



 "Keeping Oregon on the Move"

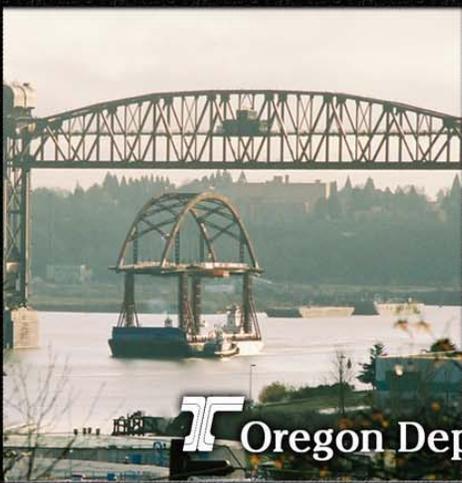
 **PUTTING
OREGON
BACK TO WORK**



Annual Financial Report

For Fiscal year Ended June 30, 2009

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



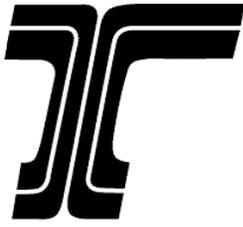
 Oregon Department of Transportation



**State of Oregon
Department of Transportation
Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

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Oregon

Theodore R. Kulongoski, Governor

Department of Transportation

Transportation Building

355 Capitol St. NE

Salem, Oregon 97301

FILE CODE:

January 11, 2010

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

Citizens of Oregon:

Your Oregon Department of Transportation (Department or ODOT) is pleased to present its annual financial report for the fiscal year ended June 30, 2009. The Department produces a non-audited annual financial report based on generally accepted accounting principles, promulgated by the Governmental Accounting Standards Board (GASB). The financial data summarized in this annual financial report comes from the Department's detailed financial data and the Statewide Financial Management Application (SFMA). The financial data in the Department's annual financial report supports the audited statewide Comprehensive Annual Financial Report (CAFR).

Per Oregon Revised Statute (ORS) 184.637, 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 in all material respects accurately and fairly presents the Department's financial position and results of operations. The report includes all disclosures necessary to enable the reader to gain an understanding of the Department's financial activities.

The Oregon Legislature created the Department in 1969 and reorganized it in 1973 and 1993. The primary responsibilities of the Department include managing the state's highway and bridge systems, administration of fuels taxation, motor vehicle and motor carrier laws, and oversight of public transit, rail and transportation safety programs throughout the state.

The Governor appoints, and the Oregon Senate confirms, the Director of the Department. The Oregon Transportation Commission (OTC) provides policy direction for departmental programs.

The Oregon Revised Statute set the OTC as a five-member, volunteer citizen's board. The Governor appoints the members, subject to Senate confirmation, 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.



- Give priority direction for programs and the Statewide Transportation Improvement Program (STIP).
- Exercise other powers vested in it by state law.

Per ORS 184.637 and ORS 184.638, the Chief Financial Officer's (CFO) responsibility includes establishing and maintaining internal controls of the Department's assets to protect from loss, theft or misuse. The statutes also instruct the CFO to compile adequate accounting data for the preparation of financial statements.

The Department's internal controls provide reasonable assurance that the Department meets these objectives. 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 the Department'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 (OTIA) marked the beginning of a new era of change and innovation in the Oregon Department of Transportation. To deliver OTIA highway construction projects, the Department made fundamental changes in the way it delivers the final product (a healthy transportation infrastructure and more jobs for Oregonians). Under this program, the Department and its private sector partners continue 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.

The OTIA program makes a significant contribution to Oregon jobs and the Oregon economy. The program enhances the state economy and provides for a revitalized transportation infrastructure. ODOT envisions Oregon's future as a strong and healthy private sector with plenty of jobs for everyone, a strong and sustainable economy, unimpeded freight mobility and the kind of livable communities Oregonians greatly value.

The 2001 Legislature passed the Oregon Transportation Investment Act I ((OTIA I) House Bill 2142). The Act increased several driver and motor vehicle fees for securing bonds for increasing lane capacity, improving interchanges, repairing and replacing bridges and preserving road pavement. In 2002 the Legislature passed the second phase of the OTIA program. OTIA II added money for projects to increase lane capacity and improve highway interchanges, fund additional bridge projects and to preserve road pavement.

The bond proceeds from OTIA I and II were combined with matching funds from local governments. Local governments and Area Commissions on Transportation worked together to recommend project lists to the OTC, which approved the final choices.

Building on the success of the first two phases of the OTIA program, the 2003 Legislature approved, and the Governor signed into law, the third phase of the OTIA program. For more information, see <http://egov.oregon.gov/ODOT/HWY/OTIA/index.shtml>.

ECONOMIC CONDITIONS AND OUTLOOK

During the past fiscal year, the Oregon, national and global economies were buffeted by a sharp economic reduction. While things appear to have stabilized considerably from the conditions experienced in the winter 2008-09, the downturn may continue before it has played out completely.

Oregon's total non-farm employment experienced 5.5 percent decrease (nearly 100,000 jobs) from fiscal year 2007. For the same period the nation experienced a 3.9 percent job loss.

However, the nation started losing jobs six months prior to Oregon's job losses. While there have been numerous claims about how strong this recession is, the contraction for Oregon is not as bad on the jobs front as what we endured in the 1980-82 recession. Unemployment rates for both periods are fairly comparable at about 11.5 percent.

This recession is roughly four times as severe as the state's prior downturn in 2001-02, which was an outgrowth of the "dot.com" crash and sharp curtailment in business fixed investments spending. In that downturn, consumers generally fared reasonably well, partly due to the advent of the housing boom and rising equity in houses, which households were able to use to support spending despite languishing wages and salaries. Nevertheless, it required approximately four years for Oregon's job levels to regain their peak in that recession.

This recession originated from the financial institutions and housing market, and has significantly impacted Oregon's construction activity. Construction employment is off by 25 percent, and the financial sector is down by 11 percent. The state's manufacturing sector continued to worsen the turbulence in our labor markets. Jobs in durable manufacturing peaked well before the onset of this recession, by about two years. While these jobs were about 18.5 percent lower than the prior year, they reflect a 23 percent decrease since 2006. For all the industries that comprise our non-manufacturing sector, which accounts for roughly four out of every five private industry jobs in the state, the drop off in jobs covered by this fiscal period was more muted, about 4.5 percent.

Although employment metrics have been severely impacted of late, Oregon personal income has been comparatively more robust. This is partly due to wages and salaries comprising only about 55 percent of all personal income generated statewide. Nominal personal income was down 1.4 percent from fiscal year-end 2008 to fiscal year-end 2009. However, when adjustment is made for inflation, real personal income was nearly flat year over year, stemming principally from the steep drop in oil and gas prices. These comparisons are mirrored at the national level.

In sum, Oregon's economy is expected to gradually recover as the national economic conditions stabilize and likewise slowly rebound. Significant job growth is still a ways off from the present. Job levels are not expected to surpass their 2008 peak until the 2013 timeframe. The slow rebound and extended duration for the recovery stem primarily from a weaker consumer sector. With lagging high unemployment rates, restructuring of household balance sheets and major demographic shifts, household spending most probably will be constrained. Only if export sectors rebound will fixed investment spending by businesses start to propel the economy in the face of otherwise depressed domestic demand. So, much depends on the global economy, foreign exchange rates and U.S. fiscal and monetary policies going forward.

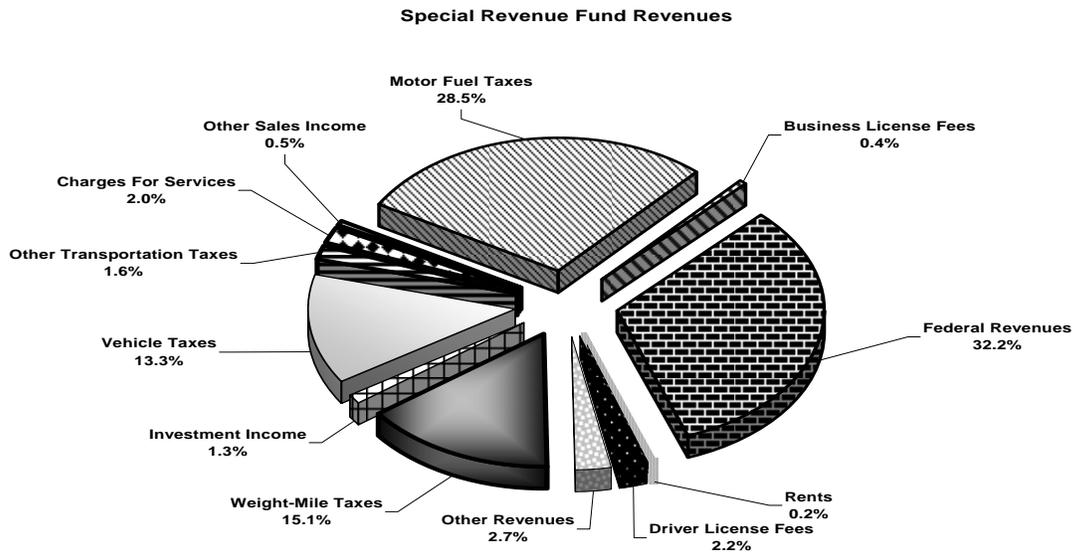
Budget challenges continue to present themselves to both the state and to local governments. Because the Department is not dependent on state General Fund revenues for its operations, it is not necessarily affected by the same budget matters to the extent as other state agencies. The Department receives a large share of its financial resources from motor fuel taxes, driver and vehicle-related fees and from weight-mile taxes. As the pace of economic growth in both Oregon and the nation slowed in the current recession, these user tax revenues showed some marked deterioration. Fee based revenues were also sensitive to the downturn, particularly vehicle-related revenues. With the slow recovery in the near term, these revenues will be slow to recover, as well.

Financing for the Department's activities also comes from federal funds. With the Congressional legislation supporting the federal surface transportation re-authorization, Oregon anticipates the federal grants to increase moderately over the next few years.

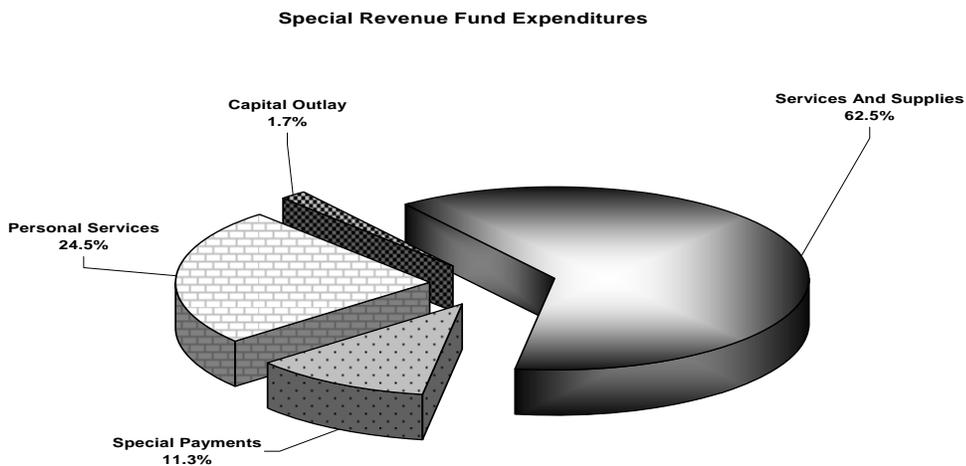
FINANCIAL ANALYSIS OF THE DEPARTMENT'S GOVERNMENTAL FUNDS

Special Revenue Funds

The Department accounts for 95% of its business in special revenue funds. The other 5% of the Department's governmental funds are debt service funds. The two principal special revenue sources are taxes (59%) and federal revenues (32%). Total revenues decreased from \$1,503,456,481 in 2008 to \$1,397,383,222 in 2009.



Special revenue fund expenditures are comprised primarily of services and supplies (62.5%). Services and supplies expenditures include payments for construction highway contracts. Special payments include city and county apportionments and distributions to other entities. Personal services payments include salaries, benefits and related expenditures. Capital outlay payments include machinery, equipment and related expenditures.



FINANCIAL HIGHLIGHTS

This section of the annual financial report presents an overview of the financial performance of the Oregon Department of Transportation (ODOT) for the fiscal year ended June 30, 2009. This section serves as an introduction to the Department's basic financial statements and focuses on significant financial matters.

FINANCIAL INFORMATION

Fund Level

As of June 30, 2009, the Department's governmental funds reported combined ending fund balances of \$985.6 million, compared to \$730.3 million for the previous year. In 2009, the Department issued \$347.3 million in highway revenue bonds. This contributed to the resulting increase in combined fund balances of \$255.3 million.

Long-Term Debt

The Department's total long-term debt increased by \$673.4 million, or 43 percent, during the current fiscal year. The primary reason for the increase was the issuance of revenue bonds issued under the terms of the Oregon Transportation Investment Act. In addition, lottery revenue bonds were issued by the Department of Administrative Services on behalf of ODOT for multimodal infrastructure networks.

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 financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the Department's governmental and fiduciary funds. State law and bond covenants require the Department to set up some of its funds. Other funds the Department establishes to account for taxes, grants or specific legal purposes.

Governmental Funds – the Department reports most of its basic services in the governmental fund financial statements. These statements provide a detailed short-term view of the Department's operations. The Department prepares these statements in the traditional governmental fund financial statement format using a modified accrual basis of accounting.

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

Fiduciary Funds – The category of agency funds accounts for the resources held to benefit parties outside the Department or to meet regulatory requirements. Those funds are not available to support the Department's own programs.

Notes to Financial Statements

The notes (located immediately following the financial statements) provide additional information intended to assist the reader in understanding the Department's financial condition.

Other Information

The combined financial statements provide additional detail about the Department's special revenue funds. A statistical section at the end of the report 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 – Les Brodie, 355 Capitol Street NE, Room 434, Salem, OR 97301-3872, Phone: (503) 986-3900.

ACKNOWLEDGEMENTS

This financial report provides citizens, taxpayers, customers, investors and creditors with a general overview of the Department's finances and demonstrates 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 Maureen Bock and Deb Tennant.

Sincerely,



Matthew L. Garrett, Director
Oregon Department of Transportation



Les Brodie
Chief Financial Officer

**PRINCIPAL OFFICERS OF THE OREGON DEPARTMENT OF TRANSPORTATION
JUNE 30, 2009**

OREGON TRANSPORTATION COMMISSION

<u>Commissioner</u>	<u>Commission Expires</u>
Gail Achterman, Chair	June 30, 2012
Michael Nelson, Vice Chair	June 30, 2011
Janice Wilson	June 30, 2012
Alan Brown	June 30, 2013
David Lohman	June 30, 2013

OREGON DEPARTMENT OF TRANSPORTATION

Director – Matthew Garrett

Deputy Director, Highway Division – Doug Tindall

Deputy Director, Central Services Division – Lorna Youngs

Administrator, Driver and Motor Vehicle Services Division – Tom McClellan

Administrator, Motor Carrier Transportation Division – Gregg Dal Ponte

Administrator, Transportation Development Division – Jerri Bohard

Administrator, Public Transit Division – Michael Ward

Administrator, Rail Division – Kelly Taylor

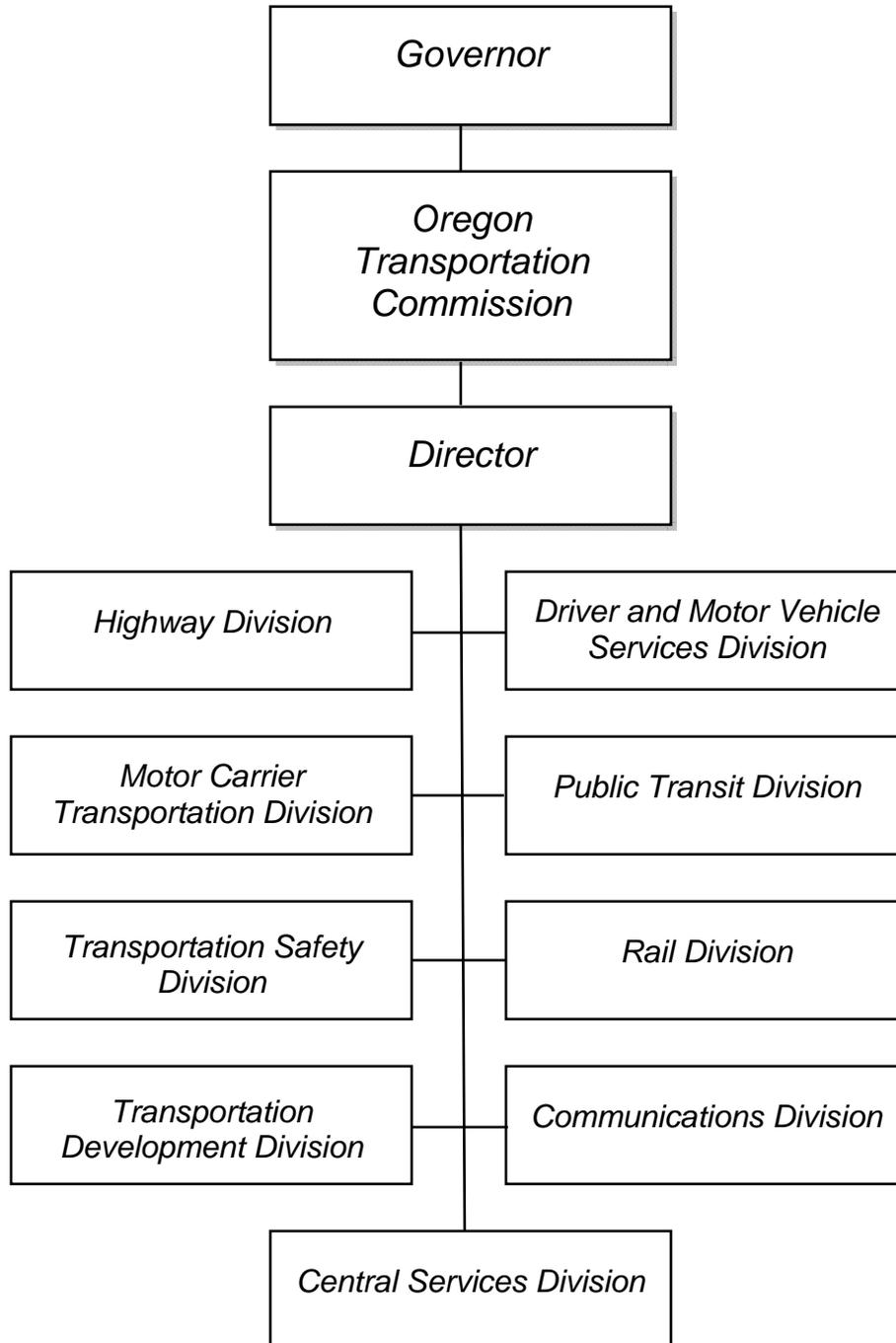
Administrator, Transportation Safety Division – Troy Costales

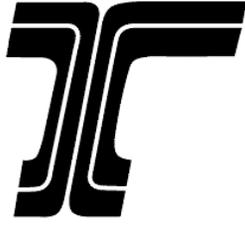
Administrator, Communications Division – Patrick Cooney

Chief Financial Officer, Financial Services – Les Brodie



STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
ORGANIZATION CHART
JUNE 30, 2009





FINANCIAL SECTION

State of Oregon
Department of Transportation
Combined Balance Sheet - All Fund Types
June 30, 2009

	Governmental Fund Types					Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds	Agency
Assets						
Cash and Cash Equivalents	\$ -	\$ 868,980,654	\$ 27,004,721	\$ (1,900,516)	\$ 894,084,859	\$ 10,667,053
Cash and Securities Held in Trust	-	18,467,002	38,488,565	-	56,955,567	-
Securities Lending Cash Collateral	-	40,527,524	-	-	40,527,524	-
Investments	-	119,080,718	-	-	119,080,718	-
Loans Receivable (net)	-	21,387,695	-	-	21,387,695	-
Taxes Receivable (net)	-	57,570,743	-	-	57,570,743	-
Due From the Federal Government	-	59,183,116	-	-	59,183,116	-
Due From Other State Agencies	-	3,329,583	40,941,841	-	44,271,424	-
Due From Other Funds	-	134,179,311	-	2,991,455	137,170,766	-
Advances to Other Funds	-	15,370,562	-	-	15,370,562	-
Other Accounts Receivable (net)	-	17,196,606	-	-	17,196,606	-
Inventories	-	22,642,579	-	-	22,642,579	-
Contracts Receivable	-	1,361,925	-	-	1,361,925	-
Total Assets	\$ -	\$ 1,379,278,018	\$ 106,435,127	\$ 1,090,939	\$ 1,486,804,084	\$ 10,667,053
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ -	\$ 156,313,262	\$ -	\$ 1,090,939	\$ 157,404,201	\$ -
Surety Deposits	-	-	-	-	-	6,098,521
Advances From Other Agencies	-	-	-	-	-	-
Advances From Other Funds	-	14,970,562	-	-	14,970,562	-
Obligations Under Securities Lending	-	40,527,524	-	-	40,527,524	-
Due to Other Governments	-	53,946,256	-	-	53,946,256	4,568,532
Due to Other State Agencies	-	13,754,307	-	-	13,754,307	-
Due to Other Funds	-	135,449,180	1,721,585	-	137,170,765	-
Deferred Revenue	-	10,319,077	-	-	10,319,077	-
Retainage Payable	-	18,227,717	-	-	18,227,717	-
Total Liabilities	-	443,507,885	1,721,585	1,090,939	446,320,409	10,667,053
<i>Fund Balances:</i>						
Reserved for:						
Inventories	\$ -	\$ 22,642,579	\$ -	\$ -	\$ 22,642,579	\$ -
Advances	-	14,970,562	-	-	14,970,562	-
Loans Receivable	-	21,387,695	-	-	21,387,695	-
Debt Service	-	-	104,713,542	-	104,713,542	-
Revolving Fund	-	40,000	-	-	40,000	-
Other Dedicated Programs	-	876,729,297	-	-	876,729,297	-
Total Fund Balances	-	935,770,133	104,713,542	-	1,040,483,675	-
Total Liabilities and Fund Balances	\$ -	\$ 1,379,278,018	\$ 106,435,127	\$ 1,090,939	\$ 1,486,804,084	\$ 10,667,053

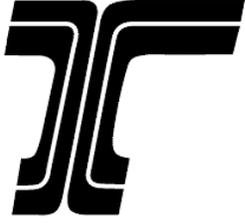
State of Oregon
Department of Transportation
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Fund Types
For the Fiscal Year Ended June 30, 2009

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Motor Fuel Taxes	\$ -	\$ 399,413,471	\$ -	\$ -	\$ 399,413,471
Federal Revenues	-	449,455,248	-	-	449,455,248
Weight-Mile Taxes	-	210,354,008	-	-	210,354,008
Vehicle Taxes	-	185,201,983	-	-	185,201,983
Driver License Fees	-	31,349,998	-	-	31,349,998
Other Transportation Taxes	-	22,778,778	-	-	22,778,778
Charges For Services	-	27,989,703	-	-	27,989,703
Other Sales Income	-	6,449,227	-	-	6,449,227
Investment Income	-	17,981,222	624,459	-	18,605,681
Business License Fees	-	5,207,044	-	-	5,207,044
Rents	-	2,954,646	-	-	2,954,646
Other Revenues	-	38,247,894	-	-	38,247,894
Total Revenues	<u>-</u>	<u>1,397,383,222</u>	<u>624,459</u>	<u>-</u>	<u>1,398,007,681</u>
Expenditures:					
Personal Services	-	361,975,904	-	391,442	362,367,346
Services and Supplies	-	923,480,986	1,779,900	4,293,787	929,554,673
Capital Outlay	-	25,531,957	-	-	25,531,957
Debt Service	-	628,141	120,827,851	-	121,455,992
Special Payments	222,547	167,588,954	-	-	167,811,501
Total Expenditures	<u>222,547</u>	<u>1,479,205,942</u>	<u>122,607,751</u>	<u>4,685,229</u>	<u>1,606,721,469</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(222,547)</u>	<u>(81,822,720)</u>	<u>(121,983,292)</u>	<u>(4,685,229)</u>	<u>(208,713,788)</u>
Other Financing Sources (Uses):					
General Fund Appropriations	222,547	-	-	-	222,547
Long-Term Debt Proceeds	-	728,485,000	-	-	728,485,000
Long-Term Bond Premiums	-	19,094,224	195,899	-	19,290,123
Long-Term Bond Discounts	-	(2,926,017)	-	-	(2,926,017)
Refunding Bond Proceeds	-	-	6,871,609	-	6,871,609
Refunding Debt Payment to Escrow	-	-	(7,009,193)	-	(7,009,193)
Transfers In	-	9,137,094	169,702,298	4,706,980	183,546,372
Transfers Out	-	(408,663,555)	(4,080,576)	(21,751)	(412,765,882)
Loans Made to Others	-	50,000	-	-	50,000
Loans Principal Repaid to Others	-	400,000	-	-	400,000
Insurance Recovery	-	665,560	-	-	665,560
Total Other Financing Sources (Uses)	<u>222,547</u>	<u>346,242,306</u>	<u>165,680,037</u>	<u>4,685,229</u>	<u>516,830,119</u>
Net Change in Fund Balances	-	264,419,586	43,696,745	-	308,116,331
Fund Balances - Beginning	-	669,239,705	61,016,797	-	730,256,502
Prior Period Adjustment	-	1,790,484	-	-	1,790,484
Change in Reserves	-	320,358	-	-	320,358
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 935,770,133</u>	<u>\$ 104,713,542</u>	<u>\$ -</u>	<u>\$ 1,040,483,675</u>

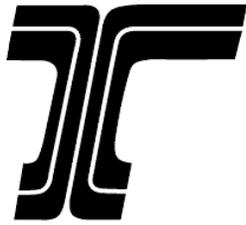
State of Oregon
Department of Transportation
**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual**
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2009

	General Fund			Special Revenue Funds		
	2007-2009 Biennial Budget	2007-2009 Biennial Actuals	Variance Uncollected/ Unspent	2007-2009 Biennial Budget	2007-2009 Biennial Actuals	Variance Uncollected/ Unspent
Revenues:						
Motor Fuel Taxes	\$ -	\$ -	\$ -	\$ 889,771,428	\$ 812,519,295	\$ 77,252,133
Federal Revenues	-	-	-	863,478,524	908,722,963	(45,244,439)
Weight-Mile Taxes	-	-	-	506,071,428	471,204,936	34,866,492
Vehicle Taxes	-	-	-	423,323,045	386,447,311	36,875,734
Driver License Fees	-	-	-	77,933,779	68,177,426	9,756,353
Other Transportation Taxes	-	-	-	66,962,183	23,309,893	43,652,290
Charges For Services	-	-	-	2,169,235	85,338,598	(83,169,363)
Other Sales Income	-	-	-	19,811,516	22,066,497	(2,254,981)
Investment Income	-	-	-	15,866,881	59,947,251	(44,080,370)
Business License Fees	-	-	-	4,084,803	11,124,137	(7,039,334)
Rents	-	-	-	1,950,316	5,905,201	(3,954,885)
Other Revenues	-	-	-	6,778,217	46,076,195	(39,297,978)
Total Revenues	-	-	-	2,878,201,355	2,900,839,703	(22,638,348)
Expenditures:						
Personal Services	-	-	-	693,666,800	701,922,404	(8,255,604)
Services and Supplies	-	-	-	2,252,345,464	1,853,582,457	398,763,007
Capital Outlay	-	-	-	36,825,721	30,513,776	6,311,945
Special Payments	4,504,713	4,504,713	-	344,176,453	241,393,330	102,783,123
Debt Service	-	-	-	-	1,280,184	(1,280,184)
Total Expenditures	4,504,713	4,504,713	-	3,327,014,438	2,828,692,151	498,322,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,504,713)	(4,504,713)	-	(448,813,083)	72,147,552	(520,960,635)
Other Financing Sources (Uses):						
General Fund Appropriations	4,504,713	4,504,713	-	-	-	-
Long-Term Debt Proceeds	-	-	-	908,614,960	738,545,000	170,069,960
Long-Term Bond Premiums	-	-	-	-	19,094,224	(19,094,224)
Long-Term Bond Discounts	-	-	-	-	(2,926,017)	2,926,017
Refunding Bond Proceeds	-	-	-	-	-	-
Refunding Debt Payment to Escrow	-	-	-	-	-	-
Loan Repayments	-	-	-	10,163,632	-	10,163,632
Transfers In	-	-	-	2,165,743,219	2,235,807,700	(70,064,481)
Transfers Out	-	-	-	(2,664,003,471)	(3,054,366,894)	390,363,423
Loans Made To Others	-	-	-	-	50,000	(50,000)
Loans Principal Repaid to Others	-	-	-	-	400,000	(400,000)
Insurance Recovery	-	-	-	-	2,613,819	(2,613,819)
Total Other Financing Sources (Uses)	4,504,713	4,504,713	-	420,518,340	(60,782,168)	481,300,508
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ (28,294,743)	11,365,384	\$ (39,660,127)
Fund Balances - Beginning	-	-	-	-	922,144,730	-
Change in Reserves	-	-	-	-	469,535	-
Prior Period Adjustment	-	-	-	-	1,790,484	-
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -	\$ 935,770,133	\$ -

The accompanying notes are an integral part of the financial statements. These statements are not audited.



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NOTES TO FINANCIAL STATEMENTS

STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oregon Department of Transportation (Department) financial statements conform to the Oregon Department of Administrative Services statewide accounting and reporting policies. These accounting and reporting policies adhere to 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 became an Executive Branch agency in the State of Oregon in 1969. The Oregon Legislature reorganized the Department 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 Governor appoints the Director of the Department who 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's organization consists of nine areas: Highway, Driver and Motor Vehicle Services, Motor Carrier Transportation, Public Transit, Transportation Safety, Rail, Transportation Development, 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 describes the transactions recorded within the various financial statements. Basis of accounting refers to recording of the transactions regardless of the measurement focus.

Governmental Fund Financial Statements

The governmental fund statements report by 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, we recognize revenues as soon as they become both measurable and available. Revenues become available after collection within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues available if the Department collects the revenue within 90 days of the end of the current fiscal period. The Department recognizes derived tax revenues (such as motor fuel and weight-mile taxes) in the year that the taxes become measurable and available. The agency recognizes federal reimbursement grants as revenue when incurring the qualifying expenditures and meeting all other grant requirements. Licenses and fees or cash sales of goods and services become revenue when received as cash. These become nonaccrual revenue.

The agency generally records expenditures when incurring a liability as under the accrual basis of accounting. The Department records expenditures related to debt service, compensated absences and claims and judgments only when payment is due.

Fiduciary Fund Financial Statements

The Department uses the accrual basis of accounting for recording its assets and liabilities of fiduciary funds. Because fiduciary funds are custodial in nature, they do not measure the results of operations.

BASIS OF PRESENTATION

The Department records its financial activities in individual funds. A fund consists of 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 demonstrates legal compliance and aids in financial management by segregating transactions related to certain government functions or activities. The financial statements report various funds by generic classification.

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 legally restricted to expenditures for specified purposes. Expenditures from these accounts are usually charged against a legislatively-approved limitation.

Debt Service Funds 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 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.

The State Treasurer designates and holds certain investments for ODOT. The Department's fiscal agent makes and holds other investments. The Department states all investments (including equity in pooled investments) at fair value.

Receivables and Payables

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

The Department states receivables in the governmental and proprietary funds as the 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

The Department uses the first-in/first-out (FIFO) method for cost valuation of inventories of materials and supplies in its governmental funds. FIFO valuation requires charging the expenditures on purchase. Reported inventories in governmental funds are equally offset by a reservation of fund balance, since they are not available for appropriation.

Capital Assets

The Department values capital assets, which include land, buildings, equipment and infrastructure assets, at historical cost or, if donated, at the estimated fair value at the date of acquisition. The Department added infrastructure 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.

Pollution Remediation

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, requires the Department to account for its obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities. This includes pre-cleanup and cleanup activities, government oversight and enforcement-related activities, as well as operation and maintenance including post-remediation monitoring. It excludes pollution prevention and control activities unless they are part of the pollution remediation activity. The Department has a number of sites that may require it to track its expenditures for these activities.

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 following 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 Another 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). State agencies, including the Department, prepare their budgets based on the source of funding. The four primary revenue sources available to state agencies to budget for expenditures are the State General Fund, Federal Funds, Lottery Funds and Other Funds, which are usually 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 for which 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., fuels 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.

A major component of the Department's budget request to the Governor is the Statewide Transportation Improvement Program (STIP). The STIP is the Department's four-year capital improvement program. In the STIP, the Department assigns resources to those projects that have been given the highest priority through the STIP update process. The STIP is updated every two years. For more information, see <http://www.oregon.gov/ODOT/TD/TP/Background.shtml>.

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, 2009:

Deposits in transit	\$	3,325,244
Deposits with State Treasury		901,453,673
Deposits with fiscal agents		23,185,816
Investments with fiscal agents		33,979,971
Investments		119,080,718
Total	\$	<u>1,081,025,422</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, 2009, the Department's investments consisted of guaranteed investment contracts, U.S. agency securities and corporate bonds.

Special Payments

Special payments are the payments the Department makes to other governmental jurisdictions (including counties, cities, and other state agencies), quasi-public agencies and, in some cases, individuals. The distinguishing characteristic of this type of payment is that the Department does not receive any associated goods and services in exchange for the payment. Special payments include distributions of contributions, loans, deposits, grant, collections and distributions of federal or state funds directly to the governmental subdivisions, quasi-public agencies and others.

Fund Transfers

Internal transfer activity is included at the combining financial statement (detail) level and eliminated at the combined (summary) level. Interfund activity was eliminated at the combined (summary) level for presentation purposes.

The following schedule summarizes the transfer activity for the fiscal year ended June 30, 2009:

	Transfers In	Transfers Out
<u>Intrafund transfers:</u>		
Special Revenue Funds		
Debt Service	\$ 4,080,577	\$ 125,266,897
Capital Projects	21,751	4,706,980
Debt Service Funds		
Special Revenue	125,266,897	4,080,577
Capital Projects Funds		
Special Revenue	4,706,980	21,751
Total intrafund transfers	<u>134,076,205</u>	<u>134,076,205</u>
 <u>State agency transfers:</u>		
Special Revenue Funds		
Department of Administrative Services	-	774
Governor's Office	-	30,259
Department of Economic and Community Development	-	338,675
Department of Aviation	-	2,087,428
Oregon State Police	-	-
Department of Revenue	4,038,892	-
Military Department	722,103	-
State Marine Board	417	5,377,307
Department of Veterans' Affairs	-	35,793
Department of Forestry	-	-
Department of Consumer and Business Services	-	318,978
Watershed Enhancement Board	-	287,467
Department of Land Conservation and Development	58,103	-
Department of Education	-	-
Parks and Recreation Department	215,251	24,546,121
Public Utilities Commission	-	-
Debt Service Funds		
Department of Administrative Services	44,435,402	-
Total state agency transfers	<u>49,470,168</u>	<u>33,022,802</u>
 <u>Local governmental transfers:</u>		
Special Revenue Funds		
Cities	-	100,672,289
Counties	-	144,994,585
Total local governmental transfers	<u>-</u>	<u>245,666,874</u>
 Total transfers	 <u>\$ 183,546,373</u>	 <u>\$ 412,765,881</u>

Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 1,527,203,251	\$ 10,019,958	\$ (2,482,377)	\$ 1,534,740,832
Land improvements	53,148,132	1,129,101	-	54,277,233
Buildings	139,129,643	3,929,733	(105,132)	142,954,244
Machinery and equipment	221,637,608	25,144,717	(7,558,876)	239,223,449
Data processing software	26,871,949	3,528,785	(376,718)	30,024,016
Leasehold improvements	355,258	58,463	-	413,721
Construction in progress - Highway	518,426,670	2,710,547,241	(999,002,105)	2,229,971,806
Construction in progress - Other	3,218,569	6,571,606	(5,012,902)	4,777,273
State highway network	11,524,768,476	70,322,731	(588,031,157)	11,007,060,050
State bridge network	<u>2,924,000,406</u>	<u>1,728,162</u>	<u>(121,572,851)</u>	<u>2,804,155,717</u>
Total capital assets	<u>\$ 16,938,759,962</u>	<u>\$ 2,832,980,497</u>	<u>\$ (1,724,142,118)</u>	<u>\$ 18,047,598,341</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 2009 included the following:

- The Department spent over \$554.3 million on 669 highway and bridge construction projects.
- Nearly \$22.5 million was spent on capital equipment used to maintain highways and bridges, such as sweepers, trucks, tractors, sanders and other heavy equipment.
- Commitments of \$1,139.4 million have been made for highway and bridge construction.

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, 2009 were (in millions):

<u>For Fiscal Year Ended June 30</u>	<u>Federal</u>	<u>Local</u>	<u>State</u>	<u>Total</u>
2010	400.0	44.4	239.7	684.1
2011	174.8	35.6	123.4	333.8
2012	54.2	12.2	46.6	113.0
2013	9.3	-	11.5	20.8
Total Commitments	<u>\$ 638.3</u>	<u>\$ 92.2</u>	<u>\$ 421.2</u>	<u>\$ 1,151.7</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, 2009 are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2010	4,022,152
2011	2,979,492
2012	1,844,567
2013	1,322,489
2014	1,139,368
2015-2018	2,151,479
Total	<u>\$ 13,459,547</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. The individual debt schedules are summarized below for all long-term debt outstanding at June 30, 2009, which consists 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 of Transportation is required to make the debt service payments from the Lottery Funds appropriated to it. The net proceeds from these bonds are being 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, 2009 of \$645,000.

In March 2004, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$985,511. As the designated user agency, the Department of Transportation is required to make the debt service payments from the Lottery Funds appropriated to it. The net proceeds from these bonds are being used to refund a portion of Oregon Lottery Bonds issued in April 2002. The final maturity date for this bond series is April 2018. The bonds have an outstanding principal balance at June 30, 2009 of \$965,538.

In August 2004, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$6,313,982. As the designated user agency, the Department of Transportation is required to make the debt service payments from the Lottery Funds appropriated to it. The net proceeds from these bonds are being 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, 2009 of \$4,568,840.

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 of Transportation 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, 2009 of \$3,691,633.62.

In September 2006, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$27,355,000. As the designated user agency, the Department of Transportation 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 multimodal transportation projects. The final maturity date for this bond series is April 2027. The bonds have an outstanding principal balance at June 30, 2009 of \$25,480,000.

In February 2007, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$104,540,000. As the designated user agency, the Department of Transportation 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 multimodal transportation projects and a commuter rail line in Washington County. The final maturity date for this bond series is April 2027. The bonds have an outstanding principal balance at June 30, 2009 of \$100,085,000.

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 final maturity date for this bond series is May 2010. The bonds have an outstanding principal balance at June 30, 2009 of \$2,765,000.

In June 2008, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$10,060,000. 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 for multimodal transportation projects. The final maturity date for this bond series is April 2014. The bonds have an outstanding principal balance at June 30, 2009 of \$5,455,000.

- 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 ended June 30, 2005, 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 2020 and had a balance outstanding at June 30, 2009 of \$5,340,000.

- 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 ended June 30, 2005, certain maturities were refunded in the Series 2004B and the Series 2005B issues. The final maturity for this series is November 2026. In the fiscal year ended June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2009 was \$24,500,000.
- 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. In the fiscal year ended June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2009 was \$173,540,000.
- 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, 2009 was \$74,875,000.
- 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 2029. In the fiscal year ended June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2009 was \$14,185,000.

- 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, 2009 was \$26,120,000.
- 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 highway and bridge projects under the OTIA I, II and III programs. 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. In the fiscal year ended June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2009 was \$238,460,000.
- 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 bonds 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 projects under the OTIA III program. 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, 2009 was \$100,270,000.
- Revenue Bonds Repaid by State Highway Fund Revenues (Series 2007A):
In May 2007, the Department issued highway user tax revenue bonds in the amount of \$358,225,000. The proceeds from the issuance were used to finance state highway and bridge projects under the OTIA I, II and III programs. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2007A 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 2032. The balance outstanding at June 30, 2009 was \$339,005,000.
- Revenue Bonds Repaid by State Highway Fund Revenues (Series 2007B):
In May 2007, the Department issued highway user tax revenue bonds in the amount of \$165,000,000. The Series 2007B bonds 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 projects under the OTIA III program. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The final maturity for this series is November 2027. The balance outstanding at June 30, 2009 was \$165,000,000.

- Revenue Bonds Repaid by State Highway Fund Revenues (Series 2007C):
In May 2007, the Department issued highway user tax revenue bonds in the amount of \$200,745,000. The proceeds from the issuance were used to refund certain maturities from the Series 2002A Bonds, Series 2004A Bonds, Series 2005A Bonds and Series 2006A Bonds. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2007C 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, 2009 was \$200,120,000.
- Revenue Bonds Repaid by State Highway Fund Revenues (Series 2009A):
In March 2009, the Department issued highway user tax revenue bonds in the amount of \$347,290,000. The proceeds from the issuance were used to finance projects under the OTIA III program. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2009A Bonds are subject to optional redemption effective November 2019 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2033. The balance outstanding at June 30, 2009 was \$347,290,000.
- Revenue Bonds Repaid by Lottery Proceeds:
In March 2009, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$381,195,000. As the designated user agency, the Department of Transportation is required to make the debt service payments from the Lottery Funds appropriated to it. The net proceeds from these bonds are being used to fund multimodal transportation projects, the Portland Light Rail Project, and the Oregon Street Car Project. The final maturity date for this bond series is April 2029. The first principal payment was due April 1, 2010. The bonds have an outstanding principal balance at June 30, 2009 of \$381,195,000.

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>
2010	\$ 58,729,438	\$ 101,806,619	\$ 160,536,057
2011	60,641,249	89,803,448	150,444,697
2012	50,972,763	86,812,092	137,784,855
2013	303,811,168	84,476,181	388,287,349
2014	25,925,000	81,682,055	107,607,055
2015-2019	504,080,827	354,046,637	858,127,464
2020-2024	492,260,568	259,830,646	752,091,214
2025-2029	579,275,000	154,196,796	733,471,796
2030-2034	157,860,000	36,083,800	193,943,800
Total	<u>\$ 2,233,556,013</u>	<u>\$ 1,248,738,274</u>	<u>\$ 3,482,294,287</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 May 2020 and has an outstanding principal balance at June 30, 2009 of \$6,789,832. Debt service requirements to maturity on the certificates of participation are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 498,662	\$ 294,165	\$ 792,827
2011	528,733	272,657	801,390
2012	545,289	249,207	794,496
2013	566,829	224,857	791,686
2014	593,430	200,040	793,470
2015-2019	3,601,889	585,911	4,187,800
2020-2024	<u>455,000</u>	<u>20,270</u>	<u>475,270</u>
Total	<u>\$ 6,789,832</u>	<u>\$ 1,847,107</u>	<u>\$ 8,636,939</u>

Changes in Long-Term Debt

Long-term debt for governmental activities during fiscal year 2009 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	\$ 1,559,554,243	\$ 728,485,000	\$ 54,483,230	\$ 2,233,556,013	\$ 58,729,438
Certificates of participation payable	<u>7,320,000</u>	<u>6,871,609</u>	<u>7,401,778</u>	<u>6,789,831</u>	<u>498,662</u>
Total long-term liabilities	<u>\$ 1,566,874,243</u>	<u>\$ 735,356,609</u>	<u>\$ 61,885,008</u>	<u>\$ 2,240,345,844</u>	<u>\$ 59,228,100</u>

Arbitrage Rebate Liability

The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. At June 30, 2009, the Department's arbitrage rebate liability on Lottery Bonds was \$66,962.

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 paid in full.

Pledged Revenues

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers and statutory transfers to counties, to repay \$1,708,705,000 of highway user tax revenue bonds. Proceeds from the bonds provide financing for the construction, reconstruction, improvement, repair, maintenance and operation and use of public highways, roads, streets, and roadside rest areas for the State. The bonds are payable solely from the pledged revenues and are payable through November 2033. Fiscal year 2009 principal and interest payments on the bonds are expected to require less than 25.39 percent of

pledged revenues. The total principal and interest remaining to be paid on the bonds is \$2,793,259,341. Principal and interest paid for the current year and total pledged revenues were \$92,655,119 and \$467,979,000, respectively.

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	\$ 6,125,521
Fuel dealers and retailers surety deposits	210,250
Fuel taxes collected on behalf of local governments	<u>4,568,532</u>
Total cash and securities held in trust	<u>\$ 10,904,303</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, which 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, 2009, the Department contributed a total of \$28,928,745 to PERS.

Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. State agencies are required to pay the Employment Department for benefit payments made to their former employees. Total payments made by the Department for the fiscal year ended June 30, 2009 were \$373,001.

Insurance

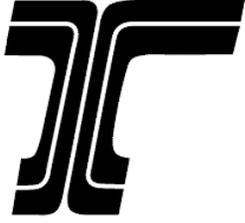
The Risk Management Division of the Department of Administrative Services administers the state's property and liability insurance programs. It is the policy of the Division not to purchase commercial insurance for most of the risks of loss to which the state is exposed. Instead, the Division manages 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

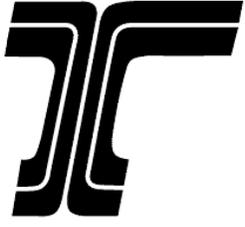
fund balance from the prior biennium. Risk insurance payments for the fiscal year ended June 30, 2009 were \$9,540,712.

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.



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COMBINING STATEMENTS

State of Oregon
Department of Transportation
Combining Balance Sheet
All Special Revenue Funds
June 30, 2009

	Highway Division	Central Services Division	Motor Carrier Transportation Division	Motor Vehicle Services Division	Other Funds	Total Special Revenue Funds
Assets						
Cash and Cash Equivalents	\$ 492,888,017	\$ 2,409,495	\$ 22,940,822	\$ 15,735,588	\$ 335,006,732	\$ 868,980,654
Cash and Securities Held in Trust	18,467,002	-	-	-	-	18,467,002
Securities Lending Cash Collateral	40,527,524	-	-	-	-	40,527,524
Investments	119,080,718	-	-	-	-	119,080,718
Loans Receivable (net)	111,428	-	-	-	21,276,267	21,387,695
Taxes Receivable (net)	-	36,950,123	17,920,311	2,693,035	7,274	57,570,743
Due From the Federal Government	44,669,770	18,794	901,006	-	13,593,546	59,183,116
Due From Other State Agencies	481,819	-	-	2,208,273	639,491	3,329,583
Due From Other Funds	128,728,187	3,969,154	-	-	1,481,970	134,179,311
Advances to Other Funds	14,970,562	-	-	-	400,000	15,370,562
Other Accounts Receivable (net)	15,211,354	102,581	428,429	1,078,648	375,594	17,196,606
Inventories	20,367,310	11,537	37,787	2,225,090	855	22,642,579
Contracts Receivable	1,361,925	-	-	-	-	1,361,925
Total Assets	<u>\$ 896,865,616</u>	<u>\$ 43,461,684</u>	<u>\$ 42,228,355</u>	<u>\$ 23,940,634</u>	<u>\$ 372,781,729</u>	<u>\$ 1,379,278,018</u>
Liabilities and Fund Balances						
<u>Liabilities:</u>						
Accounts Payable	\$ 131,525,964	\$ 6,668,071	\$ 2,404,833	\$ 4,843,113	\$ 10,871,281	\$ 156,313,262
Advances From Other State Agencies	-	-	-	-	-	-
Advances From Other Funds	-	-	-	-	14,970,562	14,970,562
Obligations Under Securities Lending	40,527,524	-	-	-	-	40,527,524
Due to Other Governments	50,881,387	-	-	-	3,064,869	53,946,256
Due to Other State Agencies	360,613	10,655,203	-	2,257,900	480,591	13,754,307
Due to Other Funds	58,383,686	24,456,852	38,446,926	14,016,611	145,105	135,449,180
Deferred Revenue	6,762,327	1,670,021	1,338,809	547,920	-	10,319,077
Retainage Payable	18,217,717	-	-	10,000	-	18,227,717
Total Liabilities	<u>306,659,218</u>	<u>43,450,147</u>	<u>42,190,568</u>	<u>21,675,544</u>	<u>29,532,408</u>	<u>443,507,885</u>
<u>Fund Balances:</u>						
Reserved for:						
Inventories	20,367,310	11,537	37,787	2,225,090	855	22,642,579
Advances	14,970,562	-	-	-	-	14,970,562
Loans Receivable	111,428	-	-	-	21,276,267	21,387,695
Revolving Fund	-	-	-	40,000	-	40,000
Other Dedicated Programs	554,757,098	-	-	-	321,972,199	876,729,297
Total Fund Balances	<u>590,206,398</u>	<u>11,537</u>	<u>37,787</u>	<u>2,265,090</u>	<u>343,249,321</u>	<u>935,770,133</u>
Total Liabilities and Fund Balances	<u>\$ 896,865,616</u>	<u>\$ 43,461,684</u>	<u>\$ 42,228,355</u>	<u>\$ 23,940,634</u>	<u>\$ 372,781,729</u>	<u>\$ 1,379,278,018</u>

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, 2009

	Highway Division	Central Services Division	Motor Carrier Transportation Division	Motor Vehicle Services Division	Other Funds	Total Special Revenue Funds
Revenues:						
Motor Fuel Taxes	\$ -	\$ 399,413,471	\$ -	\$ -	\$ -	\$ 399,413,471
Federal Revenues	416,202,901	276,288	3,374,419	-	29,601,640	449,455,248
Weight-Mile Taxes	-	-	210,354,008	-	-	210,354,008
Vehicle Taxes	-	-	-	184,992,054	209,929	185,201,983
Driver License Fees	-	-	-	29,014,609	2,335,389	31,349,998
Other Transportation Taxes	(180,613)	-	21,652,277	90,263	1,216,851	22,778,778
Charges for Services	26,551,834	784,512	78	-	653,279	27,989,703
Other Sales Income	3,886,378	142,313	9,118	2,411,418	-	6,449,227
Investment Income	13,602,307	164,735	1,570,265	-	2,643,915	17,981,222
Business License Fees	88,470	-	2,145,008	182,295	2,791,271	5,207,044
Rents	2,918,295	-	-	-	36,351	2,954,646
Other Revenues	31,276,537	195,395	3,228,041	1,134,264	2,413,657	38,247,894
Total Revenues	<u>494,346,109</u>	<u>400,976,714</u>	<u>242,333,214</u>	<u>217,824,903</u>	<u>41,902,282</u>	<u>1,397,383,222</u>
Expenditures:						
Personal Services	241,067,261	42,719,438	22,678,023	47,980,614	7,530,568	361,975,904
Services and Supplies	852,311,136	31,989,249	7,705,224	22,498,991	8,976,386	923,480,986
Capital Outlay	24,853,518	439,673	232,255	-	6,511	25,531,957
Bad Debt Expense	-	-	-	-	166,683	166,683
Debt Service	-	-	-	609	460,849	461,458
Special Payments	121,830,188	-	16	195,851	45,562,899	167,588,954
Total Expenditures	<u>1,240,062,103</u>	<u>75,148,360</u>	<u>30,615,518</u>	<u>70,676,065</u>	<u>62,703,896</u>	<u>1,479,205,942</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(745,715,994)</u>	<u>325,828,354</u>	<u>211,717,696</u>	<u>147,148,838</u>	<u>(20,801,614)</u>	<u>(81,822,720)</u>
Other Financing Sources (Uses):						
Long-Term Debt Proceeds	441,385,000	-	-	-	287,100,000	728,485,000
Long-Term Bond Premiums	11,534,626	-	-	-	7,559,598	19,094,224
Long-Term Bond Discounts	(2,926,017)	-	-	-	-	(2,926,017)
Transfers In	1,288,205,454	71,524,713	(912,862)	4,634	25,810,360	1,384,632,299
Transfers Out	(1,000,956,557)	(397,353,067)	(210,804,834)	(147,152,065)	(27,892,237)	(1,784,158,760)
Loans Made to Others	-	-	-	-	50,000	50,000
Loan Principal Repaid To Others	-	-	-	-	400,000	400,000
Insurance Recovery	666,967	-	-	(1,407)	-	665,560
Total Other Financing Sources (Uses)	<u>737,909,473</u>	<u>(325,828,354)</u>	<u>(211,717,696)</u>	<u>(147,148,838)</u>	<u>293,027,721</u>	<u>346,242,306</u>
Net Change in Fund Balances	(7,806,521)	-	-	-	272,226,107	264,419,586
Fund Balances - Beginning	595,943,878	40,556	31,010	2,201,004	71,023,257	669,239,705
Prior Period Adjustment	1,790,484	-	-	-	-	1,790,484
Change in Reserves	278,557	(29,019)	6,777	64,086	(43)	320,358
Fund Balances - Ending	<u>\$ 590,206,398</u>	<u>\$ 11,537</u>	<u>\$ 37,787</u>	<u>\$ 2,265,090</u>	<u>\$ 343,249,321</u>	<u>\$ 935,770,133</u>

State of Oregon
 Department of Transportation
 Combining Balance Sheet
 Special Revenue Funds - Other
 June 30, 2009

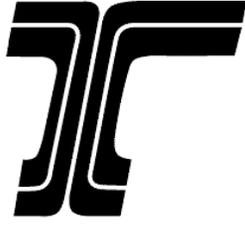
	Public Transit Division	Transportation Safety Division	Rail Division	Snowmobile Fund	Transportation Operating Fund
Assets					
Cash and Cash Equivalents	\$ 22,684,318	\$ 12,394,487	\$ 259,027,686	\$ 4,963,969	\$ 6,144,283
Loans Receivable	-	-	-	-	-
Taxes Receivable	-	-	-	3,558	-
Due From the Federal Government	3,438,660	10,154,886	-	-	-
Due From Other State Agencies	424,241	-	-	215,250	-
Due From Other Funds	145,105	277,196	366,515	693,154	-
Advances to Other Funds	-	-	-	-	-
Other Accounts Receivable	-	-	38,785	4,029	332,073
Inventories	503	241	111	-	-
Total Assets	<u>\$ 26,692,827</u>	<u>\$ 22,826,810</u>	<u>\$ 259,433,097</u>	<u>\$ 5,879,960</u>	<u>\$ 6,476,356</u>
Liabilities And Fund Balances					
<u>Liabilities:</u>					
Accounts Payable	\$ 776,625	\$ 8,893,157	\$ 723,633	\$ -	\$ 337,930
Advances from Other Funds	-	-	-	-	-
Due to Other Governments	2,831,503	233,366	-	-	-
Due to Other State Agencies	-	480,591	-	-	-
Due to Other Funds	-	-	-	-	145,105
Total Liabilities	<u>3,608,128</u>	<u>9,607,114</u>	<u>723,633</u>	<u>-</u>	<u>483,035</u>
<u>Fund Balances:</u>					
Reserved for:					
Inventories	503	241	111	-	-
Loans Receivable	-	-	-	-	-
Other Dedicated Programs	23,084,196	13,219,455	258,709,353	5,879,960	5,993,321
Total Fund Balances	<u>23,084,699</u>	<u>13,219,696</u>	<u>258,709,464</u>	<u>5,879,960</u>	<u>5,993,321</u>
Total Liabilities and Fund Balances	<u>\$ 26,692,827</u>	<u>\$ 22,826,810</u>	<u>\$ 259,433,097</u>	<u>\$ 5,879,960</u>	<u>\$ 6,476,356</u>

Winter Recreational Parking Fund	Environmental Quality Fund	Consumer Protection	Short-Line Premium Fund	Transportation Infrastructure Bank	Total Other Special Revenue Funds
\$ 753,134	\$ -	\$ 18,100	\$ 1,851,447	\$ 27,169,308	\$ 335,006,732
-	-	-	-	21,276,267	21,276,267
-	-	3,716	-	-	7,274
-	-	-	-	-	13,593,546
-	-	-	-	-	639,491
-	-	-	-	-	1,481,970
-	-	-	-	400,000	400,000
707	-	-	-	-	375,594
-	-	-	-	-	855
<u>\$ 753,841</u>	<u>\$ -</u>	<u>\$ 21,816</u>	<u>\$ 1,851,447</u>	<u>\$ 48,845,575</u>	<u>\$ 372,781,729</u>
\$ 20,044	\$ -	\$ 65	\$ 110,341	\$ 9,486	\$ 10,871,281
-	-	-	-	14,970,562	14,970,562
-	-	-	-	-	3,064,869
-	-	-	-	-	480,591
-	-	-	-	-	145,105
<u>20,044</u>	<u>-</u>	<u>65</u>	<u>110,341</u>	<u>14,980,048</u>	<u>29,532,408</u>
-	-	-	-	-	855
-	-	-	-	21,276,267	21,276,267
<u>733,797</u>	<u>-</u>	<u>21,751</u>	<u>1,741,106</u>	<u>12,589,260</u>	<u>321,972,199</u>
<u>733,797</u>	<u>-</u>	<u>21,751</u>	<u>1,741,106</u>	<u>33,865,527</u>	<u>343,249,321</u>
<u>\$ 753,841</u>	<u>\$ -</u>	<u>\$ 21,816</u>	<u>\$ 1,851,447</u>	<u>\$ 48,845,575</u>	<u>\$ 372,781,729</u>

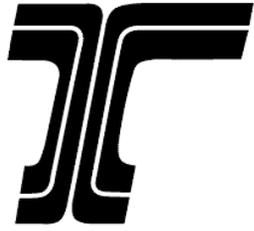
State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Special Revenue Funds - Other
For the Fiscal Year Ended June 30, 2009

	<u>Public Transit</u> <u>Division</u>	<u>Transportation</u> <u>Safety Division</u>	<u>Rail Division</u>	<u>Snowmobile</u> <u>Fund</u>	<u>Transportation</u> <u>Operating Fund</u>
Revenues:					
Federal Revenues	\$ 20,779,695	\$ 8,821,945	\$ -	\$ -	\$ -
Vehicle Taxes	-	-	-	156,041	53,888
Driver License Fees	-	-	-	-	2,335,389
Other Transportation Taxes	-	-	-	-	-
Charges for Services	-	-	462,279	-	-
Investment Income	105,249	225,796	769,150	117,308	38,085
Business License Fees	-	-	1,872,833	-	918,438
Rents	-	-	36,351	-	-
Other Revenues	600	49,737	2,273,742	-	89,578
Total Revenues	<u>20,885,544</u>	<u>9,097,478</u>	<u>5,414,355</u>	<u>273,349</u>	<u>3,435,378</u>
Expenditures:					
Personal Services	1,324,743	2,053,060	2,108,094	840,950	782,892
Services and Supplies	725,345	1,696,936	3,422,301	-	1,920,211
Capital Outlay	-	6,511	-	-	-
Bad Debt Expense	-	-	-	-	-
Debt Service	-	-	-	-	-
Special Payments	28,107,415	8,946,399	8,174,312	-	184,432
Total Expenditures	<u>30,157,503</u>	<u>12,702,906</u>	<u>13,704,707</u>	<u>840,950</u>	<u>2,887,535</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,271,959)</u>	<u>(3,605,428)</u>	<u>(8,290,352)</u>	<u>(567,601)</u>	<u>547,843</u>
Other Financing Sources (Uses):					
Transfers In	8,426,528	3,995,342	4,190,759	908,404	8,289,327
Transfers Out	(1,692,827)	(324,822)	(21,486,953)	-	(4,387,635)
Bond Proceeds	20,805,000	-	266,295,000	-	-
Bond Premiums	801,277	-	6,758,321	-	-
Loans Made To Others	-	-	-	-	-
Loans Principal Repaid To Others	-	-	400,000	-	-
Loan Proceeds	-	-	(400,000)	-	-
Total Other Financing Sources (Uses)	<u>28,339,978</u>	<u>3,670,520</u>	<u>255,757,127</u>	<u>908,404</u>	<u>3,901,692</u>
Net Change in Fund Balances	19,068,019	65,092	247,466,775	340,803	4,449,535
Fund Balances - Beginning	4,016,504	13,154,811	11,242,701	5,539,157	1,543,786
Change in Reserves	176	(207)	(12)	-	-
Fund Balances - Ending	<u>\$ 23,084,699</u>	<u>\$ 13,219,696</u>	<u>\$ 258,709,464</u>	<u>\$ 5,879,960</u>	<u>\$ 5,993,321</u>

Winter Recreational Parking Fund	Environmental Quality Fund	Consumer Protection	Short-Line Premium Fund	Transportation Infrastructure Bank	Total Other Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,601,640
-	-	-	-	-	209,929
-	-	-	-	-	2,335,389
1,169,902	-	46,949	-	-	1,216,851
-	-	-	-	191,000	653,279
23,216	-	328	37,577	1,327,206	2,643,915
-	-	-	-	-	2,791,271
-	-	-	-	-	36,351
-	-	-	-	-	2,413,657
<u>1,193,118</u>	<u>-</u>	<u>47,277</u>	<u>37,577</u>	<u>1,518,206</u>	<u>41,902,282</u>
326,534	-	(9,976)	-	104,271	7,530,568
1,142,457	-	64,539	-	4,597	8,976,386
-	-	-	-	-	6,511
-	-	-	-	166,683	166,683
-	-	-	-	460,849	460,849
-	-	-	110,341	40,000	45,562,899
<u>1,468,991</u>	<u>-</u>	<u>54,563</u>	<u>110,341</u>	<u>776,400</u>	<u>62,703,896</u>
<u>(275,873)</u>	<u>-</u>	<u>(7,286)</u>	<u>(72,764)</u>	<u>741,806</u>	<u>(20,801,614)</u>
-	-	-	-	-	25,810,360
-	-	-	-	-	(27,892,237)
-	-	-	-	-	287,100,000
-	-	-	-	-	7,559,598
-	-	-	-	450,000	450,000
-	-	-	-	-	400,000
-	-	-	-	-	(400,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>293,027,721</u>
(275,873)	-	(7,286)	(72,764)	1,191,806	272,226,107
1,009,670	-	29,037	1,813,870	32,673,721	71,023,257
-	-	-	-	-	(43)
<u>\$ 733,797</u>	<u>\$ -</u>	<u>\$ 21,751</u>	<u>\$ 1,741,106</u>	<u>\$ 33,865,527</u>	<u>\$ 343,249,321</u>



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STATISTICAL SECTION

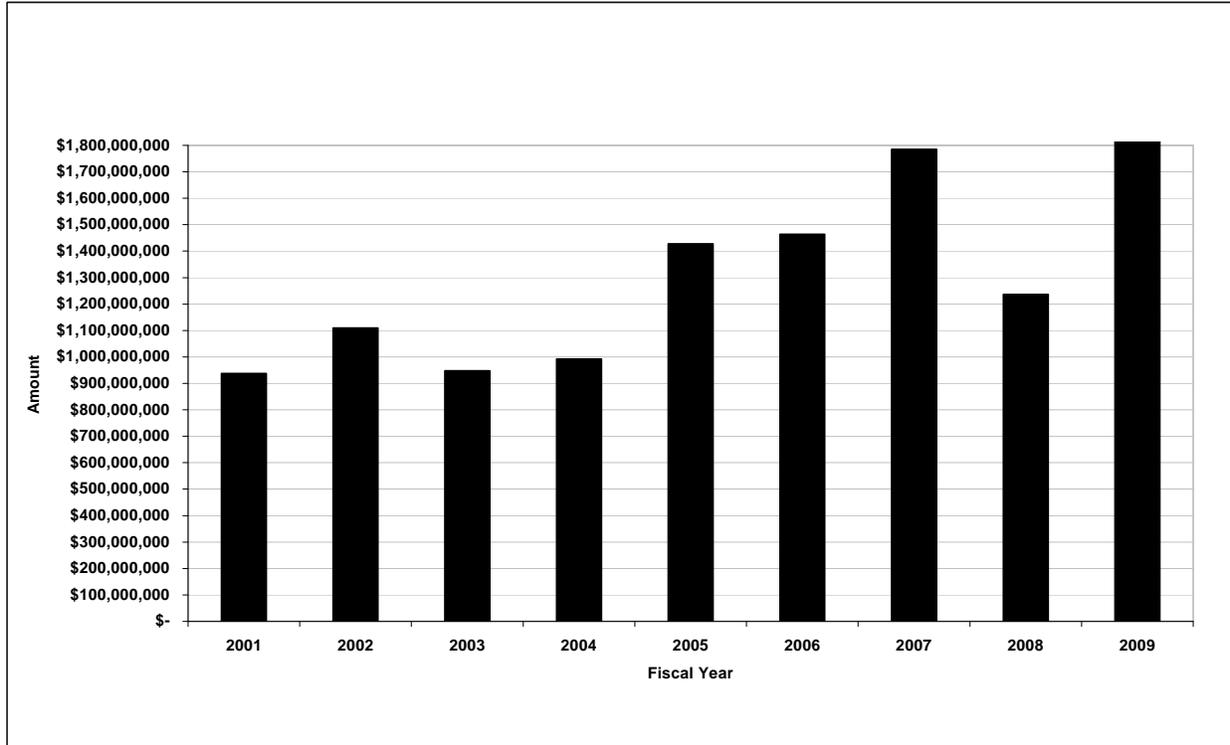
Table 1

Schedule of Federal Financial Assistance
For the Fiscal Year Ended June 30, 2009

<u>CFDA #</u>	<u>Federal Program Description</u>	<u>Amount</u>
20.205	Highway Planning and Construction	\$ 432,110,047
20.218	National Motor Carrier Safety	2,174,602
20.232	Commercial Drivers License State Programs	764,813
20.505	Federal Transit Metropolitan Planning Grants	814,283
20.509	Formula Grants for Other than Urbanized Areas	8,049,315
20.513	Capital Assistance for Elderly and Handicapped	7,892,798
20.514	Public Transportation Research	1,331
20.515	State Planning and Research	131,258
20.516	Job Access Reverse Commute	366,850
20.521	New Freedom Program	7,680
20.600	State and Community Highway Safety	2,240,269
20.601	Alcohol Traffic Safety Drunk Driving Prevention	1,539,674
20.602	Occupant Protection	437,737
20.604	Safety Incentives for Seatbelt Usage	536,177
20.605	Safety Incentives to Prevent Drunk Driving	318,253
20.608	Minimum Penalties Repeat DWI	695,968
20.609	Safety Belt Performance Grants	850,145
20.610	State Traffic Safety Information System Improvement	101,912
20.611	Incentive Grants to Prohibit Racial Profiling	251,490
20.612	Incentive Grants to Increase Motorcyclist Safety	87,276
20.613	Child Safety and Child Booster Seats Incentive Grants	116,320
20.614	NHTSA Discretionary Safety Grants	<u>86,776</u>
	Total Federal Financial Assistance	<u>\$ 459,574,974</u>

Table 2

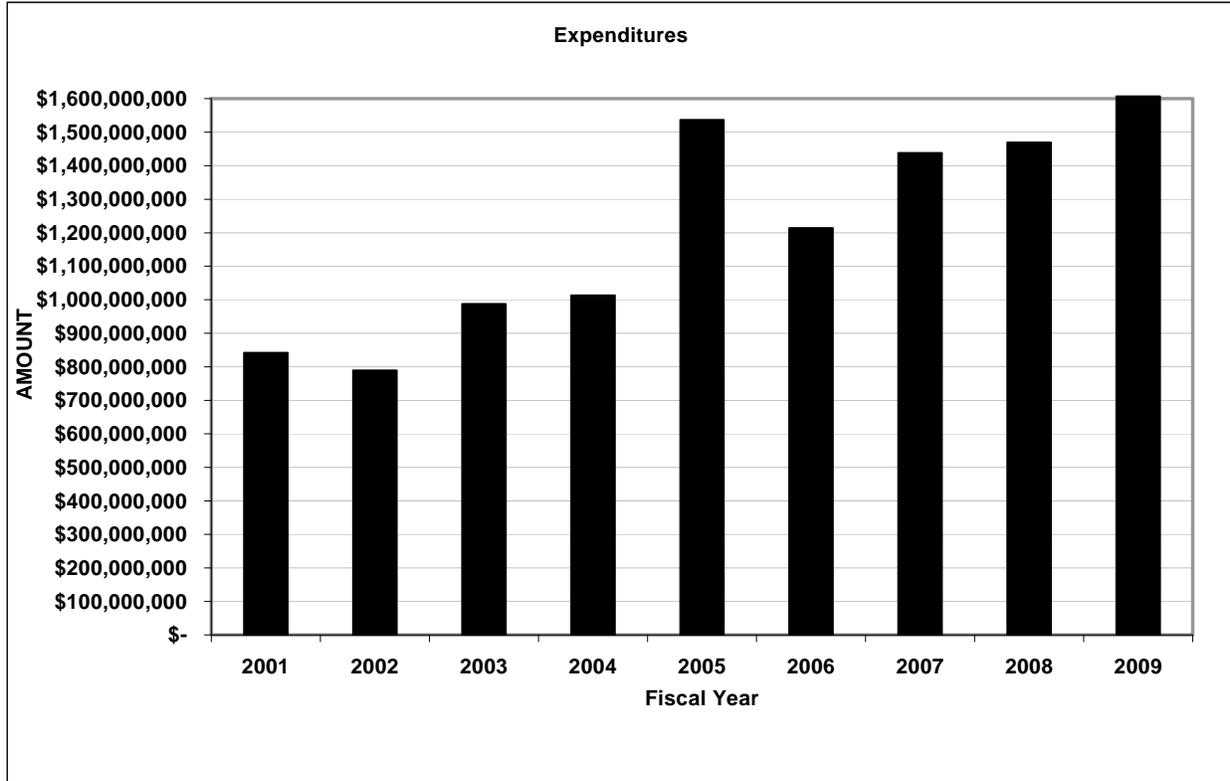
Net Revenues – Nine-Year Trend



Revenues	2001	2002	2003	2004	2005	2006	2007	2008	2009
Motor Fuel Taxes	\$ 397,162,232	\$ 397,984,254	\$ 406,527,322	\$ 406,023,758	\$ 408,099,454	\$ 417,912,950	\$ 416,395,672	\$ 413,105,824	\$ 399,413,471
Weight-Mile Taxes	213,470,675	204,732,673	211,804,629	225,490,882	252,453,050	265,109,576	256,902,830	260,850,928	210,354,008
Vehicle Taxes	86,680,275	113,137,171	120,710,821	165,269,759	204,818,218	207,599,261	205,204,602	201,245,328	185,201,983
Other Transportation Taxes	7,491,606	1,827,368	1,806,354	1,327,832	1,811,364	2,699,549	1,599,780	531,115	22,778,778
General Fund Appropriations	14,867,926	10,592,599	7,320,871	3,914,616	-	4,500,000	4,126,167	4,282,166	222,547
Investment Income	13,125,990	9,158,800	8,767,573	7,699,746	11,407,205	15,113,279	33,442,607	41,966,029	17,981,222
Transfers In - State Agencies	33,849,020	23,695,326	5,211,352	25,237,622	17,624,077	17,030,428	24,156,552	31,891,003	49,470,168
Federal Revenues	303,640,729	285,707,032	380,112,394	364,365,028	384,744,016	357,901,317	396,205,507	459,267,715	449,455,248
Driver License Fees	29,821,860	34,236,958	34,886,692	37,048,197	39,729,334	39,553,839	39,020,177	36,827,428	31,349,998
Charges for Services	37,166,427	32,614,336	45,721,858	41,940,333	56,246,200	32,397,467	38,829,469	57,348,895	27,989,703
Other Sales Income	7,994,776	13,949,588	4,988,404	5,682,619	10,228,859	10,700,246	10,292,696	15,617,270	6,449,227
Other Revenues	3,030,877	15,688,221	6,729,366	10,000,701	127,365,947	7,951,485	7,740,228	7,828,301	38,247,894
Business License Fees	2,599,163	6,152,485	6,313,732	6,037,167	5,852,411	5,798,722	4,507,911	5,917,093	5,207,044
Rents	2,554,615	1,482,164	1,266,967	2,386,873	11,244,756	6,056,106	2,787,522	2,950,555	2,954,646
Long-Term Debt Proceeds	58,515,056	228,643,006	512,161	-	213,741,421	402,047,930	666,055,446	10,060,000	728,485,000
Loan Proceeds	5,500,000	-	-	-	-	-	-	-	-
Total Gross Revenue	1,217,471,227	1,379,601,981	1,242,680,496	1,302,425,133	1,745,366,312	1,792,372,155	2,107,267,166	1,549,689,650	2,175,560,937
Transfers to Cities	(94,711,775)	(94,888,387)	(96,486,685)	(109,176,221)	(117,585,956)	(119,631,206)	(115,807,647)	(113,429,232)	(100,672,289)
Transfers to Counties	(153,895,285)	(149,338,063)	(151,946,604)	(170,317,584)	(166,762,359)	(174,302,576)	(168,141,328)	(166,165,082)	(144,994,585)
Transfers to State Agencies	(31,332,332)	(25,700,332)	(46,384,181)	(30,561,790)	(34,044,909)	(34,419,736)	(38,625,840)	(34,024,297)	(33,022,802)
Total Transfers Out	(279,939,392)	(269,926,782)	(294,817,470)	(310,055,595)	(318,393,224)	(328,353,518)	(322,574,815)	(313,618,611)	(278,689,676)
Total Net Revenue	\$ 937,531,835	\$ 1,109,675,199	\$ 947,863,026	\$ 992,369,538	\$ 1,426,973,088	\$ 1,464,018,637	\$ 1,784,692,351	\$ 1,236,071,039	\$ 1,896,871,261

Table 3

Total Expenditures – Nine-Year Trend

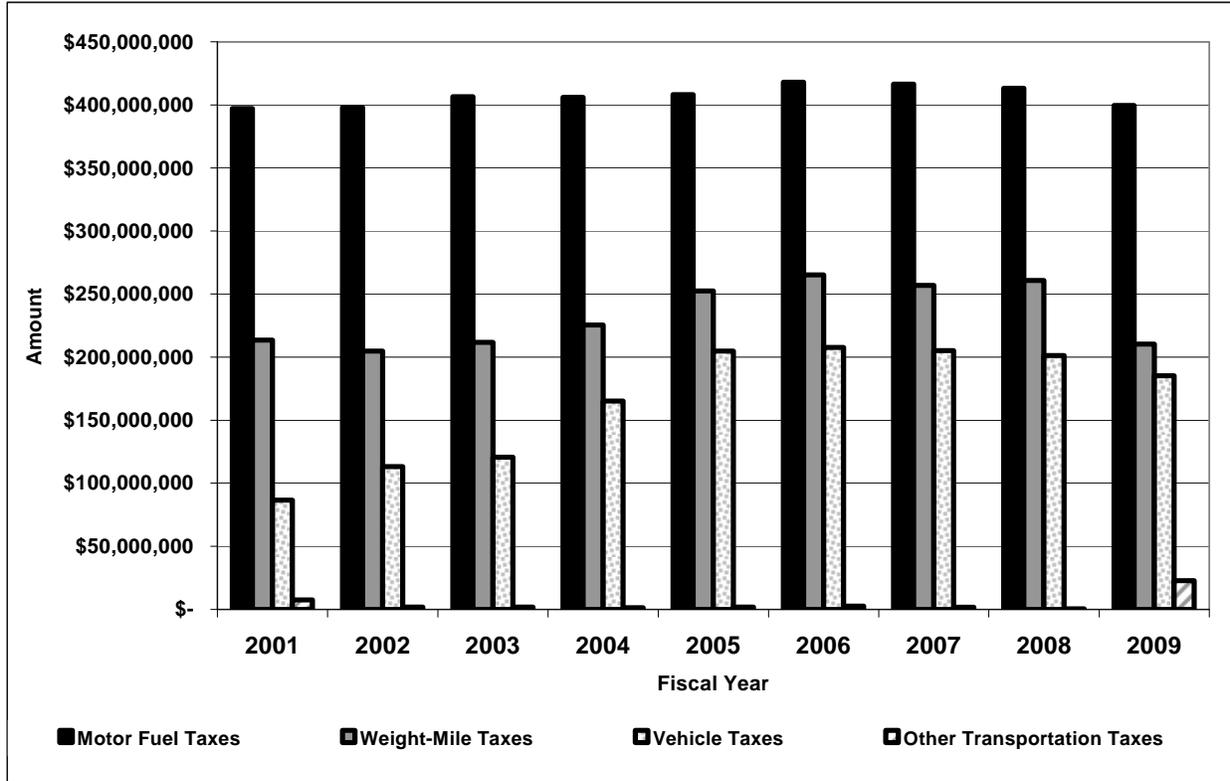


<u>Expenditures</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Personal Services	\$ 252,625,841	\$ 259,788,049	\$ 279,492,945	\$ 276,589,663	\$ 288,160,254	\$ 303,975,428	\$ 318,859,706	\$ 340,386,084	\$ 362,367,346
Services and Supplies	481,483,501	446,539,370	607,618,926	662,482,959	819,583,482	804,711,506	924,114,689	931,415,628	929,554,673
Capital Outlay	23,635,572	21,525,630	11,515,705	8,363,784	20,949,092	14,383,378	16,976,427	5,036,569	25,531,957
Special Payments (1)	68,444,067	43,910,707	39,156,891	34,538,359	354,375,509	38,432,192	108,719,786	78,086,542	167,811,501
Debt Service	<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>	<u>69,548,469</u>	<u>114,336,497</u>	<u>121,455,992</u>
Total Expenditures	<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>	<u>\$ 1,438,219,077</u>	<u>\$ 1,469,261,320</u>	<u>\$ 1,606,721,469</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

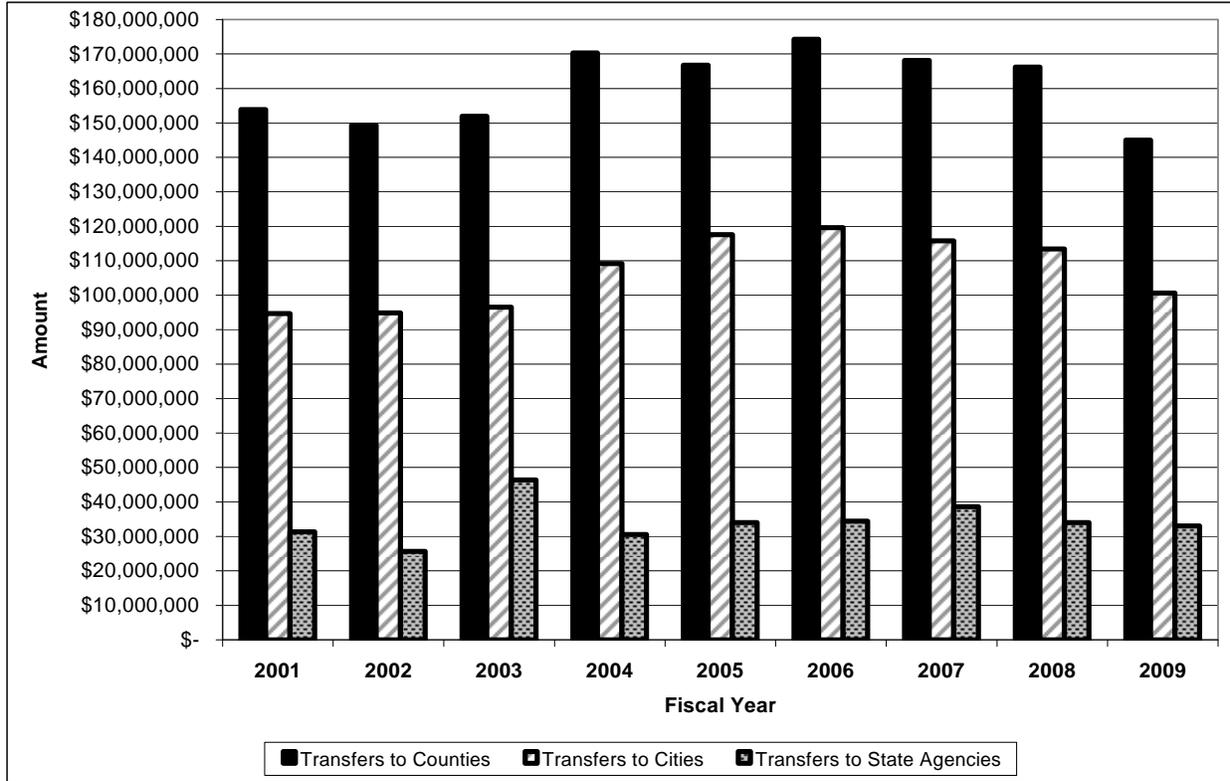


Vehicle Related Taxes	2001	2002	2003	2004	2005	2006	2007	2008	2009
Motor Fuel Taxes	\$ 397,162,232	\$ 397,984,254	\$ 406,527,322	\$ 406,023,758	\$ 408,099,454	\$ 417,912,950	\$ 416,395,672	\$ 413,105,824	\$ 399,413,471
Weight-Mile Taxes	213,470,675	204,732,673	211,804,629	225,490,882	252,453,050	265,109,576	256,902,830	260,850,928	210,354,008
Vehicle Taxes	86,680,275	113,137,171	120,710,821	165,269,759	204,818,218	207,599,261	205,204,602	201,245,328	185,201,983
Other Transportation Taxes	7,491,606	1,827,368	1,806,354	1,327,832	1,811,364	2,699,549	1,599,780	531,115	22,778,778
Total Vehicle Related Taxes	\$ 704,804,788	\$ 717,681,466	\$ 740,849,126	\$ 798,112,231	\$ 867,182,086	\$ 893,321,336	\$ 880,102,884	\$ 875,733,195	\$ 817,748,240

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 nondivisible loads.

Table 5

Net Revenue Transfers to Other Governments – Nine-Year Trend



Distribution Category	2001	2002	2003	2004	2005	2006	2007	2008	2009
Transfers to Cities	\$ 94,711,775	\$ 94,888,387	\$ 96,486,685	\$ 109,176,221	\$ 117,585,956	\$ 119,631,206	\$ 115,807,647	\$ 113,429,232	\$ 100,672,289
Transfers to Counties	153,895,285	149,338,063	151,946,604	170,317,584	166,762,359	174,302,576	168,141,328	166,165,082	144,994,585
Transfers to State Agencies	31,332,332	25,700,332	46,384,181	30,561,790	34,044,909	34,419,736	38,625,840	34,024,297	33,022,802
Total Distributions	\$ 279,939,392	\$ 269,926,782	\$ 294,817,470	\$ 310,055,595	\$ 318,393,224	\$ 328,353,518	\$ 322,574,815	\$ 313,618,611	\$ 278,689,676

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 Portland State University Population Research Center.