

STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



“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, 2005**

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Oregon

Theodore R. Kulongoski, Governor

Department of Transportation

Transportation Building

355 Capitol St. NE

Salem, Oregon 97301

FILE CODE:

November 30, 2005

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, 2005. 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 Internal 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 is showing signs of gaining strength. Starting in 2004, the State's labor market exhibited its strongest gains since 1997. Durable goods manufacturing, construction, and professional/business services were among the sectors most responsible for driving this growth in employment. The health services sector also played a prominent role. Overall, Oregon has experienced eight consecutive quarters of job growth and these job gains reflect a convincing economic recovery in the State's labor market. Yet despite these 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 then, the situation has improved significantly and the fiscal year-end rate was closer to 6.5%. These changes resulted from more than just hiring decisions by businesses; they also reflect the complexity of decisions by people to enter or exit the labor force. Continual steady improvement in the State's unemployment rate is anticipated throughout the 2005-2008 time frame; however, the rate is not expected to fall substantially below 6.0% during this time period.

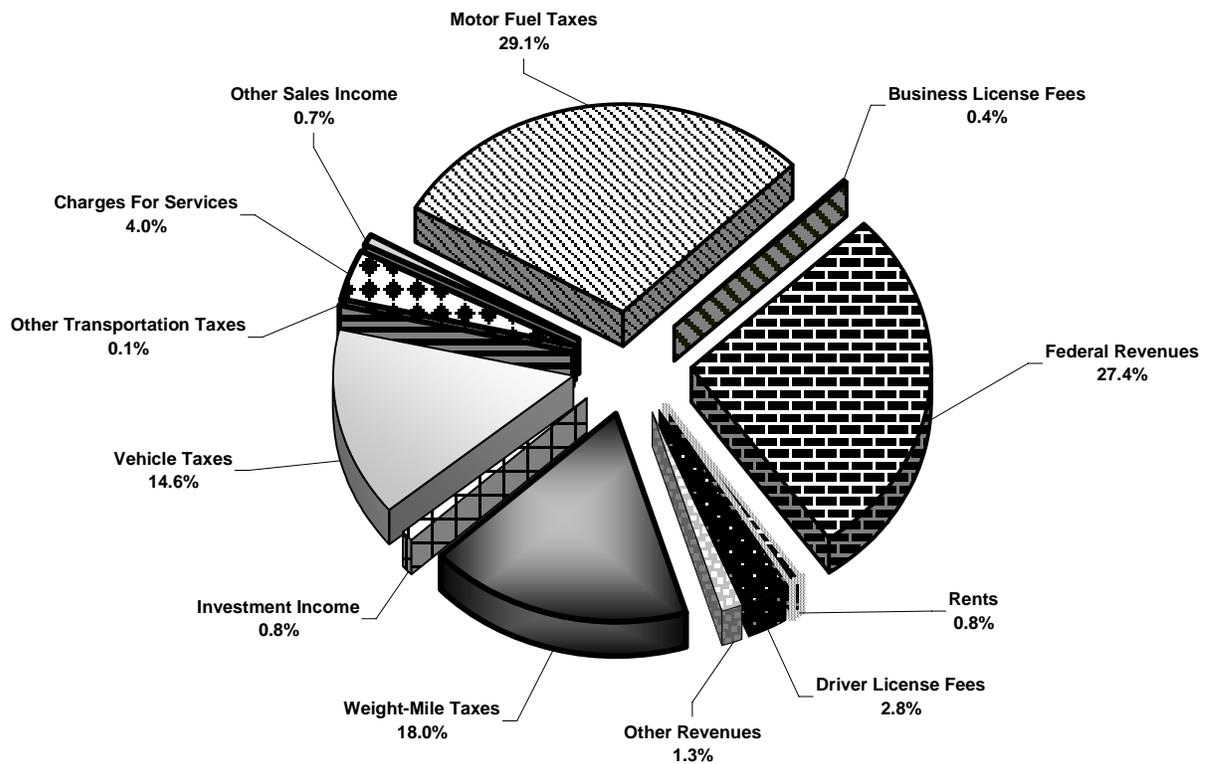
Budget challenges continue to present themselves to the State and local governments. Because the Department is not dependent on State General Fund revenues for its operations, the Department is not affected by budget cuts to the same extent as other State agencies. The Department receives a large share 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. Financing for the Department's activities also comes from federal grants from the Federal Highway Administration. With the August 2005 signing of the Transportation Equity Act, Oregon can expect these federal grants to increase moderately over the next few years.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S GOVERNMENTAL FUNDS

Special Revenue Funds

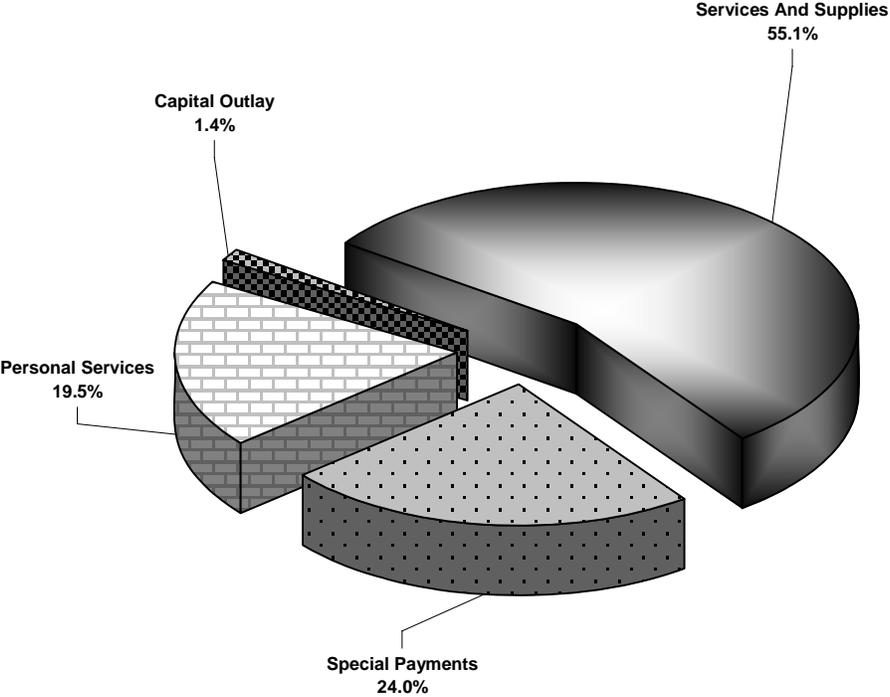
The Department accounts for 94% of its business in special revenue funds. The two principal revenue sources are taxes (62%) and federal revenues (27%). Total revenues increased from \$1,273,272,895 in 2004 to \$1,405,218,797 in 2005.

Special Revenue Fund Revenues



Special revenue fund expenditures are comprised primarily of services and supplies (55%). All capital construction and land purchases are budgeted as services and supplies expenditures.

Special Revenue Fund Expenditures



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, 2005. 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, 2005, the Department's governmental funds reported combined ending fund balances of \$341.1 million, compared to \$447.4 million for the previous year. In 2005, fund expenditures and transfers to other State agencies and local governments were higher, resulting in a decrease in combined fund balances of \$106.3 million.

Long-Term Debt

The Department's total long-term debt increased by \$297.7 million, or 97.5%, 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, proprietary 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 three 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.

Proprietary Funds – The Department's sole enterprise fund is included under this fund category.

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.

Notes to Financial Statements

The notes provide additional information that are 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) 986-3800.

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 Jesse Moore, Karen Krill, Mark Belleque, and Scott Hayes under the direct supervision of Clay Flowers and Debra Tennant.

Sincerely,



Lorna C. Youngs, Interim Director
Oregon Department of Transportation



Dennis Strachota
Chief Financial Officer

**PRINCIPAL OFFICERS OF THE OREGON DEPARTMENT OF TRANSPORTATION
JUNE 30, 2005**

OREGON TRANSPORTATION COMMISSION

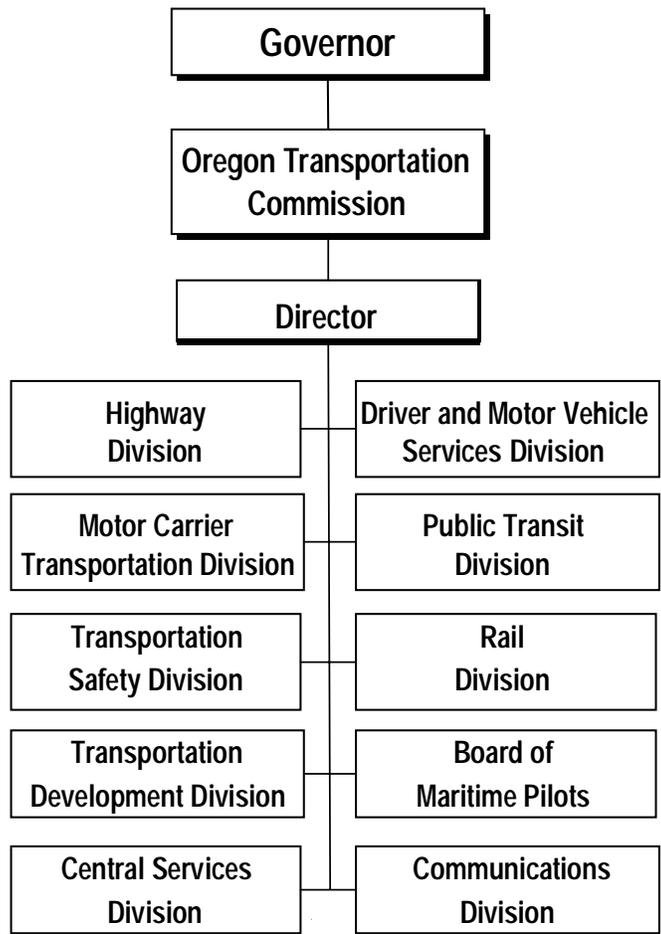
<u>Commissioner</u>	<u>Commission Expires</u>
Stuart Foster, Chair	June 30, 2009
Gail Achterman	June 30, 2008
Michael Nelson	June 30, 2007
Randall C. Papé	June 30, 2005
Janice Wilson	June 30, 2008

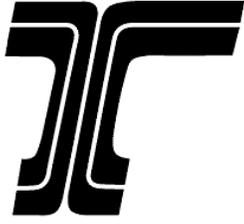
OREGON DEPARTMENT OF TRANSPORTATION

Director – Bruce Warner (resigned July, 2005)
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 (Interim), Office of Internal Audit Services – Marlene Hartinger, CIA, CPA

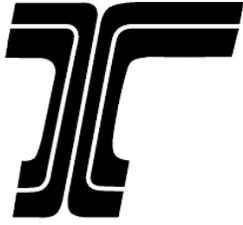


STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
ORGANIZATION CHART
JUNE 30, 2005





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FINANCIAL SECTION

State of Oregon
Department of Transportation
Combined Balance Sheet - All Fund Types
June 30, 2005

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Totals Memo Only
	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	
Assets						
Cash and Cash Equivalents	\$ 381,400,310	\$ 7,407,938	\$ (78,982)	\$18,498,734	\$ 7,630,701	\$414,858,701
Investments	-	1,138,033	-	-	-	1,138,033
Cash and Securities Held in Trust	16,594,731	-	-	-	146,916	16,741,647
Taxes Receivable (net)	57,970,843	-	-	-	-	57,970,843
Due From the Federal Government	50,933,066	-	-	-	-	50,933,066
Due From Other State Agencies	1,346,681	11,048,906	-	-	-	12,395,587
Due From Other Funds	-	5,418	546,490	59,846	-	611,754
Loans Receivable (net)	-	-	-	9,105,459	-	9,105,459
Other Accounts Receivable (net)	11,761,999	-	-	34,701	-	11,796,700
Inventories	22,830,240	-	-	-	-	22,830,240
Contracts Receivable	6,265,804	-	-	-	-	6,265,804
Total Assets	\$ 549,103,674	\$ 19,600,295	\$ 467,508	\$ 27,698,740	\$ 7,777,617	\$604,647,834
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ 126,573,379	\$ -	\$ 467,508	\$ 1,825	\$ -	\$127,042,712
Surety Deposits	-	-	-	-	4,975,900	4,975,900
Due to Other Governments	60,861,515	-	-	-	2,801,717	63,663,232
Due to Other State Agencies	15,518,874	-	-	-	-	15,518,874
Due to Other Funds	611,754	-	-	-	-	611,754
Advances From Other Funds/Agencies	-	108,380	-	5,000,000	-	5,108,380
Deferred Revenue	7,591,127	-	-	-	-	7,591,127
Retainage Payable	16,366,321	-	-	-	-	16,366,321
Total Liabilities	227,522,970	108,380	467,508	5,001,825	7,777,617	240,878,300
<i>Fund Balances:</i>						
Reserved for:						
Inventories	22,830,240	-	-	-	-	22,830,240
Debt Service	-	19,491,915	-	-	-	19,491,915
Revolving Fund	40,000	-	-	-	-	40,000
Highway Programs	262,368,608	-	-	-	-	262,368,608
Other Dedicated Programs	36,341,856	-	-	-	-	36,341,856
Unreserved Fund Equity	-	-	-	22,696,915	-	22,696,915
Total Fund Balances	321,580,704	19,491,915	-	22,696,915	-	363,769,534
Total Liabilities and Fund Balances	\$ 549,103,674	\$ 19,600,295	\$ 467,508	\$ 27,698,740	\$ 7,777,617	\$604,647,834

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, 2005

	<u>Governmental Fund Types</u>			<u>Total Governmental Funds</u>
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:				
Motor Fuel Taxes	\$ 408,099,454	\$ -	\$ -	\$ 408,099,454
Federal Revenues	384,744,016	-	-	384,744,016
Weight-Mile Taxes	252,453,050	-	-	252,453,050
Vehicle Taxes	204,818,218	-	-	204,818,218
Driver License Fees	39,729,334	-	-	39,729,334
Other Transportation Taxes	1,811,364	-	-	1,811,364
Charges For Services	56,246,200	-	-	56,246,200
Other Sales Income	10,228,859	-	-	10,228,859
Investment Income	11,407,205	210,863	-	11,618,068
Business License Fees	5,852,411	-	-	5,852,411
Rents	11,244,756	-	-	11,244,756
Other Revenues	18,583,930	108,781,967	50	127,365,947
Total Revenues	<u>1,405,218,797</u>	<u>108,992,830</u>	<u>50</u>	<u>1,514,211,677</u>
Expenditures:				
Personal Services	287,853,759	-	306,495	288,160,254
Services And Supplies	815,713,907	-	3,869,575	819,583,482
Capital Outlay	20,949,092	-	-	20,949,092
Special Payments	354,375,509	-	-	354,375,509
Debt Service	-	53,788,508	-	53,788,508
Total Expenditures	<u>1,478,892,267</u>	<u>53,788,508</u>	<u>4,176,070</u>	<u>1,536,856,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(73,673,470)</u>	<u>55,204,322</u>	<u>(4,176,020)</u>	<u>(22,645,168)</u>
Other Financing Sources (Uses):				
Long-Term Debt Proceeds	321,959,221	-	-	321,959,221
Long-Term Debt Refunding	-	(108,217,800)	-	(108,217,800)
Transfers In	6,005,678	58,617,706	4,176,020	68,799,404
Transfers Out	(368,701,609)	(926,789)	-	(369,628,398)
Total Other Financing Sources (Uses)	<u>(40,736,710)</u>	<u>(50,526,883)</u>	<u>4,176,020</u>	<u>(87,087,573)</u>
Net Change in Fund Balances	(114,410,180)	4,677,439	-	(109,732,741)
Fund Balances - Beginning	432,584,839	14,814,476	-	447,399,315
Change in Reserve for Inventories	3,406,045	-	-	3,406,045
Fund Balances - Ending	<u>\$ 321,580,704</u>	<u>\$ 19,491,915</u>	<u>\$ -</u>	<u>\$ 341,072,619</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, 2005

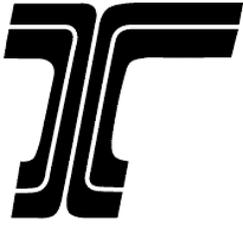
	Special Revenue Funds			Debt Service Funds			Capital Projects Funds		
	2003-2005	2003-2005	Variance	2003-2005	2003-2005	Variance	2003-2005	2003-2005	Variance
	Biennial Budget	Biennial Actuals	Uncollected/ Unspent	Biennial Budget	Biennial Actuals	Uncollected/ Unspent	Biennial Budget	Biennial Actuals	Uncollected/ Unspent
Revenues:									
Motor Fuel Taxes	\$ 830,209,740	\$ 814,123,212	\$ 16,086,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Revenues	724,404,868	749,109,044	(24,704,176)	-	-	-	-	-	-
Weight-Mile Taxes	431,876,277	477,943,932	(46,067,655)	-	-	-	-	-	-
Vehicle Taxes	356,248,178	370,087,977	(13,839,799)	-	-	-	-	-	-
Driver License Fees	71,841,192	76,777,531	(4,936,339)	-	-	-	-	-	-
Other Transportation Taxes	45,079,869	3,139,196	41,940,673	-	-	-	-	-	-
Charges For Services	11,614,906	58,645,607	(47,030,701)	-	-	-	-	-	-
Other Sales Income	14,858,636	15,578,495	(719,859)	-	-	-	-	-	-
Investment Income	25,246,710	19,106,951	6,139,759	-	303,913	(303,913)	-	-	-
Business License Fees	3,983,250	11,889,578	(7,906,328)	-	-	-	-	-	-
Rents	4,234,100	12,910,836	(8,676,736)	-	-	-	-	-	-
Other Revenues	12,798,773	26,531,609	(13,732,836)	-	108,781,967	(108,781,967)	-	50	-
Total Revenues	<u>2,532,396,499</u>	<u>2,635,843,968</u>	<u>(103,447,469)</u>	<u>-</u>	<u>109,085,880</u>	<u>(109,085,880)</u>	<u>-</u>	<u>50</u>	<u>-</u>
Expenditures:									
Personal Services	548,984,747	545,895,101	3,089,646	-	-	-	-	671,140	(671,140)
Services and Supplies	1,496,547,737	1,456,124,625	40,423,112	-	9,142	(9,142)	-	4,791,767	(4,791,767)
Capital Outlay	22,010,141	28,480,881	(6,470,740)	-	-	-	-	39,934	(39,934)
Special Payments	505,602,125	384,999,252	120,602,873	-	-	-	5,129,970	-	5,129,970
Debt Service	66,576	-	66,576	21,145,902	84,897,440	(63,751,538)	-	-	-
Total Expenditures	<u>2,573,211,326</u>	<u>2,415,499,859</u>	<u>157,711,467</u>	<u>21,145,902</u>	<u>84,906,582</u>	<u>(63,760,680)</u>	<u>5,129,970</u>	<u>5,502,841</u>	<u>(372,871)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,814,827)</u>	<u>220,344,109</u>	<u>(261,158,936)</u>	<u>(21,145,902)</u>	<u>24,179,298</u>	<u>(45,325,200)</u>	<u>(5,129,970)</u>	<u>(5,502,791)</u>	<u>372,871</u>
Other Financing Sources (Uses):									
General Fund Appropriations	-	-	-	-	-	-	-	-	-
Long-Term Debt Issued	195,572,000	321,959,221	(126,387,221)	-	-	-	-	-	-
Bond Refunding	-	-	-	-	(108,244,300)	108,244,300	-	-	-
Transfers In	1,862,910,383	850,574,015	1,012,336,368	152,629,642	94,585,974	58,043,668	5,129,970	5,502,791	(372,821)
Transfers Out	(2,536,406,215)	(1,533,611,616)	(1,002,794,599)	-	(926,789)	926,789	-	-	-
Proceeds From Sale of Capital Assets	-	1,273,885	(1,273,885)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(477,923,832)</u>	<u>(359,804,495)</u>	<u>(118,119,337)</u>	<u>152,629,642</u>	<u>(14,585,115)</u>	<u>167,214,757</u>	<u>5,129,970</u>	<u>5,502,791</u>	<u>(372,821)</u>
Net Change in Fund Balances	<u>\$ (518,738,659)</u>	<u>(139,460,386)</u>	<u>\$ (379,278,273)</u>	<u>\$ 131,483,740</u>	<u>9,594,183</u>	<u>\$ 121,889,557</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 50</u>
Fund Balances - Beginning		460,615,980			10,084,390				-
Non-Budgeted Activity									
Revenues		40,174,696			-				-
Expenditures		(42,388,220)			-				-
Change in Reserve for Inventories		2,451,976			-				-
Change in Reserve for Debt Service		-			-				-
GAAP Reclassification of Fund Equity		-			-				-
Prior Period Adjustments		186,658			(186,658)				-
Fund Balances - Ending		<u>\$ 321,580,704</u>			<u>\$ 19,491,915</u>				<u>\$ -</u>

State of Oregon
Department of Transportation
Statement of Revenues, Expenses and
Changes in Fund Equity - Proprietary Fund
Oregon Transportation Infrastructure Fund
For the Fiscal Year Ended June 30, 2005

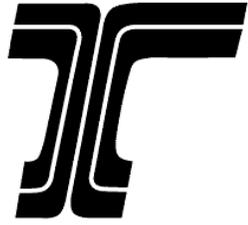
	Enterprise Fund
Operating Revenues:	
Charges for Services	\$ 129,750
Interest Income From Loans	93,122
Total Operating Revenues	222,872
Operating Expenses:	
Personal Services	51,670
Services and Supplies	13,441
Total Operating Expenses	65,111
Operating Income/(Loss)	157,761
Non-Operating Revenues:	
Investment Income	417,024
Transfers In	59,846
	476,870
Change in Fund Equity	634,631
Fund Equity – Beginning	22,062,284
Fund Equity – Ending	\$ 22,696,915

State of Oregon
Department of Transportation
Statement of Cash Flows - Proprietary Fund
Oregon Transportation Infrastructure Fund
For the Fiscal Year Ended June 30, 2005

	Enterprise Fund
Cash Flows from Operating Activities:	
Loan Principal Repayments	\$ 258,892
Loan Interest Received	93,122
Loan Fees Received	129,750
Payments to Employees	(52,849)
Payments to Suppliers	(25,645)
Loans Made	<u>(6,311,096)</u>
Net Cash Provided (Used) by Operating Activities	(5,907,826)
 Cash Flows from Noncapital Financing Activities:	
Transfers from Other Funds	6,698,000
Federal Revenue	<u>606,099</u>
Net Cash Provided (Used) by Non-Capital Activities	7,304,099
 Cash Flows from Investing Activities:	
Interest on Investments and Cash Balances	397,230
 Net Increase in Cash and Cash Equivalents	 1,793,502
Cash and Cash Equivalents - Beginning	<u>16,705,232</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 18,498,734</u></u>
 Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income	\$ 157,761
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
(Increase) in Loans Receivable	(6,052,204)
Decrease in Accounts Payable	(11,467)
Decrease in Payroll Payable	<u>(1,916)</u>
Total Adjustments	(6,065,587)
 Net Cash Provided (Used) by Operating Activities:	 <u><u>\$ (5,907,826)</u></u>



NOTES TO FINANCIAL STATEMENTS



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**STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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.

Proprietary Fund Financial Statements

The financial statements of the Department's sole proprietary fund are reported using the economic resources measurement focus and accrual basis of accounting. As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the proprietary fund follows all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing financial services in connection with the fund's principal ongoing operations. Investment income is reported as non-operating.

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. However, in certain situations, expenditures incurred are charged to non-limited legislative authorities.

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.

Proprietary Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of management is to recover the costs of providing goods or services to outside customers through user charges.

The Oregon Transportation Infrastructure Fund (OTIF) is currently the only activity accounted for as an enterprise fund. The OTIF is a program administered by the Department that is governed by a State Infrastructure Bank Cooperative Agreement dated August 20, 1996 between the Department, the Federal Highway Administration and the Federal Transit Administration. The OTIF uses its resources to make loans and other forms of financial assistance available to cities, counties, ports, transit providers, special districts, tribal governments and State agencies for eligible transportation projects.

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 generated by the Department. *Nonlimited* spending authorities are approved by the Legislature for nonappropriated budget items that are not legislatively limited by an appropriation bill. For the Department, nonlimited expenditures include repayment of bonded debt.

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, 2005:

Deposits in transit	\$ 2,702,362
Deposits with State Treasury	412,156,339
Deposits with fiscal agents	16,741,647
Investments with fiscal agents	<u>1,138,033</u>
Total	<u>\$ 432,738,381</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, 2005, the Department's investments consisted of guaranteed investment contracts, 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 \$935,275,381. Of that amount, \$95,249,543 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, 2005:

	Transfers In	Transfers Out
<u>Intrafund transfers:</u>		
Special Revenue Funds		
Debt Service	\$ 350,889	\$ 46,648,419
Capital Projects	-	4,176,020
Enterprise Funds	-	59,846
Debt Service Funds		
Special Revenue	46,648,419	350,889
Capital Projects Funds		
Special Revenue	4,176,020	-
Enterprise Funds		
Special Revenue	59,846	-
Total intrafund transfers	<u>51,235,174</u>	<u>51,235,174</u>
<u>State agency transfers:</u>		
Special Revenue Funds		
Department of Administrative Services	-	268,544
Governor's Office	-	100,000
Department of Economic & Community Development	-	192,689
Department of Aviation	-	2,279,740
Oregon State Police	905,126	-
Department of Revenue	4,388,694	-
State Marine Board	3,200	5,305,495
Department of Veteran Affairs	-	17,026
Department of Forestry	-	746,125
Department of Consumer and Business Services	-	932,310
Watershed Enhancement Board	-	315,968
Department of Land Conservation and Development	129,407	-
Department of Parks and Recreation	228,364	23,311,112
Debt Service Funds		
Department of Administrative Services	11,969,285	575,900
Total State agency transfers	<u>17,624,076</u>	<u>34,044,909</u>
<u>Local governmental transfers:</u>		
Special Revenue Funds		
Cities	-	117,585,956
Counties	-	166,762,359
Total local governmental transfers	<u>-</u>	<u>284,348,315</u>
Total transfers	<u>\$ 68,859,250</u>	<u>\$ 369,628,398</u>

Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2005 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Land	\$ 1,454,449,905	\$ 21,335,126	\$ (1,041,616)	\$ 1,474,743,415
Land improvements	48,446,172	1,863,649	-	50,309,821
Buildings	128,169,152	2,712,181	(17,277)	130,864,056
Machinery and equipment	195,076,203	21,315,011	(4,909,639)	211,481,575
Data processing software	9,344,432	2,529,366	-	11,873,798
Leasehold improvements	278,933	35,797	-	314,730
Construction in progress - Highway	639,576,389	456,500,163	-	1,096,076,552
Construction in progress - Other	850,743	5,375,640	(4,600,973)	1,625,410
State highway network	10,835,550,060	53,837,391	(71,365,891)	10,818,021,560
State bridge network	<u>2,727,329,859</u>	<u>9,470,351</u>	<u>(18,739,748)</u>	<u>2,718,060,462</u>
Total capital assets	<u>\$ 16,039,071,848</u>	<u>\$ 574,974,675</u>	<u>\$ (100,675,144)</u>	<u>\$ 16,513,371,379</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 2005 included the following:

- The Department spent over \$519.8 million on 1,762 highway and bridge construction projects.
- Nearly \$12 million was spent on capital equipment used to maintain highways and bridges, such as sweepers, trucks, tractors, sanders, and other heavy equipment.
- Commitments of \$1,087.1 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, 2005 were: (in millions)

<u>For Fiscal Year Ended June 30</u>	<u>Federal</u>	<u>Local</u>	<u>State</u>	<u>Total</u>
2005	\$ 320.0	\$ -	\$ 25.4	\$ 345.4
2006	211.4	14.8	156.2	382.4
2007	85.6	5.8	110.9	202.3
2008	38.7	0.9	51.1	90.7
2009	24.0	0.4	22.9	47.3
2010	<u>12.6</u>	<u>-</u>	<u>4.4</u>	<u>17.0</u>
Total Commitments	<u>\$ 692.3</u>	<u>\$ 21.9</u>	<u>\$ 370.9</u>	<u>\$ 1,085.1</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, 2005 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 3,430,863
2007	2,548,861
2008	2,153,430
2009	1,461,059
2010	1,011,264
2011-2015	<u>920,634</u>
Total	<u>\$ 11,526,111</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, 2005 consisted of revenue bonds and certificates of participation. Previously outstanding general obligation bonds were fully repaid in the fiscal year ending June 30, 2005.

General Obligation Bonds - In October 1992, the Department issued State of Oregon General Obligation State Highway Refunding Bonds in the amount of \$12,545,000. The net proceeds of these bonds were used to refund the 1974 Series General Obligation State Highway Bonds. The final debt service payment was made on August 1, 2004, and there are no other general obligation bonds outstanding. *Revenue Bonds* - The Department has several series of highway user tax revenue bonds outstanding. Revenue bonds are secured by specific revenues that have been pledged or designated for payment of principal and interest.

- 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 2018. The first principal payment was due April 1, 2004. The bonds have an outstanding principal balance at June 30, 2005 of \$2,162,511.

In August 2004 the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$6,613,983. 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, 2005 of \$5,966,853.

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, 2005 of \$4,343,493.

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, 2005 of \$38,240,000.

- 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, 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, 2005 of \$14,605,000.
- 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, 2005, 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, 2005 was \$121,765,000.
- 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, 2005 was \$286,710,000.

- 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, 2005 was \$75,015,000.
- 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. The balance outstanding at June 30, 2005 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, 2005 was \$26,235,000.

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>
2006	\$ 23,043,473	\$ 28,542,494	\$ 51,585,967
2007	23,578,303	27,711,637	51,289,940
2008	25,371,836	26,756,528	52,128,364
2009	25,528,230	25,703,390	51,231,620
2010	19,609,438	24,506,759	44,116,197
2011-2015	173,631,412	189,666,645	363,298,057
2016-2020	276,500,165	50,729,626	327,229,791
2021-2025	19,350,000	3,046,000	22,396,000
2026-2030	7,725,000	1,004,380	8,729,380
Total	<u>\$594,337,857</u>	<u>\$ 377,667,459</u>	<u>\$ 972,005,316</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, 2005 of \$8,595,000.

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>
2006	\$ 410,000	\$ 412,750	\$ 822,750
2007	425,000	392,937	817,937
2008	440,000	373,255	813,255
2009	460,000	352,325	812,325
2010	485,000	329,875	814,875
2011-2015	2,815,000	1,254,368	4,069,368
2016-2020	<u>3,560,000</u>	<u>461,750</u>	<u>4,021,750</u>
Total	<u>\$ 8,595,000</u>	<u>\$ 3,577,260</u>	<u>\$ 12,172,260</u>

Changes in Long-Term Debt

Long-term debt activity for governmental activities during fiscal year 2005 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable:				
General obligation bonds	\$ 930,000	\$ -	\$ 930,000	\$ -
Revenue bonds	<u>295,344,511</u>	<u>426,512,476</u>	<u>127,519,130</u>	<u>594,337,857</u>
Total bonds payable	\$ 296,274,511	\$ 426,512,476	\$ 128,449,130	\$ 594,337,857
Certificates of participation payable	<u>8,980,000</u>	<u>-</u>	<u>385,000</u>	<u>8,595,000</u>
Total long-term liabilities - governmental activities	<u>\$ 305,254,511</u>	<u>\$ 426,512,476</u>	<u>\$ 128,834,130</u>	<u>\$ 602,932,857</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, 2005, the Department's arbitrage rebate liability was zero.

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>
2006	\$ 26,504	\$ 6,004	\$ 32,508
2007	28,201	4,307	32,508
2008	30,005	2,503	32,508
2009	<u>23,670</u>	<u>623</u>	<u>24,293</u>
Total	<u>\$ 108,380</u>	<u>\$ 13,437</u>	<u>\$121,817</u>

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	\$ 4,817,484
Fuel dealers and retailers surety deposits	141,166
Maritime pilots surety deposits	17,250
Fuel taxes collected on behalf of local governments	<u>2,801,717</u>
Total cash and securities held in trust	<u>\$ 7,777,617</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, 2005, the Department contributed a total of \$20,946,428 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, 2005 were \$461,419.

Insurance

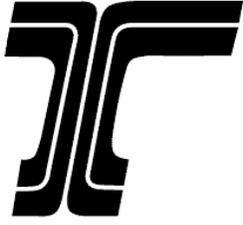
The Risk Management Division (Division) of the Department of Administrative Services administers the State's property and liability insurance programs. It is the policy of the Division not to purchase commercial insurance for most of the risks of loss to which the State is

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 \$5,410,843.

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, 2005

	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	\$ 291,852,525	\$ 3,315,748	\$ 19,288,308	\$ 35,636,538	\$ 31,307,191	\$ 381,400,310
Cash and Securities Held in Trust	16,594,731	-	-	-	-	16,594,731
Taxes Receivable (net)	25,552	37,069,126	20,790,946	-	85,219	57,970,843
Due From the Federal Government	43,363,215	302,602	545,830	-	6,721,419	50,933,066
Due From Other State Agencies	490,468	-	-	-	856,213	1,346,681
Due From Other Funds	90,390,195	3,111,998	-	-	1,747,352	95,249,545
Other Accounts Receivable (net)	8,937,746	85,611	566,982	1,807,398	364,262	11,761,999
Inventories	19,622,593	166,275	15,653	3,021,371	4,348	22,830,240
Contracts Receivable	6,265,804	-	-	-	-	6,265,804
Total Assets	\$ 477,542,829	\$ 44,051,360	\$ 41,207,719	\$ 40,465,307	\$ 41,086,004	\$ 644,353,219
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ 108,612,907	\$ 6,794,604	\$ 2,081,053	\$ 5,184,341	\$ 3,900,474	\$ 126,573,379
Due to Other Governments	55,845,850	-	-	-	5,015,665	60,861,515
Due to Other State Agencies	885,522	9,592,140	-	4,388,363	652,849	15,518,874
Due to Other Funds	3,783,917	27,422,439	36,716,163	27,767,968	170,812	95,861,299
Deferred Revenue	5,057,111	75,902	2,394,850	63,264	-	7,591,127
Retainage Payable	16,366,321	-	-	-	-	16,366,321
Total Liabilities	190,551,628	43,885,085	41,192,066	37,403,936	9,739,800	322,772,515
<i>Fund Balances:</i>						
Reserved for Inventories	19,622,593	166,275	15,653	3,021,371	4,348	22,830,240
Reserved for Revolving Fund	-	-	-	40,000	-	40,000
Reserved for Highway Programs	262,368,608	-	-	-	-	262,368,608
Reserved for Other Dedicated Programs	5,000,000	-	-	-	31,341,856	36,341,856
Prior Period Adjustment	-	-	-	-	-	-
Total Fund Balances	286,991,201	166,275	15,653	3,061,371	31,346,204	321,580,704
Total Liabilities and Fund Balances	\$ 477,542,829	\$ 44,051,360	\$ 41,207,719	\$ 40,465,307	\$ 41,086,004	\$ 644,353,219

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, 2005

	<u>Highway Division</u>	<u>Central Services Division</u>	<u>Motor Carrier Transportation Division</u>	<u>Driver and Motor Vehicle Services Division</u>	<u>Other Funds</u>	<u>Total Special Revenue Funds</u>
Revenues:						
Motor Fuel Taxes	\$ 5,296	\$ 408,094,158	\$ -	\$ -	\$ -	\$ 408,099,454
Federal Revenues	348,533,012	570,286	2,604,549	-	33,036,169	384,744,016
Weight-Mile Taxes	-	-	252,453,050	-	-	252,453,050
Vehicle Taxes	-	-	(11,942)	204,571,236	258,924	204,818,218
Driver License Fees	36,869	-	-	36,196,076	3,496,389	39,729,334
Other Transportation Taxes	(5,399)	-	-	860,152	956,611	1,811,364
Charges for Services	54,814,339	667,145	5,565	-	759,151	56,246,200
Other Sales Income	5,671,617	72	(10,649)	4,567,819	-	10,228,859
Investment Income	9,217,457	365,071	1,237,915	-	586,762	11,407,205
Business License Fees	326,919	-	2,606,170	137,229	2,782,093	5,852,411
Rents	3,155,352	-	-	-	8,089,404	11,244,756
Other Revenues	3,747,686	101,264	2,868,135	356,895	11,509,950	18,583,930
Total Revenues	<u>425,503,148</u>	<u>409,797,996</u>	<u>261,752,793</u>	<u>246,689,407</u>	<u>61,475,453</u>	<u>1,405,218,797</u>
Expenditures:						
Personal Services	188,388,190	35,405,896	17,271,452	40,803,595	5,984,626	287,853,759
Services and Supplies	753,548,695	18,982,912	7,503,310	18,735,988	16,943,002	815,713,907
Capital Outlay	17,982,631	2,326,404	197,960	434,198	7,899	20,949,092
Special Payments	305,401,061	-	-	-	48,974,448	354,375,509
Total Expenditures	<u>1,265,320,577</u>	<u>56,715,212</u>	<u>24,972,722</u>	<u>59,973,781</u>	<u>71,909,975</u>	<u>1,478,892,267</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(839,817,429)</u>	<u>353,082,784</u>	<u>236,780,071</u>	<u>186,715,626</u>	<u>(10,434,522)</u>	<u>(73,673,470)</u>
Other Financing Sources (Uses):						
Long-Term Debt Proceeds	321,959,221	-	-	-	-	321,959,221
Transfers In	771,700,793	52,354,314	-	2,000	21,974,409	846,031,516
Transfers Out	(369,703,906)	(407,442,716)	(236,780,071)	(186,721,510)	(8,079,244)	(1,208,727,447)
Total Other Financing Sources (Uses)	<u>723,956,108</u>	<u>(355,088,402)</u>	<u>(236,780,071)</u>	<u>(186,719,510)</u>	<u>13,895,165</u>	<u>(40,736,710)</u>
Net Change in Fund Balances	(115,861,321)	(2,005,618)	-	(3,884)	3,460,643	(114,410,180)
Fund Balances - Beginning	399,869,111	2,033,614	10,624	2,788,200	27,883,290	432,584,839
Prior Period Adjustment	(3,884)	-	-	3,884	-	-
Change in Reserve for Inventories	2,987,294	138,279	5,029	273,171	2,271	3,406,044
Fund Balances - Ending	<u>\$ 286,991,200</u>	<u>\$ 166,275</u>	<u>\$ 15,653</u>	<u>\$ 3,061,371</u>	<u>\$ 31,346,204</u>	<u>\$ 321,580,703</u>

State of Oregon
Department of Transportation
Combining Balance Sheet
Special Revenue Funds - Other Divisions
June 30, 2005

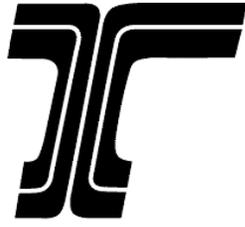
	Public Transit Division	Transportation Safety Division	Rail Division	Board of Maritime Pilots	Snowmobile Fund
Assets					
Cash and Cash Equivalents	\$ 4,093,503	\$ 8,001,293	\$ 4,377,831	\$ 299	\$ 2,927,102
Taxes Receivable	-	-	-	-	3,170
Due From the Federal Government	5,149,923	1,275,067	296,429	-	-
Due From Other State Agencies	627,849	-	-	-	228,364
Due From Other Funds	170,812	386,339	99,937	-	698,920
Other Accounts Receivable	-	2,188	14,425	-	6,721
Inventories	3,010	956	382	-	-
Total Assets	<u>\$ 10,045,097</u>	<u>\$ 9,665,843</u>	<u>\$ 4,789,004</u>	<u>\$ 299</u>	<u>\$ 3,864,277</u>
Liabilities And Fund Balances					
<i>Liabilities:</i>					
Accounts Payable	\$ 193,877	\$ 708,428	\$ 2,299,936	\$ 7,607	\$ -
Due to Other Governments	5,006,409	9,256	-	-	-
Due to Other State Agencies	-	652,849	-	-	-
Due to Other Funds	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>5,200,286</u>	<u>1,370,533</u>	<u>2,299,936</u>	<u>7,607</u>	<u>-</u>
<i>Fund Balances:</i>					
Reserved for Inventories	3,010	956	382	-	-
Reserved for Other Dedicated Programs	4,841,801	8,294,354	2,488,686	(7,308)	3,864,277
Total Fund Balances	<u>4,844,811</u>	<u>8,295,310</u>	<u>2,489,068</u>	<u>(7,308)</u>	<u>3,864,277</u>
Total Liabilities and Fund Balances	<u>\$ 10,045,097</u>	<u>\$ 9,665,843</u>	<u>\$ 4,789,004</u>	<u>\$ 299</u>	<u>\$ 3,864,277</u>

	Winter					
Transportation Operating Fund	Recreational Parking Fund	Environmental Quality Fund	Consumer Protection	Short-Line Premium Fund	Total Other Revenue Funds	Special Revenue Funds
\$ 1,458,514	\$ 883,581	\$ 1,008,587	\$ 51,971	\$ 8,504,510	\$ 31,307,191	
80,345	-	-	1,704	-	85,219	
-	-	-	-	-	6,721,419	
-	-	-	-	-	856,213	
-	-	391,344	-	-	1,747,352	
340,874	54	-	-	-	364,262	
-	-	-	-	-	4,348	
<u>\$ 1,879,733</u>	<u>\$ 883,635</u>	<u>\$ 1,399,931</u>	<u>\$ 53,675</u>	<u>\$ 8,504,510</u>	<u>\$ 41,086,004</u>	
\$ 437,721	\$ 18	\$ 128,681	\$ -	\$ 124,206	\$ 3,900,474	
-	-	-	-	-	5,015,665	
-	-	-	-	-	652,849	
170,812	-	-	-	-	170,812	
-	-	-	-	-	-	
<u>608,533</u>	<u>18</u>	<u>128,681</u>	<u>-</u>	<u>124,206</u>	<u>9,739,800</u>	
-	-	-	-	-	4,348	
1,271,200	883,617	1,271,250	53,675	8,380,304	31,341,856	
<u>1,271,200</u>	<u>883,617</u>	<u>1,271,250</u>	<u>53,675</u>	<u>8,380,304</u>	<u>31,346,204</u>	
<u>\$ 1,879,733</u>	<u>\$ 883,635</u>	<u>\$ 1,399,931</u>	<u>\$ 53,675</u>	<u>\$ 8,504,510</u>	<u>\$ 41,086,004</u>	

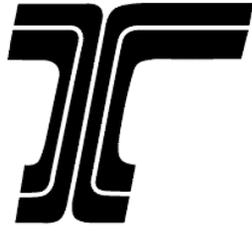
State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Special Revenue Funds - Other Divisions
For the Fiscal Year Ended June 30, 2005

	Public Transit	Transportation		Board of	
	Division	Safety Division	Rail Division	Maritime	Snowmobile
				Pilots	Fund
Revenues:					
Federal Revenues	\$ 18,382,531	\$ 6,052,698	\$ 8,600,940	\$ -	\$ -
Vehicle Taxes	-	-	-	-	178,579
Driver License Fees	-	-	-	-	-
Other Transportation Taxes	-	-	-	-	30
Charges for Services	-	-	759,151	-	-
Other Sales Income	-	-	-	-	-
Investment Income	71,736	156,676	73,824	-	65,205
Business License Fees	-	-	1,396,821	96,000	-
Rents	-	13,980	8,075,424	-	-
Other Revenues	-	2,518	456,387	(458)	-
Total Revenues	<u>18,454,267</u>	<u>6,225,872</u>	<u>19,362,547</u>	<u>95,542</u>	<u>243,814</u>
Expenditures:					
Personal Services	769,719	1,504,097	1,614,030	72,946	-
Services and Supplies	430,840	1,364,213	9,931,132	54,753	814,290
Capital Outlay	-	7,899	-	-	-
Special Payments	<u>26,317,372</u>	<u>6,892,342</u>	<u>13,881,138</u>	-	-
Total Expenditures	<u>27,517,931</u>	<u>9,768,551</u>	<u>25,426,300</u>	<u>127,699</u>	<u>814,290</u>
Excess (Deficiency) of Revenues Over					
(Under) Expenditures	<u>(9,063,664)</u>	<u>(3,542,679)</u>	<u>(6,063,753)</u>	<u>(32,157)</u>	<u>(570,476)</u>
Other Financing Sources (Uses):					
Transfers In	9,145,202	4,838,827	2,738,478		927,283
Transfers Out	<u>(16,570)</u>	<u>(312,436)</u>	<u>(96,655)</u>	<u>(5,943)</u>	-
Total Other Financing Sources (Uses)	<u>9,128,632</u>	<u>4,526,391</u>	<u>2,641,823</u>	<u>(5,943)</u>	<u>927,283</u>
Net Change in Fund Balances	64,968	983,712	(3,421,930)	(38,100)	356,807
Fund Balances - Beginning	4,777,063	7,310,714	5,912,391	30,792	3,507,470
Change in Reserve for Inventories	<u>2,780</u>	<u>884</u>	<u>(1,393)</u>	-	-
Fund Balances - Ending	<u>\$ 4,844,811</u>	<u>\$ 8,295,310</u>	<u>\$ 2,489,068</u>	<u>\$ (7,308)</u>	<u>\$ 3,864,277</u>

	Winter				Total Other
Transportation Operating Fund	Recreational Parking Fund	Environmental Quality Fund	Consumer Protection	Short-Line Premium Fund	Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,036,169
80,345	-	-	-	-	258,924
3,496,389	-	-	-	-	3,496,389
-	929,872	-	26,709	-	956,611
-	-	-	-	-	759,151
-	-	-	-	-	-
50,042	19,193	-	765	149,321	586,762
1,289,272	-	-	-	-	2,782,093
-	-	-	-	-	8,089,404
<u>86,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,965,108</u>	<u>11,509,950</u>
<u>5,002,443</u>	<u>949,065</u>	<u>-</u>	<u>27,474</u>	<u>11,114,429</u>	<u>61,475,453</u>
851,487	166,252	1,006,095	-	-	5,984,626
3,178,313	476,485	585,709	-	107,267	16,943,002
-	-	-	-	-	7,899
<u>127,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,755,808</u>	<u>48,974,448</u>
<u>4,157,588</u>	<u>642,737</u>	<u>1,591,804</u>	<u>-</u>	<u>1,863,075</u>	<u>71,909,975</u>
<u>844,855</u>	<u>306,328</u>	<u>(1,591,804)</u>	<u>27,474</u>	<u>9,251,354</u>	<u>(10,434,522)</u>
2,167,818	-	2,156,801	-	-	21,974,409
<u>(4,769,627)</u>	<u>-</u>	<u>(1,972,697)</u>	<u>-</u>	<u>(905,316)</u>	<u>(8,079,244)</u>
<u>(2,601,809)</u>	<u>-</u>	<u>184,104</u>	<u>-</u>	<u>(905,316)</u>	<u>13,895,165</u>
(1,756,954)	306,328	(1,407,700)	27,474	8,346,038	3,460,643
3,028,154	577,289	2,678,950	26,201	34,266	27,883,290
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,271</u>
<u>\$ 1,271,200</u>	<u>\$ 883,617</u>	<u>\$ 1,271,250</u>	<u>\$ 53,675</u>	<u>\$ 8,380,304</u>	<u>\$ 31,346,204</u>



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STATISTICAL SECTION

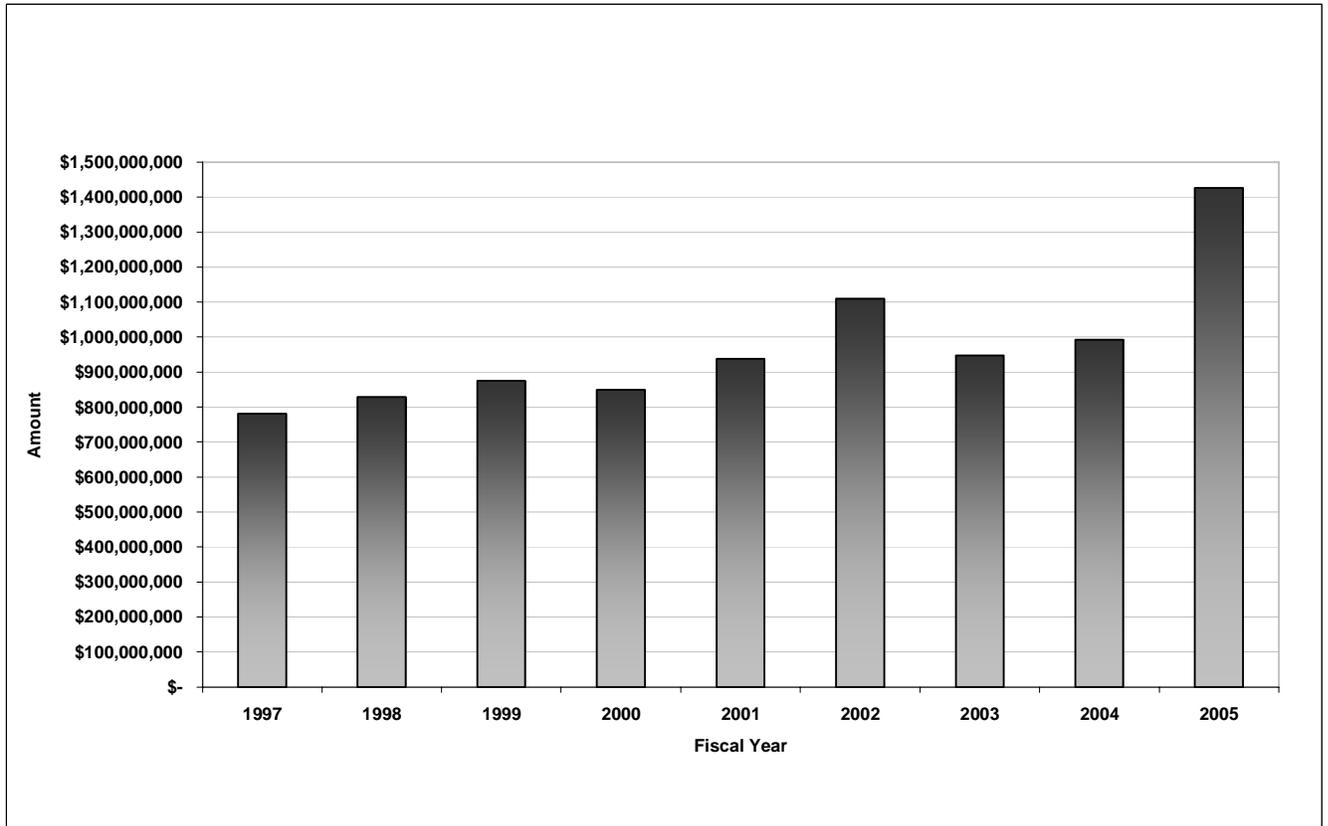
Table 1

**Schedule of Federal Financial Assistance
For the Fiscal Year Ended June 30, 2005**

<u>CFDA #</u>	<u>Federal Program Description</u>	<u>Amount</u>
20.205	Highway Planning and Construction	\$ 357,798,289
20.218	Motor Carrier Safety Assistance	2,499,920
20.301	Railroad Safety	76,591
20.312	High Speed Ground Transportation	149,941
20.505	Transit Technical Studies	483,611
20.509	Public Transit for Non-Urbanized Areas	5,198,807
20.513	Assistance for the Elderly and Handicapped	12,446,131
20.515	State Planning and Research	139,110
20.516	Job Access Reverse Commute	41,442
20.600	State and Community Highway Safety	1,830,094
20.601	Alcohol and Drunk Driving Prevention	971,291
20.602	Occupant Protection	314,885
20.603	Highway Safety Data Improvement	33,623
20.604	Safety Incentives for Seatbelt Usage	658,085
20.605	Safety Incentives to Prevent Drunk Driving	<u>1,444,688</u>
	Total Federal Financial Assistance	<u>\$ 384,086,507</u>

Table 2

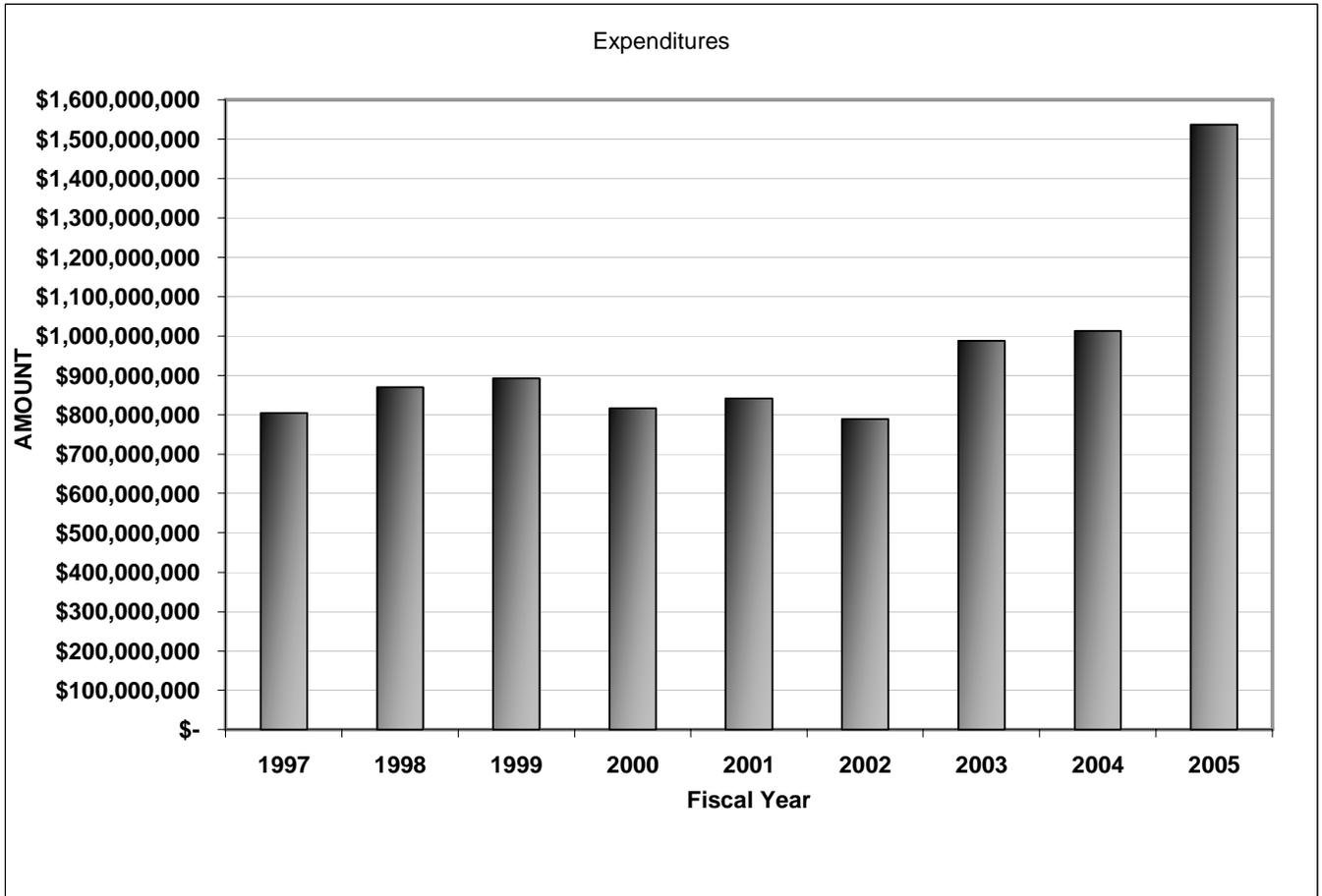
Net Revenues – Nine Year Trend



Revenues	1997	1998	1999	2000	2001	2002	2003	2004	2005
Motor Fuel Taxes	\$ 379,847,687	\$ 385,718,791	\$ 396,742,553	\$ 394,405,931	\$ 397,162,232	\$ 397,984,254	\$ 406,527,322	\$ 406,023,758	\$ 408,099,454
Weight-Mile Taxes	219,582,151	224,025,365	233,794,274	240,190,088	213,470,675	204,732,673	211,804,629	225,490,882	252,453,050
Vehicle Taxes	84,100,843	86,258,513	86,993,346	88,860,110	86,680,275	113,137,171	120,710,821	165,269,759	204,818,218
Other Transportation Taxes	4,585,946	5,150,095	5,617,534	10,737,828	7,491,606	1,827,368	1,806,354	1,327,832	1,811,364
General Fund Appropriations	124,726	285,101	314,962	4,490,323	14,867,926	10,592,599	7,320,871	3,914,616	-
Investment Income	11,805,859	9,264,255	6,983,927	9,134,611	13,125,990	9,158,800	8,767,573	7,699,746	11,407,205
Transfers In - State Agencies	11,932,907	10,380,689	16,079,064	15,759,650	33,849,020	23,695,326	5,211,352	25,237,622	17,624,077
Federal Revenues	267,770,910	266,089,512	309,845,242	288,590,557	303,640,729	285,707,032	380,112,394	364,365,028	384,744,016
Driver License Fees	21,700,108	22,051,640	22,490,272	23,200,327	29,821,860	34,236,958	34,886,692	37,048,197	39,729,334
Charges for Services	26,133,241	26,026,119	47,653,223	40,579,318	37,166,427	32,614,336	45,721,858	41,940,333	56,246,200
Other Sales Income	10,871,689	5,611,912	9,052,145	8,130,651	7,994,776	13,949,588	4,988,404	5,682,619	10,228,859
Other Revenues	3,923,071	33,247,906	7,064,317	3,481,012	3,030,877	15,688,221	6,729,366	10,000,701	127,365,947
Business License Fees	2,644,097	3,236,432	2,302,009	2,599,186	2,599,163	6,152,485	6,313,732	6,037,167	5,852,411
Rents	2,866,925	2,226,646	1,857,465	3,323,102	2,554,615	1,482,164	1,266,967	2,386,873	11,244,756
Long-Term Debt Proceeds	-	16,352,133	-	-	58,515,056	228,643,006	512,161	-	213,741,421
Loan Proceeds	-	-	-	-	5,500,000	-	-	-	-
Total Gross Revenue	1,047,890,160	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
Transfers to Cities	(91,739,345)	(92,268,411)	(93,678,676)	(98,735,839)	(94,711,775)	(94,888,387)	(96,486,685)	(109,176,221)	(117,585,956)
Transfers to Counties	(149,402,426)	(151,382,217)	(152,538,707)	(159,853,266)	(153,895,285)	(149,338,063)	(151,946,604)	(170,317,584)	(166,762,359)
Transfers to State Agencies	(24,923,161)	(23,046,066)	(25,590,767)	(25,275,581)	(31,332,332)	(25,700,332)	(46,384,181)	(30,561,790)	(34,044,909)
Other Transfers Out	(374,974)	-	-	-	-	-	-	-	-
Total Transfers Out	(266,439,906)	(266,696,694)	(271,808,150)	(283,864,686)	(279,939,392)	(269,926,782)	(294,817,470)	(310,055,595)	(318,393,224)
Total Net Revenue	\$ 781,450,254	\$ 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

Table 3

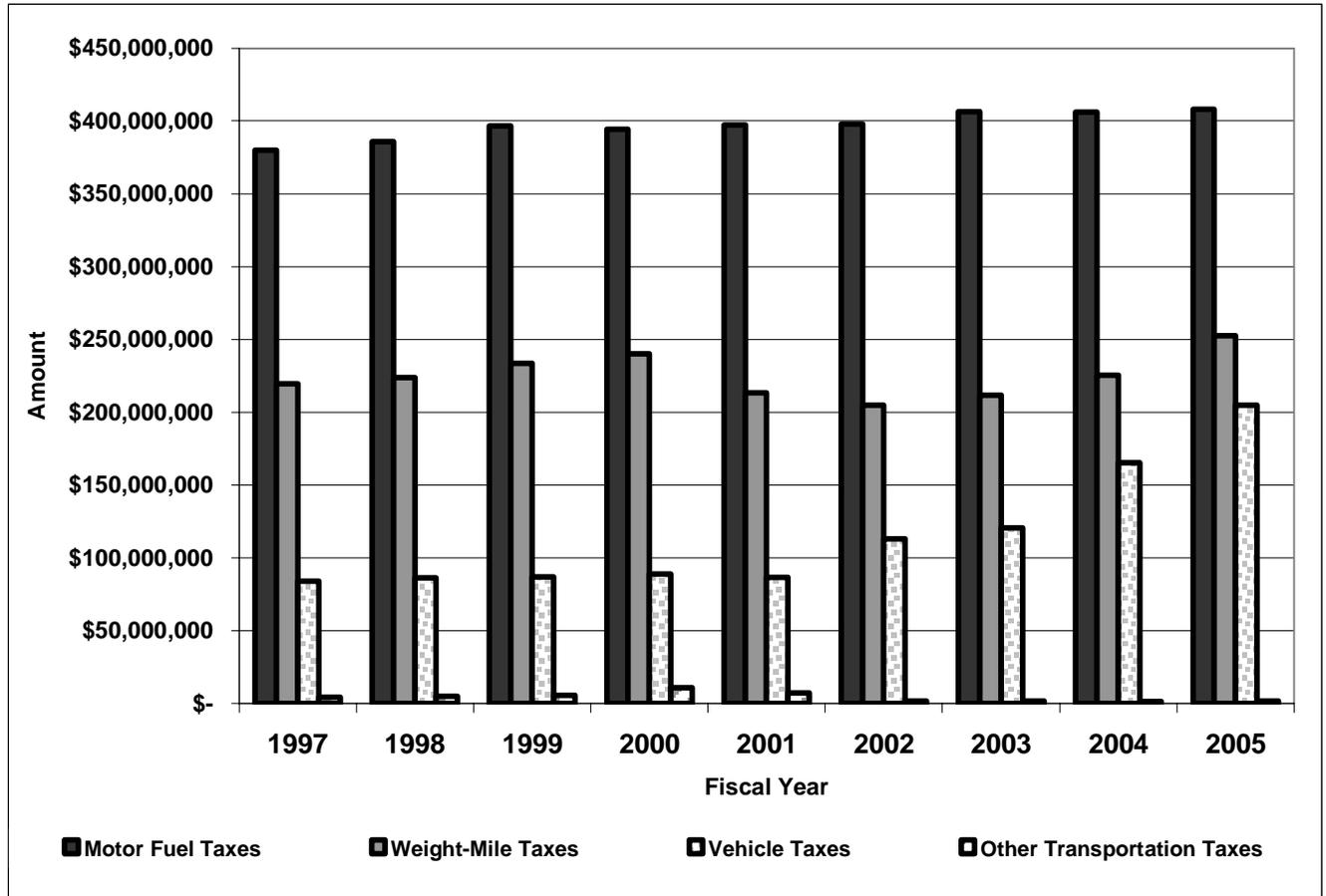
Total Expenditures – Nine Year Trend



<u>Expenditures</u>	<u>1997</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>
Personal Services	\$ 197,517,047	\$ 210,767,464	\$ 228,641,583	\$ 247,826,435	\$ 252,625,841	\$ 259,788,049	\$ 279,492,945	\$ 276,589,663	\$ 288,160,254
Services and Supplies	504,458,642	523,041,778	581,863,421	489,599,937	481,483,501	446,539,370	607,618,926	662,482,959	819,583,482
Capital Outlay	22,298,940	19,947,137	20,914,183	7,017,170	23,635,572	21,525,630	11,515,705	8,363,784	20,949,092
Special Payments	53,035,012	77,869,841	43,413,152	58,684,899	68,444,067	43,910,707	39,156,891	34,538,359	354,375,509
Debt Service	<u>26,631,063</u>	<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>
Total Expenditures	\$ 803,940,704	\$ 870,386,875	\$ 892,478,469	\$ 816,592,521	\$ 841,921,254	\$ 789,103,836	\$ 987,524,261	\$ 1,013,083,697	\$ 1,536,856,845

Table 4

Gross Vehicle-Related Tax Collections – Nine Year Trend

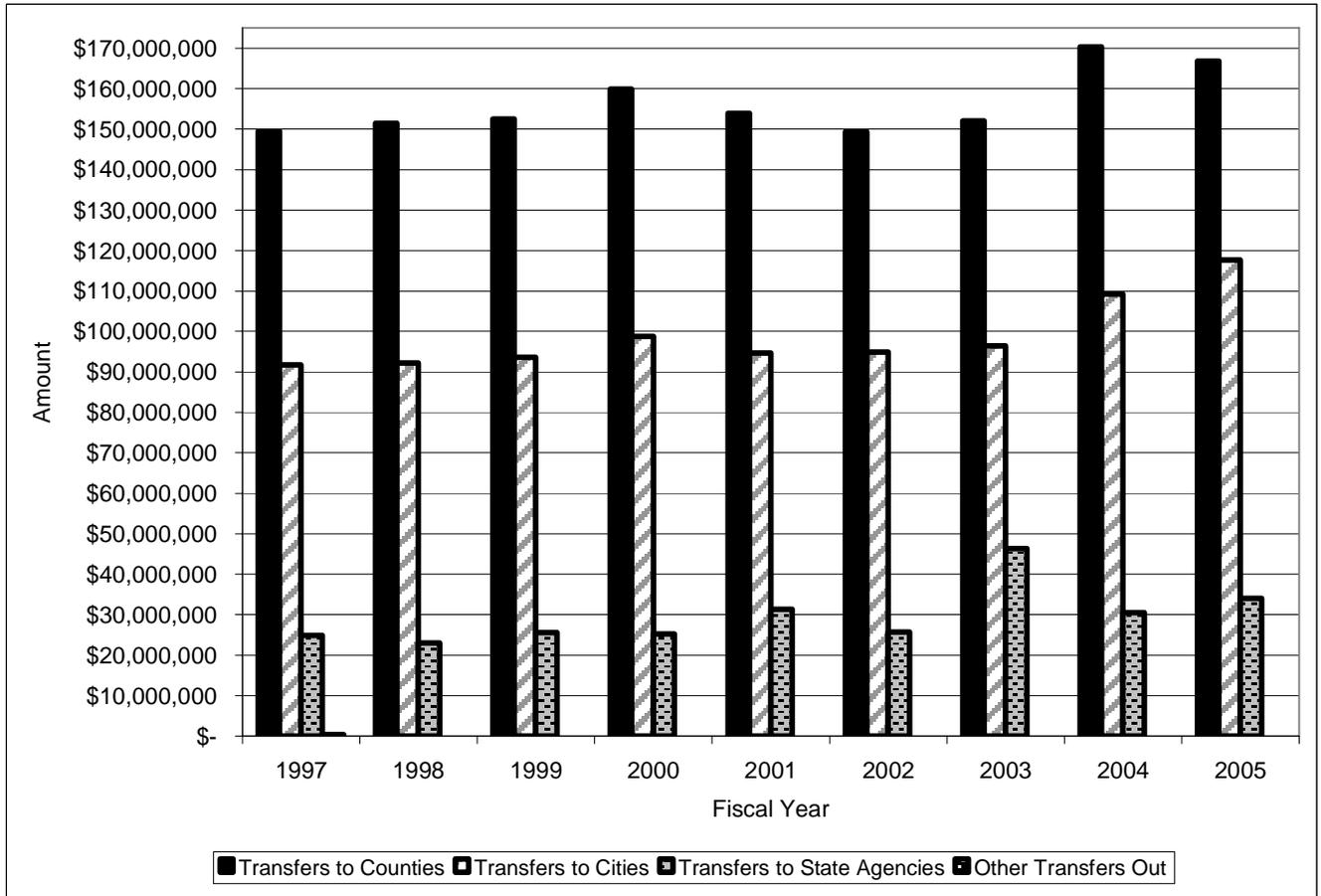


<u>Vehicle Related Taxes</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Motor Fuel Taxes	\$ 379,847,687	\$ 385,718,791	\$ 396,742,553	\$ 394,405,931	\$ 397,162,232	\$ 397,984,254	\$ 406,527,322	\$ 406,023,758	\$ 408,099,454
Weight-Mile Taxes	219,582,151	224,025,365	233,794,274	240,190,088	213,470,675	204,732,673	211,804,629	225,490,882	252,453,050
Vehicle Taxes	84,100,843	86,258,513	86,993,346	88,860,110	86,680,275	113,137,171	120,710,821	165,269,759	204,818,218
Other Transportation Taxes	4,585,946	5,150,095	5,617,534	10,737,828	7,491,606	1,827,368	1,806,354	1,327,832	1,811,364
Total Vehicle Related Taxes	\$ 688,116,627	\$ 701,152,764	\$ 723,147,707	\$ 734,193,957	\$ 704,804,788	\$ 717,681,466	\$ 740,849,126	\$ 798,112,231	\$ 867,182,086

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



Distribution Category	1997	1998	1999	2000	2001	2002	2003	2004	2005
Transfers to Cities	\$ 91,739,345	\$ 92,268,411	\$ 93,678,676	\$ 98,735,839	\$ 94,711,775	\$ 94,888,387	\$ 96,486,685	\$ 109,176,221	\$ 117,585,956
Transfers to Counties	149,402,426	151,382,217	152,538,707	159,853,266	153,895,285	149,338,063	151,946,604	170,317,584	166,762,359
Transfers to State Agencies	24,923,161	23,046,066	25,590,767	25,275,581	31,332,332	25,700,332	46,384,181	30,561,790	34,044,909
Other Transfers Out	374,974	-	-	-	-	-	-	-	-
Total Distributions	\$ 266,439,906	\$ 266,696,694	\$ 271,808,150	\$ 283,864,686	\$ 279,939,392	\$ 269,926,782	\$ 294,817,470	\$ 310,055,595	\$ 318,393,224

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.