2,029	178,684	1,124,588	2,262,686
1,410,424	-	-	-	-	-	2,226,803
-	-	-	-	-	-	3,585,753
100,002	-	-	-	-	-	982,438
<u>5,087,685</u>	<u>1,236,624</u>	<u>-</u>	<u>37,966</u>	<u>178,684</u>	<u>1,330,370</u>	<u>36,631,528</u>
958,160	291,418	1,092,661	16,036	-	52,752	6,674,658
2,689,169	1,017,606	582,988	364	23,504	707	10,294,811
-	-	-	-	-	-	12,491
-	-	-	-	-	229,999	229,999
<u>213,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,858,200</u>	<u>-</u>	<u>32,426,428</u>
<u>3,861,057</u>	<u>1,309,024</u>	<u>1,675,649</u>	<u>16,400</u>	<u>5,881,704</u>	<u>283,458</u>	<u>49,638,387</u>
<u>1,226,628</u>	<u>(72,400)</u>	<u>(1,675,649)</u>	<u>21,566</u>	<u>(5,703,020)</u>	<u>1,046,912</u>	<u>(13,006,859)</u>
4,084,910	-	2,217,804	-	-	-	22,564,669
<u>(4,863,624)</u>	<u>-</u>	<u>-</u>	<u>(12,488)</u>	<u>-</u>	<u>-</u>	<u>(5,461,390)</u>
<u>(778,714)</u>	<u>-</u>	<u>2,217,804</u>	<u>(12,488)</u>	<u>-</u>	<u>-</u>	<u>17,103,279</u>
447,914	(72,400)	542,155	9,078	(5,703,020)	1,046,912	4,096,420
1,271,200	883,617	1,271,250	53,675	8,380,304	22,696,915	54,043,119
-	-	-	-	-	-	(3,336)
<u>\$ 1,719,114</u>	<u>\$ 811,217</u>	<u>\$ 1,813,405</u>	<u>\$ 62,753</u>	<u>\$ 2,677,284</u>	<u>\$ 23,743,827</u>	<u>\$ 58,136,203</u>



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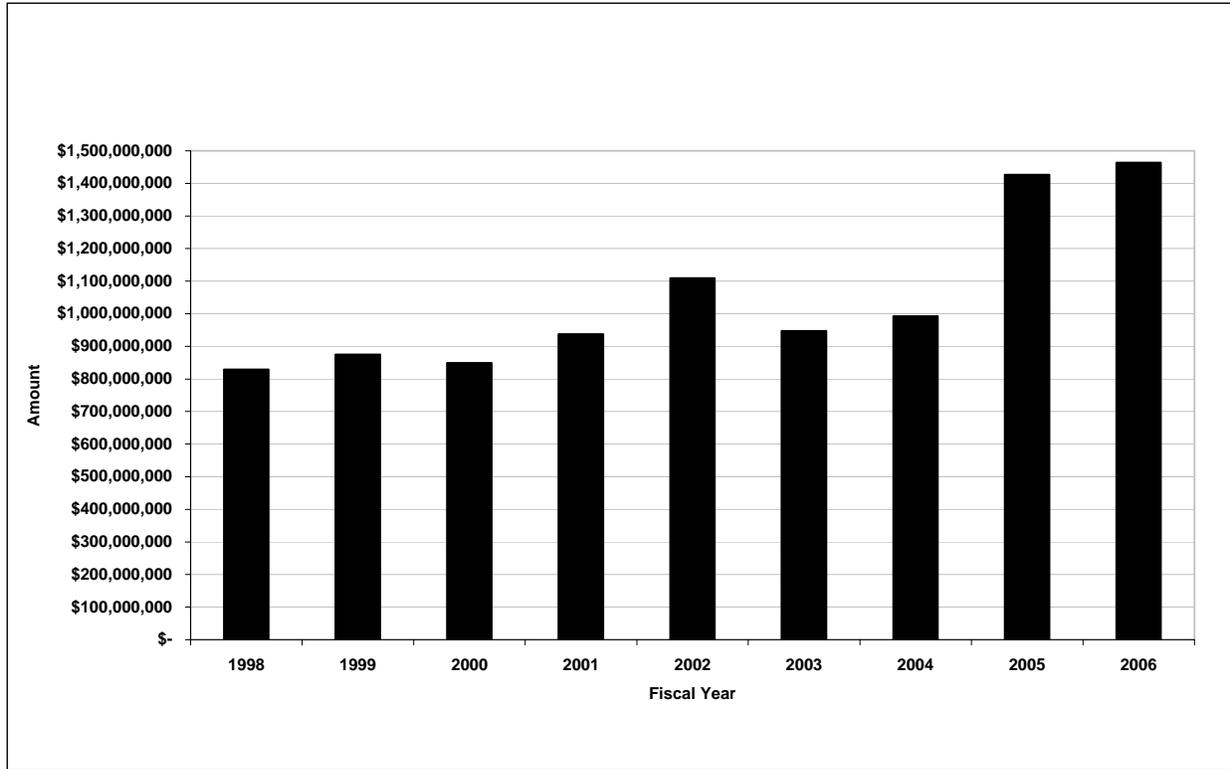
STATISTICAL SECTION

Table 1

Schedule of Federal Financial Assistance
For the Fiscal Year Ended June 30, 2006

<u>CFDA #</u>	<u>Federal Program Description</u>	<u>Amount</u>
20.205	Highway Planning and Construction	\$ 336,890,753
20.218	Motor Carrier Safety Assistance	2,336,703
20.312	High Speed Ground Transportation	1,295
20.505	Transit Technical Studies	588,910
20.509	Public Transit for Non-Urbanized Areas	5,299,032
20.513	Assistance for the Elderly and Handicapped	5,908,400
20.514	Public Transportation Research	3,808
20.515	State Planning and Research	135,959
20.516	Job Access Reverse Commute	90,429
20.600	State and Community Highway Safety	2,406,959
20.601	Alcohol and Drunk Driving Prevention	564,950
20.602	Occupant Protection	535,519
20.603	Highway Safety Data Improvement	261,008
20.604	Safety Incentives for Seatbelt Usage	760,468
20.605	Safety Incentives to Prevent Drunk Driving	1,543,803
20.608	Minimum Penalties Repeat DWI	<u>573,321</u>
	Total Federal Financial Assistance	<u>\$ 357,901,317</u>

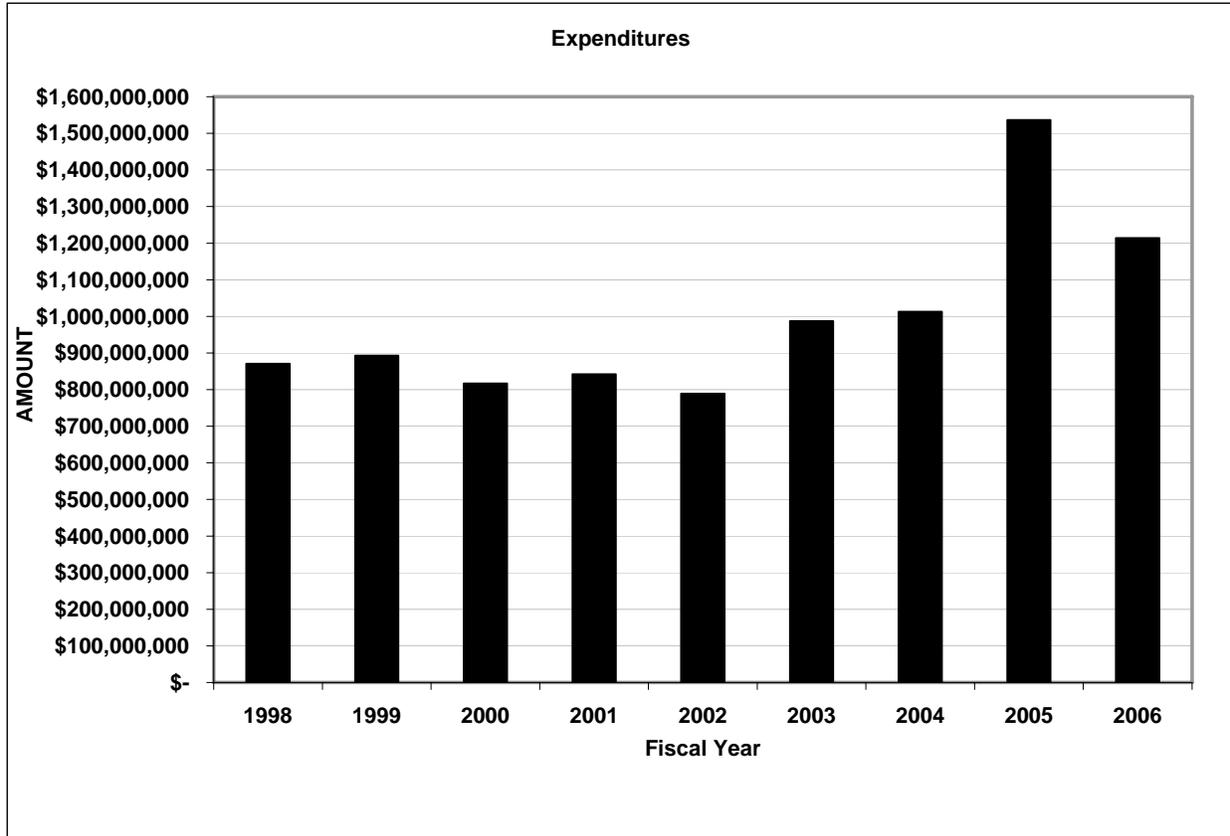
Table 2
Net Revenues – Nine Year Trend



<u>Revenues</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Motor Fuel Taxes	\$ 385,718,791	\$ 396,742,553	\$ 394,405,931	\$ 397,162,232	\$ 397,984,254	\$ 406,527,322	\$ 406,023,758	\$ 408,099,454	\$ 417,912,950
Weight-Mile Taxes	224,025,365	233,794,274	240,190,088	213,470,675	204,732,673	211,804,629	225,490,882	252,453,050	265,109,576
Vehicle Taxes	86,258,513	86,993,346	88,860,110	86,680,275	113,137,171	120,710,821	165,269,759	204,818,218	207,599,261
Other Transportation Taxes	5,150,095	5,617,534	10,737,828	7,491,606	1,827,368	1,806,354	1,327,832	1,811,364	2,699,549
General Fund Appropriations	285,101	314,962	4,490,323	14,867,926	10,592,599	7,320,871	3,914,616	-	4,500,000
Investment Income	9,264,255	6,983,927	9,134,611	13,125,990	9,158,800	8,767,573	7,699,746	11,407,205	15,113,279
Transfers In - State Agencies	10,380,689	16,079,064	15,759,650	33,849,020	23,695,326	5,211,352	25,237,622	17,624,077	17,030,428
Federal Revenues	266,089,512	309,845,242	288,590,557	303,640,729	285,707,032	380,112,394	364,365,028	384,744,016	357,901,317
Driver License Fees	22,051,640	22,490,272	23,200,327	29,821,860	34,236,958	34,886,692	37,048,197	39,729,334	39,553,839
Charges for Services	26,026,119	47,653,223	40,579,318	37,166,427	32,614,336	45,721,858	41,940,333	56,246,200	32,397,467
Other Sales Income	5,611,912	9,052,145	8,130,651	7,994,776	13,949,588	4,988,404	5,682,619	10,228,859	10,700,246
Other Revenues	33,247,906	7,064,317	3,481,012	3,030,877	15,688,221	6,729,366	10,000,701	127,365,947	7,951,485
Business License Fees	3,236,432	2,302,009	2,599,186	2,599,163	6,152,485	6,313,732	6,037,167	5,852,411	5,798,722
Rents	2,226,646	1,857,465	3,323,102	2,554,615	1,482,164	1,266,967	2,386,873	11,244,756	6,056,106
Long-Term Debt Proceeds	16,352,133	-	-	58,515,056	228,643,006	512,161	-	213,741,421	402,047,930
Loan Proceeds	-	-	-	5,500,000	-	-	-	-	-
Total Gross Revenue	1,095,925,109	1,146,790,333	1,133,482,694	1,217,471,227	1,379,601,981	1,242,680,496	1,302,425,133	1,745,366,312	1,792,372,155
Transfers to Cities	(92,268,411)	(93,678,676)	(98,735,839)	(94,711,775)	(94,888,387)	(96,486,685)	(109,176,221)	(117,585,956)	(119,631,206)
Transfers to Counties	(151,382,217)	(152,538,707)	(159,853,266)	(153,895,285)	(149,338,063)	(151,946,604)	(170,317,584)	(166,762,359)	(174,302,576)
Transfers to State Agencies	(23,046,066)	(25,590,767)	(25,275,581)	(31,332,332)	(25,700,332)	(46,384,181)	(30,561,790)	(34,044,909)	(34,419,736)
Total Transfers Out	(266,696,694)	(271,808,150)	(283,864,686)	(279,939,392)	(269,926,782)	(294,817,470)	(310,055,595)	(318,393,224)	(328,353,518)
Total Net Revenue	\$ 829,228,415	\$ 874,982,183	\$ 849,618,008	\$ 937,531,835	\$ 1,109,675,199	\$ 947,863,026	\$ 992,369,538	\$ 1,426,973,088	\$ 1,464,018,637

Table 3

Total Expenditures – Nine Year Trend

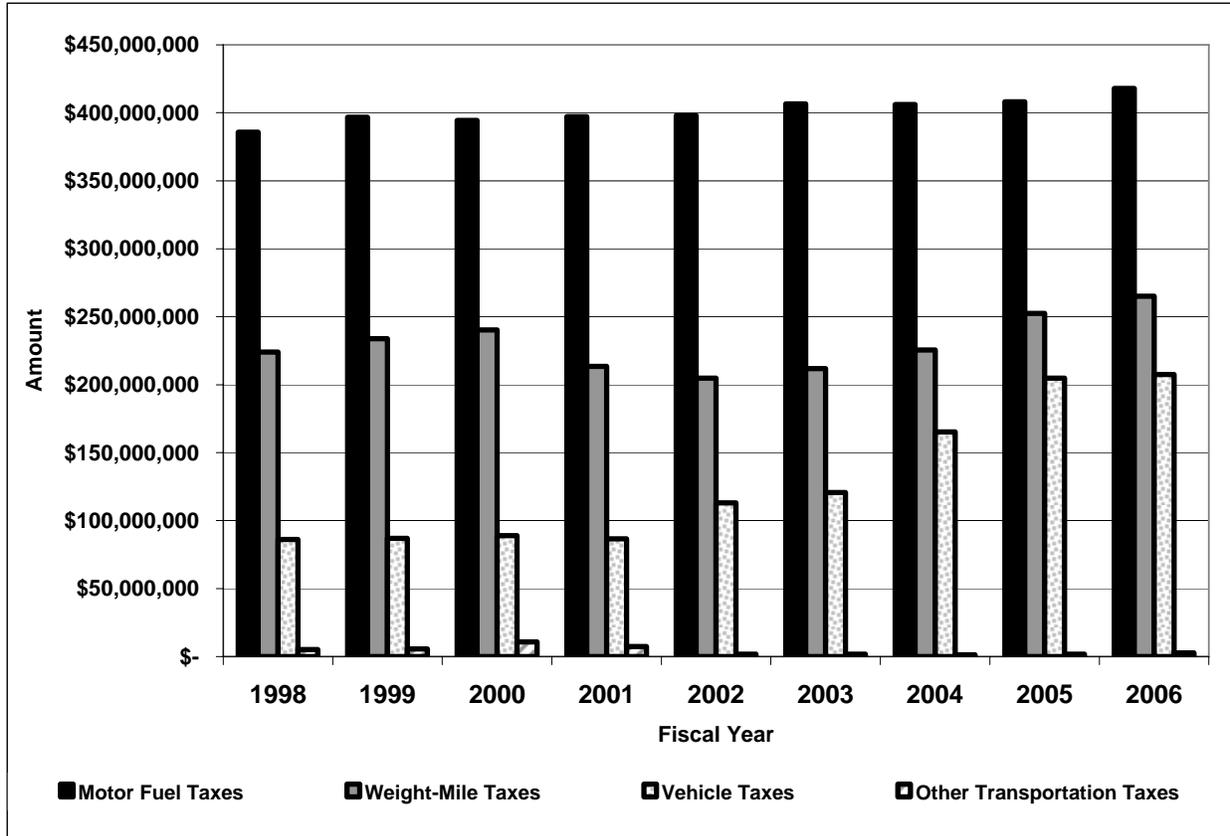


Expenditures	1998	1999	2000	2001	2002	2003	2004	2005	2006
Personal Services	\$ 210,767,464	\$ 228,641,583	\$ 247,826,435	\$ 252,625,841	\$ 259,788,049	\$ 279,492,945	\$ 276,589,663	\$ 288,160,254	\$ 303,975,428
Services and Supplies	523,041,778	581,863,421	489,599,937	481,483,501	446,539,370	607,618,926	662,482,959	819,583,482	804,711,506
Capital Outlay	19,947,137	20,914,183	7,017,170	23,635,572	21,525,630	11,515,705	8,363,784	20,949,092	14,383,378
Special Payments (1)	77,869,841	43,413,152	58,684,899	68,444,067	43,910,707	39,156,891	34,538,359	354,375,509	38,432,192
Debt Service	<u>38,760,655</u>	<u>17,646,130</u>	<u>13,464,080</u>	<u>15,732,273</u>	<u>17,340,080</u>	<u>49,739,794</u>	<u>31,108,932</u>	<u>53,788,508</u>	<u>52,613,801</u>
Total Expenditures	<u>\$ 870,386,875</u>	<u>\$ 892,478,469</u>	<u>\$ 816,592,521</u>	<u>\$ 841,921,254</u>	<u>\$ 789,103,836</u>	<u>\$ 987,524,261</u>	<u>\$ 1,013,083,697</u>	<u>\$ 1,536,856,845</u>	<u>\$ 1,214,116,305</u>

(1) Special Payments in 2005 includes \$300 million that was granted to local governments under the terms of the Oregon Transportation Investment Act (OTIA).

Table 4

Gross Vehicle-Related Tax Collections – Nine Year Trend

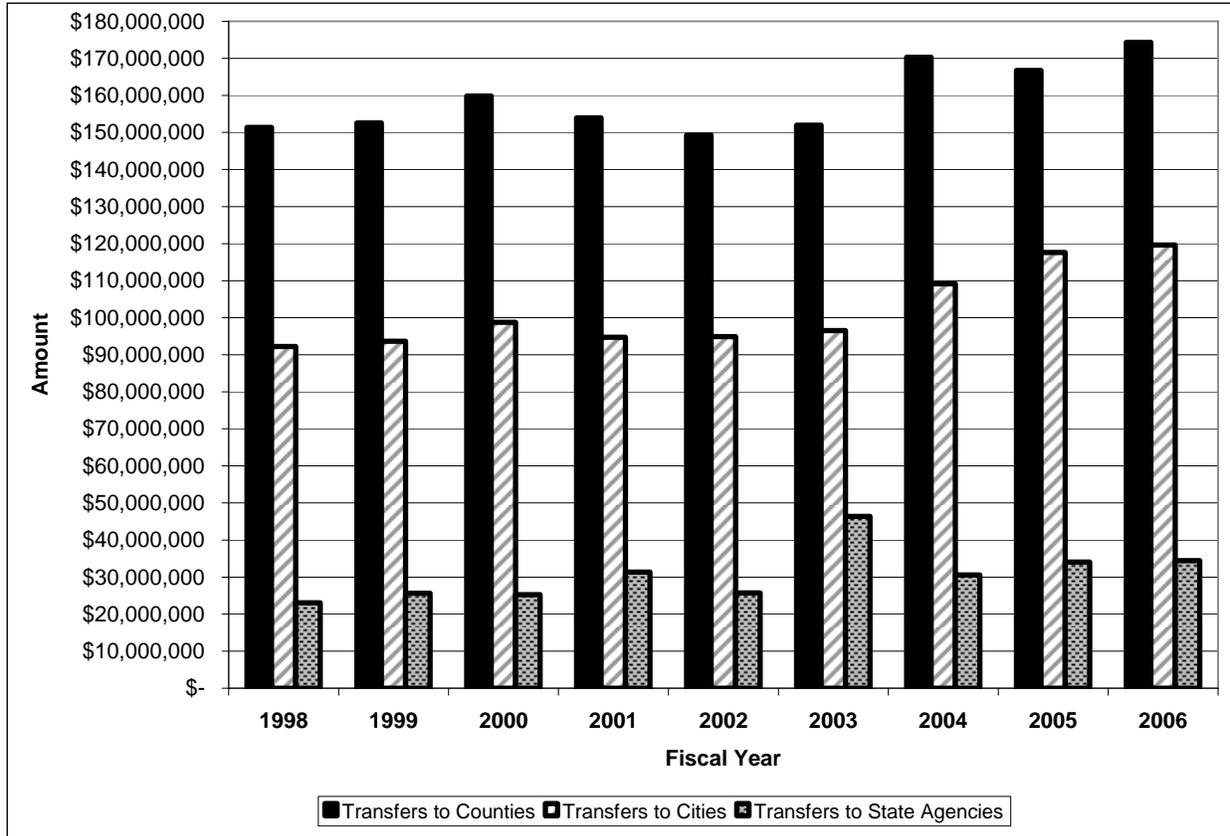


Vehicle Related Taxes	1998	1999	2000	2001	2002	2003	2004	2005	2006
Motor Fuel Taxes	\$ 385,718,791	\$ 396,742,553	\$ 394,405,931	\$ 397,162,232	\$ 397,984,254	\$ 406,527,322	\$ 406,023,758	\$ 408,099,454	\$ 417,912,950
Weight-Mile Taxes	224,025,365	233,794,274	240,190,088	213,470,675	204,732,673	211,804,629	225,490,882	252,453,050	265,109,576
Vehicle Taxes	86,258,513	86,993,346	88,860,110	86,680,275	113,137,171	120,710,821	165,269,759	204,818,218	207,599,261
Other Transportation Taxes	<u>5,150,095</u>	<u>5,617,534</u>	<u>10,737,828</u>	<u>7,491,606</u>	<u>1,827,368</u>	<u>1,806,354</u>	<u>1,327,832</u>	<u>1,811,364</u>	<u>2,699,549</u>
Total Vehicle Related Taxes	<u>\$ 701,152,764</u>	<u>\$ 723,147,707</u>	<u>\$ 734,193,957</u>	<u>\$ 704,804,788</u>	<u>\$ 717,681,466</u>	<u>\$ 740,849,126</u>	<u>\$ 798,112,231</u>	<u>\$ 867,182,086</u>	<u>\$ 893,321,336</u>

The tax revenues presented above are *before* distributions are made to other jurisdictions. Vehicle taxes are comprised primarily of vehicle registration taxes paid in lieu of property taxes and vehicle title transactions. Other transportation taxes represent collections by the *Motor Carrier Transportation Division* and the *Driver and Motor Vehicle Services Division* from motor carriers and others for road use privileges for vehicles that cause greater damage to the road system than what is normally expected. Some examples are over-width and over-weight permits, temporary road use permits and non-divisible loads.

Table 5

Net Revenue Transfers to Other Governments – Nine Year Trend



<u>Distribution Category</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Transfers to Cities	\$ 92,268,411	\$ 93,678,676	\$ 98,735,839	\$ 94,711,775	\$ 94,888,387	\$ 96,486,685	\$ 109,176,221	\$ 117,585,956	\$ 119,631,206
Transfers to Counties	151,382,217	152,538,707	159,853,266	153,895,285	149,338,063	151,946,604	170,317,584	166,762,359	174,302,576
Transfers to State Agencies	23,046,066	25,590,767	25,275,581	31,332,332	25,700,332	46,384,181	30,561,790	34,044,909	34,419,736
Total Distributions	<u>\$ 266,696,694</u>	<u>\$ 271,808,150</u>	<u>\$ 283,864,686</u>	<u>\$ 279,939,392</u>	<u>\$ 269,926,782</u>	<u>\$ 294,817,470</u>	<u>\$ 310,055,595</u>	<u>\$ 318,393,224</u>	<u>\$ 328,353,518</u>

The Department is required by law to apportion State highway funds to counties and cities in the State based on specific criteria. Funds are apportioned to counties based on the proportion of the number of vehicles, trailers, semi-trailers, pole-trailers and pipe-trailers registered in each county to the total number of those same vehicles registered statewide. The percentage allocation is determined on a calendar year basis. Funds are apportioned to cities based on the proportion of the population of each city to the total population of the State as determined by the Oregon State Board of Higher Education.