

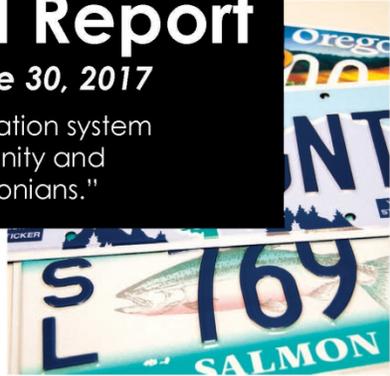


OREGON DEPARTMENT OF TRANSPORTATION

Annual Financial Report

For the Fiscal Year Ended June 30, 2017

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

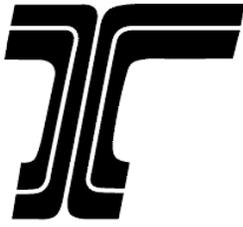




**State of Oregon
Department of Transportation
Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Principal Officers	viii
Organization Chart	ix
FINANCIAL SECTION	
Fund Financial Statements:	
Balance Sheet - All Fund Types	1
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	2
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - Governmental Funds	3
Notes to the Financial Statements	5
Combining Statements:	
Combining Balance Sheet - Special Revenue Funds	25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	26
Combining Balance Sheet - Special Revenue Funds - Other	27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds - Other	29
STATISTICAL SECTION	
Schedule of Federal Financial Assistance	31
Net Revenues and Other Sources - Seven-Year Trend	32
Total Expenditures - Seven-Year Trend	33
Net Vehicle-Related Tax Collections - Seven-Year Trend	34
Transfers to Others - Seven-Year Trend	35



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Oregon

Kate Brown, Governor

Department of Transportation

Financial Services

355 Capitol St NE

MS#21

Salem, OR 97301

December 31, 2017

To the Honorable Governor Kate Brown, and Citizens of the State of Oregon:

The Oregon Department of Transportation (Department) is pleased to present its annual financial report for the fiscal year ended June 30, 2017. The Department produces a non-audited annual financial report based on generally accepted accounting principles prescribed by the Governmental Accounting Standards Board. The financial data summarized in the annual financial report comes from the Department's detailed financial data and the Oregon Statewide Financial Management Application. The financial data in the Department's annual financial report supports the audited State of Oregon Comprehensive Annual Financial Report.

Per Oregon Revised Statute (ORS) 184.637, the responsibility for the accuracy of the data and the overall completeness of this report, including all disclosures, rests with the Chief Financial Officer of the Department. To the best of the Department's knowledge, the financial activity presented in this report 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 primary responsibilities of the Department include management of the state's highway and bridge system, administration of laws related to fuels taxation, motor vehicles and motor carriers, and oversight of the safety, rail/public transit, and statewide radio programs.

The Governor appoints, and the Oregon Senate confirms, the Director of the Department. The Oregon Transportation Commission (OTC) provides policy direction for the Department's programs. ORS 184.612 established the OTC as a five-member, volunteer citizens' 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, rail/public transit, bike/pedestrian, transportation safety, and other transportation-related programs.
- Give priority direction for programs and the Statewide Transportation Improvement Program.

Per ORS 184.637 and ORS 184.638, the Chief Financial Officer's responsibilities include compiling adequate accounting data for the preparation of financial statements. The Department's internal controls provide reasonable assurance that the Department meets this objective. 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 (Office) that maintains an independent and objective position within the Department. The Office performs independent internal audits of programs and divisions within the Department in accordance with generally accepted government auditing standards.

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.

Diversity: We honor and respect our individual differences and we work to ensure that people from diverse backgrounds have equitable opportunities, both internally and externally, to work for and conduct business with ODOT.

Sustainability: We balance economic, environmental, and community well-being in a manner that protects the needs of current and future generations.

OREGON TRANSPORTATION INVESTMENT ACT

Beginning in 2001, the Legislative Assembly passed a series of bills known collectively as the Oregon Transportation Investment Act (OTIA). OTIA marked the beginning of a new era of change and innovation within the Department. To deliver OTIA highway construction projects, the Department made fundamental changes in the way it accomplishes its mission. Under this program, the Department and its private sector partners:

- Employed efficient and cost effective delivery practices.
- Stimulated Oregon's economy.
- Capitalized on funding opportunities.
- Built projects sensitive to Oregon's communities and landscape.
- Kept traffic moving to limit its effect on other industries and the public.

The OTIA program made a significant contribution to Oregon jobs and the Oregon economy. The program enhanced the state's economy and provided for a revitalized transportation infrastructure.

The OTIA Programs

The OTIA authorized the State of Oregon (State) to issue highway user tax revenue bonds for modernization and preservation projects and for the repair and replacement of bridges. The modernization portion focused on projects of statewide and regional significance and specific federally earmarked projects, as well as projects which improved freight mobility, industrial access, and job growth. The Department completed the issuance of \$2.4 billion of bonds authorized under the OTIA program in April 2010. As of June 30, 2017, approximately \$1.8 billion of the OTIA program bond principal is outstanding.

THE JOBS AND TRANSPORTATION ACT

In 2009, the Legislative Assembly enacted the Oregon Jobs and Transportation Act of 2009 (JTA). JTA authorized a number of programs including, among other things, (a) directed the Department to cooperate with counties and cities in the Portland metropolitan area to develop congestion pricing pilot programs to study the effect that congestion pricing may have on traffic congestion, (b) authorized \$100 million in lottery revenue bonds for the Connect Oregon III program to provide financing for multimodal transportation facilities, including funding for rural airports, (c) required the Department of Administrative Services to prepare a second, alternative highway cost allocation study that considers the actual costs highway users impose, including the cost of infrastructure replacement, traffic congestion, and greenhouse gas emissions, and (d) required the Department and the Travel Information Council to manage, maintain, and improve certain rest areas.

The State is authorized under JTA to issue highway user tax revenue bonds in an amount sufficient to produce net proceeds of not more than \$840 million to finance a specific list of projects set out in JTA (the JTA projects). The JTA projects consist of 37 specific highway projects plus allocations for 14 additional projects selected by local governments in eastern Oregon, for a total of 51 JTA projects. The JTA projects and allocations total \$960.3 million financed by the \$840 million in highway user tax revenue bonds plus the cash flow allocated to the transportation project account as described below.

The Legislative Assembly approved certain fee and tax increases in JTA to, among other things, provide additional revenues for JTA projects and to pay debt service on highway user tax revenue bonds including bonds issued to finance the JTA projects.

The Department completed the issuance of \$840 million of bonds authorized under the JTA program in June 2017. As of June 30, 2017, approximately \$733 million of the JTA program bond principal is outstanding.

For more information see <http://www.oregon.gov/ODOT/pages/jta.aspx>

ECONOMIC CONDITIONS AND OUTLOOK

Oregon's expansion is outperforming the typical state due to our industrial structure and ability to attract and retain young, working-age households. While job growth here in Oregon has slowed from the rates seen in 2014 and 2015, Oregon is still outpacing the nation overall. The state's labor market is relatively tight. The number of available Oregonians per job opening is nearly down to levels not seen since the 1990s. Businesses across the state are reporting more positions are difficult to fill today than a few years ago. As the Oregon Employment Department reports, many are hard to fill jobs with specific reasons like low wages, odd hours, and geographic location; however, some are hard to fill due to a lack of applicants in general.

Oregon's relatively tight labor market is now driving stronger wage gains, hiring of candidates with a gap in their resume or an incomplete skill set, and an increase in Oregonians going back into the workforce in search of the more-plentiful and better-paying jobs. Furthermore, the tight market is leading to slower growth as the economy transitions down to a more sustainable rate. An economy digging out from a recession behaves considerably different than one approaching full employment.

That said, there still remains upside risk to the Oregon outlook in the near-term. Job growth has picked up in recent months, and withholdings out of Oregonian paychecks have stabilized at relatively strong rates of growth. While it remains unlikely Oregon will grow at high rates at this point in a mature expansion, job and income gains can certainly be better than expected. In order to see such gains, the labor force will need to continue to increase.

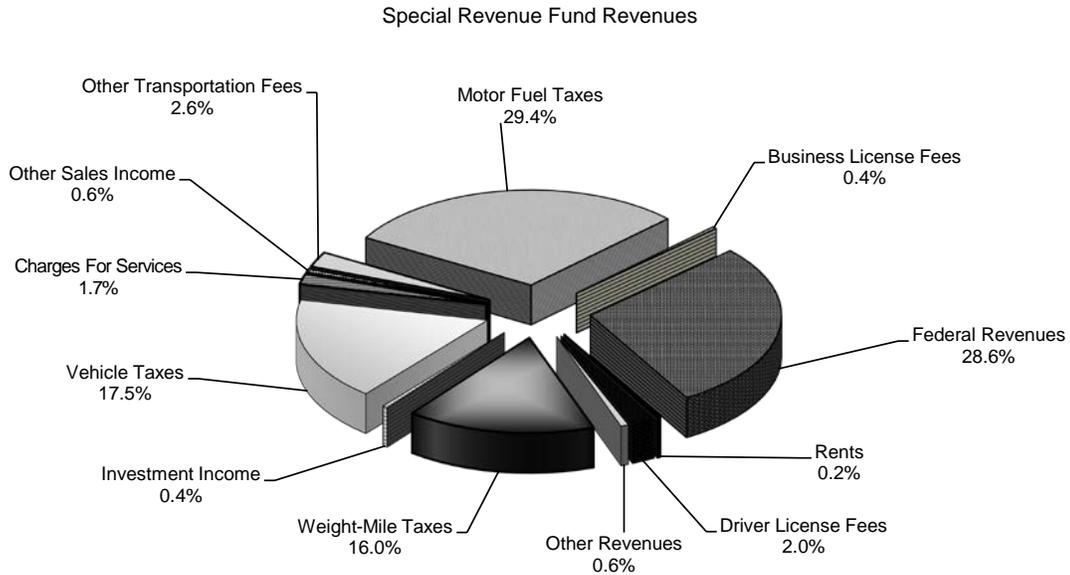
Labor force growth can be due to stronger population gains. However as the economy slows overall, population growth will as well. Oregon's population will increase faster than most states, although further acceleration in these gains is unlikely at this point in the cycle. Another source of labor force growth would be higher participation rates among existing residents. Oregon has experienced a strong labor force response in recent years.

The increase in nonparticipation is really across the board among age groups (except those 65 and older), and across the board for the reasons why such Oregonians are not looking for work. Some are simply discouraged workers who would like a job, some are enrolled in school, some are taking care of their children, others are disabled while some, primarily those in their 50s, have managed to find a way to make ends meet and retire. The current outlook for Oregon remains positive. The economy is expected to continue to improve. Even as Oregon is transitioning down to a more sustainable rate of growth, job growth may still be high. Between now and the next recession, all of the good dynamics that are finally happening, like rising household incomes and falling poverty rates, should continue.

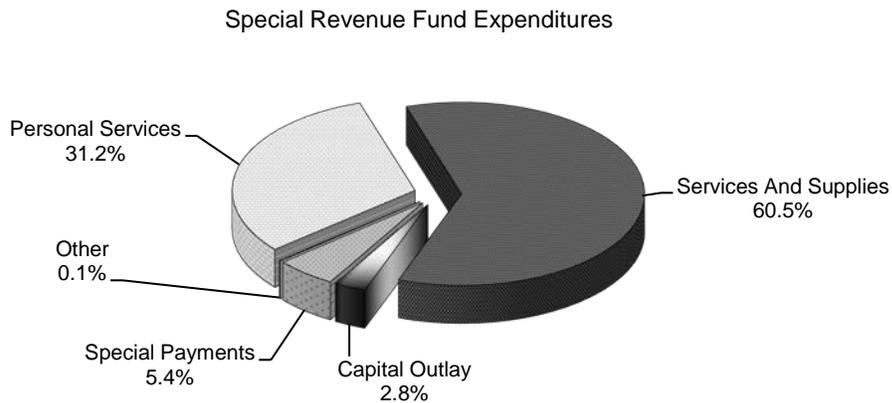
FINANCIAL ANALYSIS OF THE DEPARTMENT'S GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources such as taxes, licenses, and other revenue allocated by law to specific purposes. The Department accounts for 84.3% of its expenditures in special revenue funds. The other 15.7% of the expenditures are in debt service funds (14.7%), capital project funds (.4%), and general fund (.6%). Special revenue fund revenues include taxes (62.9%) and federal revenues (28.6%). Special revenue fund revenues increased from \$1.8 billion in 2016 to \$1.9 billion in 2017.



Special revenue fund expenditures are composed primarily of services and supplies (60.5%), which include payments for highway construction contracts. Personal services payments include salaries, benefits, and related expenditures. Special payments include distributions to governmental entities and others. Capital outlay payments include machinery, equipment, and related expenditures.



FINANCIAL INTRODUCTION

The financial introduction section presents an overview of the financial performance of the Department for the fiscal year ended June 30, 2017. It serves as an introduction to the Department's basic financial statements and focuses on significant financial matters.

FINANCIAL HIGHLIGHTS

Fund Level

As of June 30, 2017, the Department's governmental funds reported combined ending fund balances of \$923.4 million, compared to \$648.7 million for the previous year.

Long-Term Debt

The Department's total long-term debt increased by \$303.8 million, or 10.2 percent, during the current fiscal year. The increase was attributable to the issuance of new debt Series 2017A lottery revenue bonds, Series 2017A and 2017S-2 highway user tax revenue bonds, and Series M general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund Financial Statements

The fund financial statements provide detailed information about the Department's governmental and fiduciary funds. State law and bond covenants require the Department to establish certain funds. The Department also establishes funds to account for certain taxes and grants or for specific legal purposes.

Governmental Funds – The Department reports 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 governmental fund financial statement format using the current financial resources measurement focus and 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 detail for the special revenue funds.

Fiduciary Funds – Fiduciary funds account for resources held to benefit parties outside the Department or to meet regulatory requirements. Fiduciary funds are not available to support the Department's own programs. The Department reports its fiduciary fund activities within the agency funds.

Notes to the 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 combining 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, 355 Capitol St NE MS # 21, Salem, Oregon 97301, Phone: (503) 986-3900.

ACKNOWLEDGEMENTS

The Department's annual 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, Scott Smyth, and Joseph Flager under the direct supervision of Clay Flowers.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Garrett", with a stylized flourish at the end.

Matthew L. Garrett, Director
Oregon Department of Transportation

A handwritten signature in blue ink, appearing to read "Tracy Wroblewski", with a stylized flourish at the end.

Tracy Wroblewski
Chief Financial Officer

**Principal Officers of the Oregon Department of Transportation
June 30, 2017**

Oregon Transportation Commission

<u>Commissioner</u>	<u>Commission Expires</u>
Tammy Baney, Chair	June 30, 2019
Dave Lohman	June 30, 2017
Paula Brown	June 30, 2020
Alando Simpson	June 30, 2018
Sean O'Hollaren	June 30, 2020

Oregon Department of Transportation

Director – Matthew Garrett

Assistant Director – Travis Brouwer

Chief Administrative Officer, Central Services Division – Robert Gebhardt

Administrator, Driver and Motor Vehicle Services Division – Tom McClellan

Administrator, Highway Division – Paul Mather

Administrator, Motor Carrier Transportation Division – Amy Ramsdell

Administrator, Rail/Public Transit Division – Hal Gard

Administrator, Transportation Development Division – Jerri Bohard

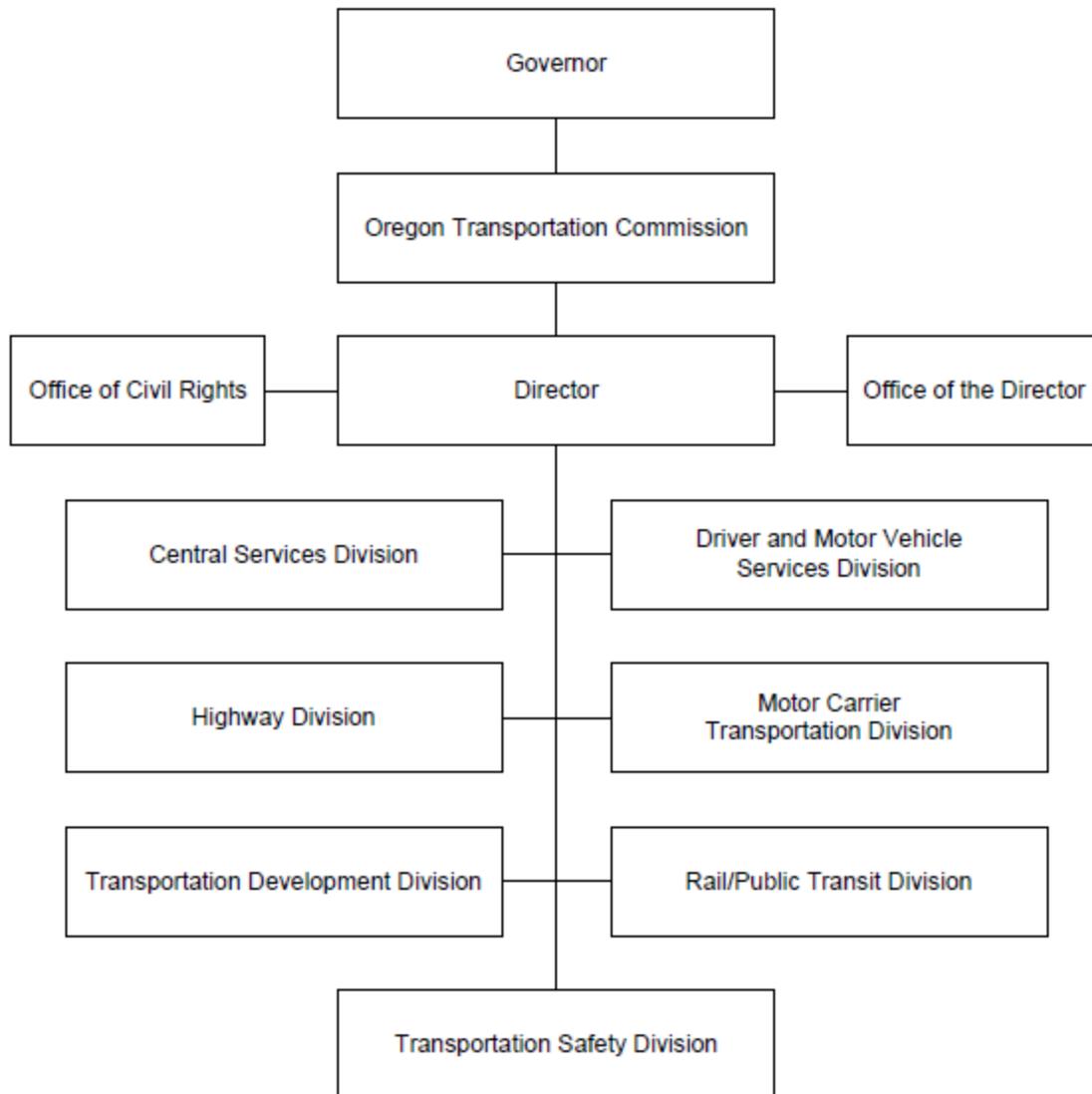
Administrator, Transportation Safety Division – Troy Costales

Chief Financial Officer, Financial Services – Tracy Wroblewski

Chief Internal Auditor – Marlene Hartinger

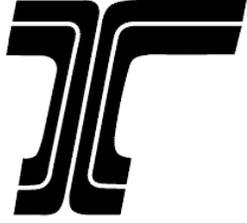


State of Oregon
Department of Transportation
Organization Chart
June 30, 2017





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FINANCIAL SECTION

**State of Oregon
Department of Transportation
Balance Sheet - All Fund Types
June 30, 2017**

	Governmental Funds				Total Governmental Funds	Fiduciary Funds
	General	Special Revenue	Debt Service	Capital Projects		Agency
Assets						
Cash and Cash Equivalents	\$ -	\$ 755,593,079	\$ 62,964,988	\$ 32,960,144	\$ 851,518,211	\$ 25,545,577
Custodial Assets	-	-	-	-	-	612,797
Securities Lending Cash Collateral	-	2,050,000	-	-	2,050,000	-
Investments	-	90,505,368	-	-	90,505,368	-
Loans Receivable (net)	-	22,318,772	-	-	22,318,772	-
Taxes Receivable (net)	-	65,729,575	-	-	65,729,575	-
Due from Federal Government	-	62,244,930	-	484,876	62,729,806	-
Due from State Agencies	-	116,591,081	27,314,725	745,259	144,651,065	-
Due from State General Fund	3,807	-	-	-	3,807	-
Other Accounts Receivable (net)	-	19,114,825	-	-	19,114,825	-
Inventories	-	33,782,826	-	1,423,331	35,206,157	-
Prepaid Assets	-	1,087,347	-	-	1,087,347	-
Contracts Receivable (net)	-	204,828	-	-	204,828	-
Total Assets	\$ 3,807	\$ 1,169,222,631	\$ 90,279,713	\$ 35,613,610	\$ 1,295,119,761	\$ 26,158,374
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ 3,807	\$ 121,903,232	\$ 51,650	\$ 1,805,323	\$ 123,764,012	\$ -
Custodial Liabilities	-	489,908	-	-	489,908	17,098,977
Securities Lending Obligations	-	2,050,000	-	-	2,050,000	-
Due to Other Governments	-	82,345,936	-	-	82,345,936	9,059,397
Due to State Agencies	-	122,455,368	4,339,924	-	126,795,292	-
Unearned Revenue	-	36,232,130	-	-	36,232,130	-
Total Liabilities	3,807	365,476,574	4,391,574	1,805,323	371,677,278	26,158,374
<i>Fund Balances:</i>						
Nonspendable:						
Inventories	-	33,782,826	-	1,423,331	35,206,157	-
Revolving Accounts	-	40,000	-	-	40,000	-
Prepaid Assets	-	1,087,347	-	-	1,087,347	-
Restricted by:						
Oregon Constitution	-	565,302,385	85,822,977	-	651,125,362	-
Federal Laws and Regulations	-	33,947,807	-	357,349	34,305,156	-
Debt Covenants	-	113,588,556	65,162	32,027,607	145,681,325	-
Enabling Legislation	-	52,658,396	-	-	52,658,396	-
Committed	-	3,338,740	-	-	3,338,740	-
Total Fund Balances	-	803,746,057	85,888,139	33,808,287	923,442,483	-
Total Liabilities and Fund Balances	\$ 3,807	\$ 1,169,222,631	\$ 90,279,713	\$ 35,613,610	\$ 1,295,119,761	\$ 26,158,374

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

State of Oregon
Department of Transportation
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:					
Motor Fuel Taxes	\$ -	\$ 546,574,309	\$ -	\$ -	\$ 546,574,309
Federal Revenues	-	531,372,808	-	867,939	532,240,747
Weight-Mile Taxes	-	297,052,489	-	-	297,052,489
Vehicle Registration Taxes	-	325,010,406	-	-	325,010,406
Driver License Fees	-	37,695,247	-	-	37,695,247
Other Transportation Fees	-	48,137,252	-	-	48,137,252
Charges for Services	-	31,902,600	-	-	31,902,600
Other Sales Income	-	11,265,492	-	-	11,265,492
Investment Income	-	8,262,312	230,194	-	8,492,506
Business License Fees	-	6,549,420	-	-	6,549,420
Rents	-	4,446,716	-	-	4,446,716
Other Revenues	-	11,976,715	10,107,112	28,028	22,111,855
Total Revenues	-	1,860,245,766	10,337,306	895,967	1,871,479,039
Expenditures:					
Personal Services	-	444,818,352	-	592,731	445,411,083
Services and Supplies	399,738	861,980,630	1,208	1,779,263	864,160,839
Capital Outlay	-	39,913,486	-	4,679,712	44,593,198
Loan Interest	-	11,425	-	-	11,425
Special Payments	7,849,586	76,632,767	-	-	84,482,353
Principal and Interest	2,243,724	-	247,350,691	-	249,594,415
Other Debt Service	-	1,522,297	569,822	-	2,092,119
Total Expenditures	10,493,048	1,424,878,957	247,921,721	7,051,706	1,690,345,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,493,048)	435,366,809	(237,584,415)	(6,155,739)	181,133,607
Other Financing Sources (Uses):					
General Fund Appropriation	10,493,048	-	-	-	10,493,048
Long-Term Debt Issued	-	449,878,817	25,115,371	35,360,512	510,354,700
Refunding Debt Issued	-	-	389,407,363	-	389,407,363
Refunded Debt Payment to Escrow Agent	-	-	(413,819,083)	-	(413,819,083)
Transfers In - Net of Intrafund Activity	-	40,818,489	260,537,560	5,091,755	306,447,804
Transfers Out - Net of Intrafund Activity	-	(678,776,003)	(36,292,104)	(488,241)	(715,556,348)
Loans Made to Others	-	(742,700)	-	-	(742,700)
Gain (Loss) on Sale of Capital Assets	-	4,878,768	-	-	4,878,768
Insurance Recoveries	-	1,051,958	-	-	1,051,958
Total Other Financing Sources (Uses)	10,493,048	(182,890,671)	224,949,107	39,964,026	92,515,510
Net Change in Fund Balances	-	252,476,138	(12,635,308)	33,808,287	273,649,117
Fund Balances - Beginning	-	550,149,832	98,523,447	-	648,673,279
Prior Period Adjustment	-	237,193	-	-	237,193
Change in Nonspendable Fund Balances	-	882,894	-	-	882,894
Fund Balances - Ending	\$ -	\$ 803,746,057	\$ 85,888,139	\$ 33,808,287	\$ 923,442,483

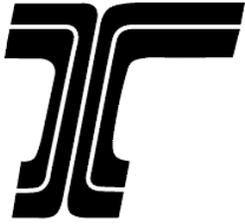
The accompanying notes are an integral part of the financial statements. These statements are not audited.

State of Oregon
Department of Transportation
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary (Non-GAAP) Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2017

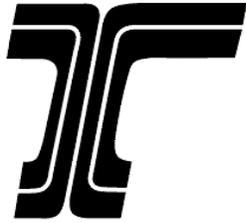
	General Fund			Special Revenue Funds		
	2015-2017 Biennial Budget	2015-2017 Biennial Actuals	Variance Uncollected/ Unspent	2015-2017 Biennial Budget	2015-2017 Biennial Actuals	Variance Uncollected/ Unspent
Revenues:						
Motor Fuel Taxes	\$ -	\$ -	\$ -	\$ 1,087,114,501	\$ 1,078,745,691	\$ 8,368,810
Federal Revenues	-	-	-	965,327,392	1,055,714,244	(90,386,852)
Weight-Mile Taxes	-	-	-	608,108,654	588,354,526	19,754,128
Vehicle Registration Taxes	-	-	-	604,511,664	643,596,665	(39,085,001)
Driver License Fees	-	-	-	72,402,951	81,797,585	(9,394,634)
Other Transportation Fees	-	-	-	95,063,943	94,659,840	404,103
Charges for Services	-	-	-	7,440,469	62,788,256	(55,347,787)
Other Sales Income	-	-	-	22,518,704	21,480,898	1,037,806
Investment Income	-	-	-	10,099,740	18,826,031	(8,726,291)
Business License Fees	-	-	-	5,384,568	11,962,425	(6,577,857)
Rents	-	-	-	1,193,985	8,428,270	(7,234,285)
Other Revenues	-	-	-	525,994,354	23,398,541	502,595,813
Total Revenues	-	-	-	4,005,160,925	3,689,752,972	315,407,953
Expenditures:						
Personal Services	9,403,878	-	9,403,878	847,058,237	871,895,275	(24,837,038)
Services and Supplies	-	753,481	(753,481)	1,864,774,240	1,657,328,795	207,445,445
Capital Outlay	-	-	-	67,561,528	65,767,252	1,794,276
Loan Interest	-	-	-	-	245,799	(245,799)
Special Payments	10,408,710	19,058,913	(8,650,203)	341,636,576	149,801,421	191,835,155
Debt Service (combined)	2,243,769	2,243,724	45	1,068,274,302	1,847,009	1,066,427,293
Total Expenditures	22,056,357	22,056,118	239	4,189,304,883	2,746,885,551	1,442,419,332
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,056,357)	(22,056,118)	(239)	(184,143,958)	942,867,421	(1,127,011,379)
Other Financing Sources (Uses):						
General Fund Appropriation	22,056,357	22,056,118	239	-	-	-
Long-Term Debt Issued	-	-	-	481,354,734	469,633,817	11,720,917
Refunding Debt Issued	-	-	-	506,942,355	-	506,942,355
Debt Issuance Premium	-	-	-	-	314,279	(314,279)
Refunded Debt Payment to Escrow Agent	-	-	-	-	-	-
Transfers In (gross)	-	-	-	3,239,266,786	2,398,005,336	841,261,450
Transfers Out (gross)	-	-	-	(3,953,644,843)	(3,687,398,501)	(266,246,342)
Loans Made to Others	-	-	-	-	(742,700)	742,700
Loan Repayments	-	-	-	13,097,504	-	13,097,504
Gain (Loss) on Sale of Capital Assets	-	-	-	-	7,460,319	(7,460,319)
Insurance Recoveries	-	-	-	-	2,457,700	(2,457,700)
Total Other Financing Sources (Uses)	22,056,357	22,056,118	239	287,016,536	(810,269,750)	1,097,286,286
Net Change in Budgetary Fund Balances	\$ -	-	\$ -	\$ 102,872,578	132,597,671	\$ (29,725,093)
Budgetary Fund Balances - Beginning	-	-	-	-	670,028,299	-
Prior Period Adjustment	-	-	-	-	237,193	-
Change in Nonspendable Fund Balances	-	-	-	-	882,894	-
Budgetary Fund Balances - Ending	\$ -	-	-	-	\$ 803,746,057	-

Debt Service Funds			Capital Projects Funds ⁽¹⁾		
2015-2017 Biennial Budget	2015-2017 Biennial Actuals	Variance Uncollected/ Unspent	2015-2017 Biennial Budget	2015-2017 Biennial Actuals	Variance Uncollected/ Unspent
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,230,839	(1,230,839)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	361,609	(361,609)	-	81,027	(81,027)
-	-	-	-	-	-
-	-	-	-	-	-
-	20,182,744	(20,182,744)	-	31,483	(31,483)
-	20,544,353	(20,544,353)	-	1,343,349	(1,343,349)
-	-	-	-	987,203	(987,203)
12,128,314	1,208	12,127,106	-	3,690,830	(3,690,830)
-	-	-	129,503,609	6,912,745	122,590,864
-	-	-	-	-	-
1,068,274,302	510,617,594	557,656,708	-	-	-
1,080,402,616	510,618,802	569,783,814	129,503,609	11,590,778	117,912,831
(1,080,402,616)	(490,074,449)	(590,328,167)	(129,503,609)	(10,247,429)	(119,256,180)
-	-	-	-	-	-
-	25,115,371	(25,115,371)	-	35,360,512	(35,360,512)
-	453,507,963	(453,507,963)	-	-	-
-	17,174,938	(17,174,938)	-	-	-
-	(494,814,039)	494,814,039	-	-	-
-	535,356,521	(535,356,521)	-	9,285,383	(9,285,383)
-	(45,817,363)	45,817,363	-	(15,632,823)	15,632,823
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	490,523,391	(490,523,391)	-	29,013,072	(29,013,072)
<u>\$ (1,080,402,616)</u>	448,942	<u>\$ (1,080,851,558)</u>	<u>\$ (129,503,609)</u>	18,765,643	<u>\$ (148,269,252)</u>
	85,439,197			15,042,644	
	-			-	
	<u>\$ 85,888,139</u>			<u>\$ 33,808,287</u>	

⁽¹⁾ Capital Projects Funds are budgeted on a 6-year cycle.



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**NOTES TO THE
FINANCIAL STATEMENTS**

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. These statements have not been audited for compliance or conformity.

A. Reporting Entity

The Department of Transportation became an Executive Branch agency in the State of Oregon in 1969. Its mission is to provide a safe, efficient transportation system that supports economic opportunity and livable communities for Oregonians.

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

The Department's organization consists of 7 divisions: Central Services, Driver and Motor Vehicle Services, Highway, Motor Carrier Transportation, Transportation Development, Rail/Public Transit, and Transportation Safety.

B. 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*.

C. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is presented in a fund. Basis of accounting describes the criteria governing the timing of the recognition of transactions and events.

Governmental Fund Financial Statements

The Department uses the current financial resources measurement focus and the modified accrual basis of accounting to prepare the governmental fund statements. The current financial resources measurement focus only takes into consideration those resources available for spending in the near future. Accordingly, only transactions and events affecting a 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 become "available" if 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 the Department expects to collect 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. Federal reimbursement grants are recognized as revenue when the Department incurs the qualifying expenditures and meets all other grant requirements. Licenses and fees or cash sales of goods and services are recognized as revenue when received as cash.

**Oregon Department of Transportation
Notes to the Financial Statements**

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

Fiduciary Fund Financial Statements

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

D. Basis of Presentation

The Department records its financial activities in individual funds. A fund is defined as a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund accounting demonstrates legal compliance and aids in financial management by segregating transactions related to certain governmental functions or activities.

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.

Debt Service Funds account for the accumulation of resources for the 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, and acquisition of capital assets.

Fiduciary Funds

Agency Funds account for assets held in a custodial capacity or as an agent for individuals, private organizations, or other governmental units.

E. Assets, Liabilities, and 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 outside of the State Treasurer.

The State Treasurer designates and holds certain investments for the Department. Other investments may be held by the Department's fiscal agent. The Department reports all investments (including equity in pooled investments) at fair value.

Receivables and Payables

Advances to/from Other Funds represent 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*.

Oregon Department of Transportation
Notes to the Financial Statements

The Department states receivables 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 method for cost valuation of inventories of materials and supplies in its governmental funds. Reported inventories in governmental funds are equally offset by nonspendable fund balance.

Capital Assets

The Department values capital assets, which include land, buildings, equipment, and infrastructure assets, at historical cost or, if donated, at the estimated acquisition value at the date of donation. The Department added infrastructure as a capital asset beginning July 1, 2001, when the state highway and bridge system was added in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. All additions to infrastructure assets, beginning July 1, 2001, were added based on cost. In the governmental fund statements, capital assets are charged to expenditures when acquired. Capital assets are not reported in the financial statements, but are included in the notes to the financial statements.

The Department 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.

F. Pollution Remediation Obligation

GASB Statement No. 49 established accounting and financial reporting for pollution remediation obligations. These obligations address the current or potential effects of existing pollution. The Department incurs pollution remediation *liabilities* by participating in pollution remediation *activities* including: pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and post-remediation monitoring. Excluded from the scope of Statement No. 49 are obligations for pollution prevention and control activities, fines and penalties, landfill closure and post-closure care, and other future remediation activities required upon retirement of an asset.

Pollution remediation obligations are recognized when the range of expected cash outlays can be reasonably estimated. The Department recognized an estimated pollution remediation liability of \$6.7 million as of June 30, 2017, for statewide reporting purposes. However, this liability is not reported in the Department's fund financial statements. For many projects, the Department can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the Department has experience. In other cases, the estimates are limited to an amount specified in a contract for remediation services or provided by environmental consulting firms.

When new information indicates changes in expected outlays, the liability for pollution remediation is adjusted. Adjustments may be the result of price fluctuations resulting from delays in contracting specific remediation jobs, changes in technology, changes in legal or regulatory requirements, and changes in the remediation plan or operating conditions.

**Oregon Department of Transportation
Notes to the Financial Statements**

The Department also performs ongoing pollution remediation. In many instances, the Department voluntarily conducts the cleanup of contaminated soil and groundwater found within the footprint of a construction project or removes lead-based paint during bridge repairs. In other cases, the Department of Environmental Quality (DEQ) has named the Department as a responsible party, or potentially responsible party, or the Department has entered a site as part of the DEQ's Voluntary Cleanup Program, as the responsible party.

G. Retainage Payable

Oregon Revised Statute 279C.570 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 released to the contractor as the project is completed.

H. Unearned Revenue

Unearned revenue arises when resources are received before the Department has earned them or has legal claim to them. In subsequent periods, when the earnings process is complete or when all revenue recognition criteria have been met, the unearned revenue is reduced and revenue is recognized.

I. 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 separately under other financing uses in the fund financial statements.

J. Fund Balance

Fund balances for governmental funds are classified based on the nature of the resource restrictions within each fund. Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Restricted balances are further classified as constitutional, federal, debt covenant, or enabling legislation. Nonspendable balances are further classified as inventories, revolving accounts, or prepaid assets.

K. 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 expenditures during the reporting period. Actual results could differ from those estimates.

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 General Funds, Federal Funds, Lottery Funds, and Other Funds.

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 General Fund (primarily personal and corporate income taxes). The Legislature provides the spending authority and the funding for both the General Funds and the Lottery funds. The other spending authorities are *limited* and *nonlimited*. Limited spending authorities approved by the Legislature authorize the Department to spend up to a specific level of expenditures. The Department uses limitations of this type for all programs financed with federal funds, lottery funds, and other funds (e.g., fuels tax and vehicle registration). Nonlimited spending authorities are authorized by the Legislature for expenditures that fluctuate based on variables outside the Department's control and for which the Legislature does not legally specify an amount.

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/stip/pages/default.aspx>.

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.

**Oregon Department of Transportation
Notes to the Financial Statements**

3. CASH AND INVESTMENTS

Deposits

The State of Oregon maintains the Oregon Short-Term Fund, a cash and investment management pool in which the Department participates. Participant account balances are determined by the amount of each participant's 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.

Deposits with fiscal agents may include money market accounts held by the pledging financial institution or its trust department for the purpose of debt service. Performance deposits held in trust include cash and securities held as deposits on commercial enterprises.

Investments

At June 30, 2017, the Department's investments consisted primarily of U.S agency securities and corporate bonds.

Cash and cash equivalents, performance deposits, and investments as of June 30, 2017:

	<u>Total</u>
Cash and Deposits in Transit	\$ 59,841,962
Deposits with State Treasury	817,010,769
Performance Deposits Held in Trust	612,797
Deposits with Fiscal Agents	211,057
Investments with State Treasury	90,505,368
Total	<u>\$ 968,181,953</u>

4. TRANSFERS

Fund Transfers

Internal transfer activity is included at the combining financial statement (detail) level and eliminated at the combined (summary) level.

Special Payments

Special Payments are payments the Department makes to other governmental jurisdictions including counties and cities. The distinguishing characteristic of this type of payment is that the Department does not receive any associated goods or services in exchange for the payment. Special Payments may include the distribution of federal and state funds directly to governmental entities and others.

**Oregon Department of Transportation
Notes to the Financial Statements**

Transfer activity for the year ended June 30, 2017:

<u>Departmental transfers:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Funds		
Capital Projects	\$ 480,936	\$ 5,091,755
Debt Service	36,292,104	206,476,820
Debt Service Funds		
Capital Projects		-
Special Revenue	206,476,820	36,292,104
Capital Projects Funds		
Debt Service		-
Special Revenue	5,091,755	480,936
Total departmental transfers	<u>248,341,615</u>	<u>248,341,615</u>
 <u>State agency transfers:</u>		
Special Revenue Funds		
Business Oregon	100,000	864,325
Department of Administrative Services	-	3,446,156
Department of Aviation	-	6,034,523
Department of Environmental Quality	148,571	-
Department of Parks and Recreation	237,168	26,225,820
Department of Revenue	3,559,710	-
Department of Veterans' Affairs	-	100,882
Governor's Office	-	70,000
State Marine Board	-	3,987,070
Travel Information Council	-	6,550,000
Watershed Enhancement Board	-	220,213
Capital Projects Funds		
Department of Administrative Services	-	7,305
Debt Service Funds		
Department of Administrative Services	54,060,740	-
Total state agency transfers	<u>58,106,189</u>	<u>47,506,294</u>
 <u>Local government transfers:</u>		
Special Revenue Funds		
Cities	-	168,563,914
Counties	-	249,057,363
Total local government transfers	<u>-</u>	<u>417,621,277</u>
 <u>Transfers to nongovernmental entities:</u>		
Special Revenue	<u>-</u>	<u>2,087,162</u>
Total transfers	<u>\$ 306,447,804</u>	<u>\$ 715,556,348</u>

**Oregon Department of Transportation
Notes to the Financial Statements**

5. CAPITAL ASSETS

Major capital asset events during fiscal year 2017 included the following:

- The Department completed the State Radio Project. The project enhanced communications through modern technology that first responders depend on to do their jobs. It also allows for shared efficiencies with state agencies such as the Oregon State Police and other first responder agencies. Major components of the new system include: new narrowband hand-held and portable radios; a digital microwave system; consoles and logging recorders at statewide dispatch centers; a new trunked radio system; and a new network management system.
- The main portion of the Pioneer Mountain-Eddyville project, a 5.5 mile new alignment, opened in October 2016. The new roadway replaces a ten mile segment of the original 1917-built U.S 20 that has narrow lanes and sharp curves. The project improves traveler safety with a new roadway that is straighter, has wide shoulders, and passing lanes.
- Phase 1 of the Newberg-Dundee Bypass is nearing completion and had a significant amount of work during the fiscal year. This phase of the Bypass is expected to be completed in late 2017. The new four-mile expressway will extend from OR 219 to OR 99W south of Dundee, with one lane of travel in each direction. The new bypass will significantly reduce traffic congestion on OR 99W and improve livability and overall traffic flow in the surrounding communities.
- The I-5 Fern Valley Interchange, Unit 2 project located in Southern Oregon was completed in September 2016. The project included the construction of two new bridges along Fern Valley Road, major concrete and asphalt paving, as well as new electrical and landscaping. The project connected communities and reduced traffic congestion.

Capital asset activity for the fiscal year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	\$ 236,843,226	\$ 9,937,404	\$ (258,957)	\$ 246,521,673
Construction in progress - infrastructure	946,247,646	298,484,235	(597,473,685)	647,258,196
Construction in progress - other	128,042,311	47,002,210	(151,631,798)	23,412,723
Data processing software	63,553,815	3,465,351	(534,092)	66,485,074
Land	1,683,333,613	6,008,541	(6,088,819)	1,683,253,335
Land improvements	68,173,114	130,039,597	(173,676)	198,039,035
Land use rights (amortized)	781,932	-	-	781,932
Leasehold improvements	1,296,619	1,195,900	-	2,492,519
Machinery and equipment	358,054,545	70,223,293	(12,728,915)	415,548,923
State highway and bridge system	12,785,042,962	778,630,303	(57,156,503)	13,506,516,762
Works of art and historical treasures	101,151	-	-	101,151
Total capital assets	<u>\$ 16,271,470,934</u>	<u>\$ 1,344,986,834</u>	<u>\$ (826,046,445)</u>	<u>\$ 16,790,411,323</u>

Construction in progress - infrastructure includes all state highway and bridge system construction projects currently underway. *Construction in progress - other* includes equipment fabrication and facility projects located throughout the state.

**Oregon Department of Transportation
Notes to the Financial Statements**

6. COMMITMENTS

Construction Commitments

Construction commitments represent the estimated dollar amount of planned highway construction approved by the Oregon Transportation Commission and presented in the State Transportation Improvement Plan. There were \$636.9 million in outstanding commitments for highway and bridge construction contracts as of June 30, 2017.

Operating Lease Commitments

The Department has commitments with entities outside of state government to lease certain buildings and equipment.

Future minimum rental commitments under operating leases as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Total</u>
2018	\$ 7,776,533
2019	7,259,579
2020	5,302,413
2021	4,771,933
2022	4,095,934
2023-2047	14,053,703
Total	<u>\$ 43,260,095</u>

7. LONG-TERM DEBT

Oregon Revised Statutes (ORS) provide the Department with the authority to issue bonds and to assume other forms of long-term debt to finance construction projects. The individual debt issuances are summarized below for all long-term debt outstanding at June 30, 2017. The Department's long term debt consists of lottery revenue bonds, highway user tax revenue bonds, certificates of participation, and general obligation bonds.

Revenue Bonds Repaid by Lottery Proceeds

Lottery Revenue Bonds are issued on behalf of the Department by the State, acting by and through the State Treasurer, at the request of the Department of Administrative Services (DAS), pursuant to the authority of Article XV, Section 4 of the Oregon Constitution and ORS chapter 286A. Lottery Revenue Bonds are special obligations of the State payable solely from unobligated net lottery proceeds and other legally available funds.

For more information regarding individual securities, please visit the Municipal Securities Rulemaking Board at <http://www.emma.msrb.org>.

**Oregon Department of Transportation
Notes to the Financial Statements**

- Lottery Revenue Bonds, Series 2006A (CUSIP No. 68607V): In September 2006, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$27,355,000. The net proceeds from these bonds were used for multimodal transportation projects. The final maturity date for this bond series was April 2017. The bonds were paid in full as of June 30, 2017, and had a balance of zero.
- Lottery Revenue Bonds, Series 2007A (CUSIP No. 68607V): In February 2007, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$102,520,000. The net proceeds from these bonds were used for multimodal transportation projects and a commuter rail line in Washington County. The final maturity date for this bond series was April 2017. The bonds were paid in full as of June 30, 2017, and had a balance of zero.
- Lottery Revenue Bonds, Series 2009A (CUSIP No. 68607V): In March 2009, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$381,195,000. The net proceeds from these bonds were used to fund multimodal transportation projects, the Portland-Milwaukee Light Rail Project, and the Oregon Street Car Project. The final maturity date for this bond series is April 2019. The bonds had an outstanding principal balance at June 30, 2017, of \$36,630,000.
- Lottery Revenue Bonds, Series 2011A (CUSIP No. 68607V): In March 2011, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$96,369,674. The net proceeds from these bonds were used to fund multimodal transportation projects. The final maturity date for this bond series is April 2031. The bonds had an outstanding principal balance at June 30, 2017, of \$13,777,529.
- Lottery Revenue Refunding Bonds, Series 2011B (CUSIP No. 68607V): In March 2011, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$10,135,818. The net proceeds from these bonds were used to refund a portion of the Lottery Revenue Bonds Series 2002A, Series 2005A, and Series 2009A. The final maturity date for this bond series is April 2021. The bonds had an outstanding principal balance at June 30, 2017, of \$10,135,818.
- Lottery Revenue Refunding Bonds, Series 2012B (CUSIP No. 68607V): In April 2012, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$4,863,853. The net proceeds from these bonds were used to refund a portion of the Lottery Revenue Bonds Series 2004B and Series 2005A. The final maturity date for this bond series is April 2025. The bonds had an outstanding principal balance at June 30, 2017, of \$3,051,763.
- Lottery Revenue Bonds, Series 2013A (CUSIP No. 68607V): In April 2013, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$28,621,997. The net proceeds from these bonds were used to fund multimodal transportation projects. The final maturity date for this bond series is April 2033. The bonds had an outstanding principal balance at June 30, 2017, of \$28,621,997.

**Oregon Department of Transportation
Notes to the Financial Statements**

- Lottery Revenue Refunding Bonds, Series 2013C (CUSIP No. 68607V): In April 2013, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$788,978. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2004A. The final maturity date for this bond series is April 2018. The bonds had an outstanding principal balance at June 30, 2017, of \$186,938.
- Lottery Revenue Refunding Bonds, Series 2014A (CUSIP No. 68607V): In July 2014, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$15,018,198. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2006A. The final maturity date for this bond series is April 2027. The bonds had an outstanding principal balance at June 30, 2017, of \$14,788,668.
- Lottery Revenue Refunding Bonds, Series 2014B (CUSIP No. 68607V): In July 2014, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$76,153,631. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2007A. The final maturity date for this bond series is April 2027. The bonds had an outstanding principal balance at June 30, 2017, of \$75,175,055.
- Lottery Revenue Refunding Bonds, Series 2014C (CUSIP No. 68607V): In July 2014, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$91,440,704. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2009A. The final maturity date for this bond series is April 2025. The bonds had an outstanding principal balance at June 30, 2017, of \$90,442,415.
- Lottery Revenue Bonds, Series 2015A (CUSIP No. 68607V): In January 2015, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$48,624,463. The net proceeds from these bonds were used to fund multimodal transportation projects, the Port of Coos Bay Rail Link, and the Salem-Keizer Transit Center. The final maturity date for this bond series is April 2035. The bonds had an outstanding principal balance at June 30, 2017, of \$48,624,463.
- Lottery Revenue Refunding Bonds, Series 2015C (CUSIP No. 68607V): In January 2015, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$47,864,226. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2011C. The final maturity date for this bond series is April 2027. The bonds had an outstanding principal balance at June 30, 2017, of \$47,864,226.
- Lottery Revenue Refunding Bonds, Series 2015D (CUSIP No. 68607V): In January 2015, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$142,172,601. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2009A. The final maturity date for this bond series is April 2029. The bonds had an outstanding principal balance at June 30, 2017, of \$142,172,601.
- Lottery Revenue Bonds, Series 2017A (CUSIP No. 68607V): In April 2017, DAS issued Oregon Lottery Revenue Bonds on behalf of the Department in the amount of \$50,144,754. The net proceeds from these bonds were used to fund multimodal transportation projects, the Port of Coos Bay Rail Link, and the Juntura Road project in Harney county. The final maturity date for this bond series is April 2037. The bonds had an outstanding principal balance at June 30, 2017, of \$50,114,754.

**Oregon Department of Transportation
Notes to the Financial Statements**

- Lottery Revenue Refunding Bonds, Series 2017C (CUSIP No. 68607V): In April 2017, DAS issued Oregon Lottery Revenue Refunding Bonds on behalf of the Department in the amount of \$32,057,363. The net proceeds from these bonds were used to partially refund the Lottery Revenue Bonds, Series 2011A. The final maturity date for this bond series is April 2031. The bonds had an outstanding principal balance at June 30, 2017, of \$32,057,363.

Debt service requirements to maturity on the Department's lottery revenue bonds as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 25,800,782	\$ 29,250,999	\$ 55,051,781
2019	31,468,192	28,084,985	59,553,177
2020	31,635,437	26,674,692	58,310,129
2021	29,056,580	25,147,509	54,204,089
2022	31,925,662	23,710,516	55,636,178
2023-2027	247,734,780	87,005,945	334,740,725
2028-2032	147,288,251	30,675,149	177,963,400
2033-2037	48,733,906	6,381,089	55,114,995
Total	<u>\$ 593,643,590</u>	<u>\$ 256,930,884</u>	<u>\$ 850,574,474</u>

Revenue Bonds Repaid by State Highway Fund Revenues

Highway User Tax Revenue Bonds are issued by the State, acting by and through the State Treasurer, at the request of the Department, pursuant to Article IX, Section 3a of the Oregon Constitution, ORS 286A, as amended, and ORS 367.605 to 367.665 as amended. Highway User Tax Revenue Bonds are special revenue obligations secured by and payable solely from monies deposited in the State Highway Fund established under ORS 366.605.

For more information regarding individual securities, please visit the Municipal Securities Rulemaking Board at <http://www.emma.msrb.org>.

- State Highway User Tax Revenue Bonds, Series 2006A (CUSIP No. 68607D): In May 2006, the Department issued highway user tax revenue bonds in the amount of \$291,505,000. The proceeds from these bonds were used to finance state highway and bridge projects under the OTIA I, II, and III programs. Certain maturities of the bonds were refunded with the issuance of the Series 2007C Bonds, the Series 2012A Bonds, and the Series 2014A Bonds. The final maturity for this series was November 2016. The bonds were paid in full as of June 30, 2017, and had a balance of zero.
- State Highway User Tax Revenue Bonds, Series 2007A (CUSIP No. 68607D): In June 2007, the Department issued highway user tax revenue bonds in the amount of \$358,225,000. The proceeds from these bonds were used to finance state highway and bridge projects under the OTIA I, II, and III programs. Certain maturities of the bonds were refunded with the issuance of the Series 2014A Bonds and Series 2015A Bonds. The final maturity for this bond series is November 2018. The bonds had an outstanding principal balance at June 30, 2017, of \$3,455,000.

**Oregon Department of Transportation
Notes to the Financial Statements**

- State Highway User Tax Revenue Refunding Bonds, Series 2007C (CUSIP No. 68607D): In June 2007, the Department issued highway user tax revenue refunding bonds in the amount of \$200,745,000. The proceeds from these bonds were used to refund certain maturities of the Series 2002A Bonds, Series 2004A Bonds, Series 2005A Bonds, and Series 2006A Bonds. The final maturity for this bond series is November 2026. The bonds had an outstanding principal balance at June 30, 2017, of \$176,975,000.
- State Highway User Tax Revenue Bonds, Series 2009A (CUSIP No. 68607D): In March 2009, the Department issued highway user tax revenue bonds in the amount of \$347,290,000. The proceeds from these bonds were used to finance projects under the OTIA III program. Certain maturities of the bonds were refunded with the issuance of the Series 2014A Bonds, Series 2015A Bonds, and Series 2017B Bonds. The final maturity for this bond series is November 2018. The bonds had an outstanding principal balance at June 30, 2017, of \$22,280,000.
- ⁽¹⁾State Highway User Tax Revenue Bonds, Series 2010A (Federally Taxable Build America Bonds) (CUSIP No. 68607D): In April 2010, the Department issued highway user tax revenue bonds in the amount of \$544,675,000. The proceeds from these bonds were used to finance projects under the OTIA III program. This series was issued as federally taxable Build America Bonds (BABs) qualifying for a federal subsidy of 35% of the interest through the American Recovery and Reinvestment Act of 2009. The final maturity for this bond series is November 2034. The bonds had an outstanding principal balance at June 30, 2017, of \$544,675,000.
- State Highway User Tax Revenue Bonds, Series 2010B (CUSIP No. 68607D): In April 2010, the Department issued highway user tax revenue bonds in the amount of \$35,610,000. The proceeds from these bonds were used to finance projects under the OTIA III program. The final maturity for this bond series is November 2017. The bonds had an outstanding principal balance at June 30, 2017, of \$5,720,000.
- State Highway User Tax Revenue Refunding Bonds, Series 2012A (CUSIP No. 68607D): In June 2012, the Department issued highway user tax revenue refunding bonds in the amount of \$129,980,000. The proceeds from these bonds were used to refund certain maturities of the Series 2004A Bonds, Series 2005A Bonds, and Series 2006A Bonds. The final maturity for this bond series is November 2029. The bonds had an outstanding principal balance at June 30, 2017, of \$129,280,000.

⁽¹⁾ Pursuant to the sequestration process required by the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, subsidy payments that the Department received in connection with its Build America Bonds ("BABs") for the Federal Fiscal Year ("FFY") 2017 were reduced by approximately 6.85 percent. The reduction of the Department's anticipated \$10,810,764 BABs subsidy payments due in FFY 2017 equaled \$740,538. BABs subsidy payments processed on or after October 1, 2017 and on or before September 30, 2018 will be reduced by the FFY 2018 sequestration rate of 6.6 percent. The Department cannot predict when or whether new federal legislation may be enacted providing funding or authorization for the BABs subsidy payments or other federal transportation programs or, if enacted, whether any such legislation would be signed into law by the president.

**Oregon Department of Transportation
Notes to the Financial Statements**

- State Highway User Tax Revenue Refunding Bonds, Series 2012B (Federally Taxable) (CUSIP No. 68607D): In June 2012, the Department issued highway user tax revenue refunding bonds in the amount of \$70,850,000. The proceeds from these bonds were used to refund certain maturities of the Series 2004B Bonds and Series 2005B Bonds. The final maturity for this bond series is November 2020. The bonds had an outstanding principal balance at June 30, 2017, of \$51,925,000.
- State Highway User Tax Revenue Bonds, Series 2013A (CUSIP No. 68607D): In October 2013, the Department issued highway user tax revenue bonds in the amount of \$409,775,000. The proceeds from these bonds were used to finance projects under the Jobs Transportation Act (JTA) program. Certain maturities of the bonds were refunded with the issuance of the Series 2017A Bonds. The final maturity for this bond series is November 2038. The bonds had an outstanding principal balance at June 30, 2017, of \$310,270,000.
- State Highway User Tax Revenue Bonds, Series 2013B (SIFMA Index Rate) (CUSIP No. 68607D): In November 2013, the Department issued highway user tax revenue subordinate lien refunding bonds in the amount of \$265,515,000. The proceeds from these bonds were used to refund the Series 2011A Note in its entirety. The Series 2013B Bonds bear interest at a variable interest rate determined on the basis of a seven-day SIFMA index plus a margin. In May 2017, the Series 2013B Bonds were refunded in their entirety by the Series 2017S-1 Bonds. The bonds were paid in full and as of June 30, 2017, had a balance of zero.
- State Highway User Tax Revenue Bonds, Series 2014A (CUSIP No. 68607D): In July 2014, the Department issued highway user tax revenue bonds in the amount of \$194,530,000. The proceeds from these bonds were used to refund certain maturities of the Series 2006A Bonds, Series 2007A Bonds, and Series 2009A Bonds. The final maturity for this bond series is November 2031. The bonds had an outstanding principal balance at June 30, 2017, of \$194,530,000.
- State Highway User Tax Revenue Refunding Bonds, Series 2015A (CUSIP No. 68607D): In January 2015, the Department issued highway user tax revenue refunding bonds in the amount of \$381,305,000. The proceeds from these bonds were used to refund certain maturities of the Series 2007A Bonds and the Series 2009A Bonds. The final maturity for this bond series is November 2033. The bonds had an outstanding principal balance at June 30, 2017, of \$381,305,000.
- State Highway User Tax Revenue Refunding Bonds, Series 2017S-1 (LIBOR Index Rate) (CUSIP No. 60607D): In May 2017, the Department issued highway user tax revenue subordinate lien refunding bonds in the amount of \$265,675,000. The proceeds from these bonds were used to refund the Series 2013B bonds in its entirety. The Series 2017S-1 Bonds bear interest at a variable interest rate determined on the basis of a monthly LIBOR index rate plus a margin. The Series 2017S-1 bonds are subject to optional and mandatory redemption provisions and a three-year term-out period. The lender's initial commitment expires on the special mandatory tender date of May 1, 2020. The final maturity for this bond series is November 2038. The bonds had an outstanding principal balance at June 30, 2017, of \$265,675,000.

**Oregon Department of Transportation
Notes to the Financial Statements**

- State Highway User Tax Revenue Bonds, Series 2017S-2 (LIBOR Index Rate) (CUSIP No. 60607D): In May 2017, the Department issued highway user tax revenue subordinate lien bonds in the amount of \$100,075,000. The proceeds from these bonds were used to finance projects under the JTA program. The Series 2017S-2 Bonds bear interest at a variable interest rate determined on the basis of a monthly LIBOR index rate plus a margin. The Series 2017S-2 bonds are subject to optional and mandatory redemption provisions and a three-year term-out period. The lender's initial commitment expires on the special mandatory tender date of May 1, 2020. The final maturity for this bond series is November 2042. The bonds had an outstanding principal balance at June 30, 2017, of \$100,075,000.
- State Highway User Tax Revenue Bonds, Series 2017A (CUSIP No. 68607D): In May 2017, the Department issued highway user tax revenue bonds in the amount of \$244,030,000. The proceeds from these bonds were used to finance projects under the JTA program. The final maturity for this bond series is November 2027. The bonds had an outstanding principal balance at June 30, 2017, of \$244,030,000.
- State Highway User Tax Revenue Bonds, Series 2017B (CUSIP No. 68607D): In May 2017, the Department issued highway user tax revenue bonds in the amount of \$91,375,000. The proceeds from these bonds were used to refund certain maturities of the Series 2009A Bonds and the Series 2013A Bonds. The final maturity for this bond series is November 2029. The bonds had an outstanding principal balance at June 30, 2017, of \$91,675,000.

⁽¹⁾Debt service requirements to maturity on the Department's revenue bonds as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 66,400,000	\$ 108,801,976	\$ 175,201,976
2019	79,565,000	106,765,465	186,330,465
2020	82,140,000	103,254,290	185,394,290
2021	85,825,000	99,462,762	185,287,762
2022	90,555,000	95,347,067	185,902,067
2023-2027	521,210,000	404,362,082	925,572,082
2028-2032	652,370,000	257,561,876	909,931,876
2033-2037	651,840,000	80,756,501	732,596,501
2038-2042	265,455,000	8,151,761	273,606,761
2043-2047	26,510,000	118,347	26,628,347
Total	<u>\$ 2,521,870,000</u>	<u>\$ 1,264,582,127</u>	<u>\$ 3,786,452,127</u>

⁽¹⁾ Debt service requirements for the variable interest rate Series 2017S-1 Bonds (LIBOR Index Rate) for fiscal years 2018 through 2038 are based on the effective interest rate at June 30, 2017, of 1.025%. Debt service requirements for the variable interest rate Series 2017S-2 Bonds (LIBOR Index Rate) for fiscal years 2018 through 2043 are based on the effective interest rate at June 30, 2017, of 1.065%.

**Oregon Department of Transportation
Notes to the Financial Statements**

Certificates of Participation

ORS chapter 283 authorizes DAS to enter into financing agreements through the issuance of certificates of participation for state agencies, including the Department.

For more information regarding individual securities, please visit the Municipal Securities Rulemaking Board at <http://www.emma.msrb.org>.

- Certificates of Participation Series 2008A (CUSIP No. 68607H): In July 2008, DAS issued certificates of participation in the amount of \$6,871,609 to refund DMV Building Series 1997B certificates of participation, the net proceeds from these bonds were used for the construction of the Driver and Motor Vehicle Services headquarters building. Certain maturities of the bonds were refunded with the issuance of the General Obligation Series 2016F Bonds. The final maturity date for this series is May 2020. The debt had an outstanding principal balance at June 30, 2017, of \$1,326,846.
- Certificates of Participation Series 2009A (CUSIP No. 68607H): In February 2009, DAS issued certificates of participation for the State Radio Project in the amount of \$57,575,000. Certain maturities of the bonds were refunded with the issuance of the General Obligation Series 2016F Bonds. The final maturity date for this series is May 2019. The debt had an outstanding principal balance at June 30, 2017, of \$2,065,000.
- Certificates of Participation Series 2009B (CUSIP No. 68607H): In February 2009, DAS issued certificates of participation for the State Radio Project in the amount of \$15,215,000. The final maturity date for this series is May 2023. The debt had an outstanding principal balance at June 30, 2017, of \$7,335,000.

Overall Debt Service requirements for the State Radio Project are projected to be paid from General Fund and State Highway Fund revenues on a 50-50 proportional basis.

Debt Service requirements to maturity on the Department's certificates of participation as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,413,750	\$ 512,715	\$ 3,926,465
2019	2,452,096	364,180	2,816,276
2020	1,456,000	253,535	1,709,535
2021	1,445,000	179,467	1,624,467
2022	1,525,000	104,544	1,629,544
2023-2027	435,000	23,642	458,642
Total	<u>\$ 10,726,846</u>	<u>\$ 1,438,083</u>	<u>\$ 12,164,929</u>

**Oregon Department of Transportation
Notes to the Financial Statements**

General Obligation Bonds Repaid by General Funds and State Highway Revenue Funds

Article XI-Q general obligation bonds are issued on behalf of the Department by the State, acting by and through the State Treasurer, at the request of DAS, pursuant to the authority granted by Article XI-Q of the Oregon Constitution and ORS chapter 286A. Article XI, Section 7 general obligation bonds are issued by the Department pursuant to the authority granted by Article XI, Section 7 of the Oregon Constitution and ORS chapter 286A. Article XI-Q and Article XI, Section 7 general obligation bonds are direct, general obligations of the State, and the full faith and credit and taxing power of the State are irrevocably pledged to their repayment when due.

- General Obligation Bonds Series 2011K (CUSIP No. 68608U): In May 2011, DAS issued Article XI-Q general obligation bonds on behalf of the Department in the amount of \$59,845,000. The net proceeds from the bonds were used to fund the Transportation Building renovation project. Certain maturities of the bonds were refunded with the issuance of the General Obligation Series 2016F Bonds. The final maturity date for this bond series is May 2036. The bonds had an outstanding principal balance at June 30, 2017, of \$7,535,000.
- General Obligation Bonds Series 2012I (CUSIP No. 68608U): In April 2012, DAS issued Article XI-Q general obligation bonds on behalf of the Department in the amount of \$54,445,000. The net proceeds from the bonds were used to fund a portion of the State Radio Project. The final maturity date for this bond series is May 2037. The bonds had an outstanding principal balance at June 30, 2017, of \$31,995,000.
- General Obligation Bonds Series 2015H (CUSIP No. 68608U): In March 2015, DAS issued Article XI-Q general obligation bonds on behalf of the Department in the amount of \$12,620,263. The net proceeds from the bonds were used to refund certain maturities of the Certificates of Participation, Series 2009A. The final maturity date for this bond series is May 2027. The bonds had an outstanding principal balance at June 30, 2017, of \$12,620,263.
- General Obligation Bonds Series 2016D (CUSIP No. 68608U): In May 2016, DAS issued Article XI-Q general obligation bonds on behalf of the Department in the amount of \$4,700,000. The net proceeds from the bonds were used to fund a portion of the State Radio Project. The final maturity date for this bond series is May 2021. The bonds had an outstanding principal balance at June 30, 2017, of \$3,795,000.
- General Obligation Bonds Series 2016E (CUSIP No. 68608U): In May 2016, DAS issued Article XI-Q general obligation bonds on behalf of the Department in the amount of \$15,055,000. The net proceeds from the bonds were used to fund a portion of the State Radio Project. The final maturity date for this bond series is May 2031. The bonds had an outstanding principal balance at June 30, 2017, of \$14,145,000.
- General Obligation Bonds Series 2016F (CUSIP No. 68608U): In May 2016, DAS issued Article XI-Q general obligation bonds on behalf of the Department in the amount of \$64,100,600. The net proceeds from the bonds were used to refund certain maturities of the Certificates of Participation Series 2008A, the Certificates of Participation Series 2009A and the General Obligation Bonds Series 2011K. The final maturity date for this bond series is May 2039. The bonds had an outstanding principal balance at June 30, 2017, of \$64,100,600.

**Oregon Department of Transportation
Notes to the Financial Statements**

- General Obligation Bonds Series 2017M (CUSIP No. 68609B): In May 2017, DAS issued Article XI, Section 7 general obligation bonds of behalf of the Department in the amount of \$30,005,000. The net proceeds from the bonds were used to fund a portion of five state highway projects. The final maturity date for this bond series is November 2042. The bonds had an outstanding principal balance at June 30, 2017, of \$30,005,000.

Overall Debt service requirements for bonds issued for the State Radio Project are projected to be paid from General Fund and State Highway Fund revenues on a 50-50 proportional basis.

Debt service requirements to maturity on the Department's general obligation bonds as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,125,000	\$ 7,455,618	\$ 19,580,618
2019	9,538,600	6,899,067	16,437,667
2020	10,912,000	6,523,188	17,435,188
2021	6,385,589	6,093,560	12,479,149
2022	5,069,237	5,838,368	10,907,605
2023-2027	32,585,437	25,245,564	57,831,001
2028-2032	35,720,000	17,805,703	53,525,703
2033-2037	35,470,000	9,084,875	44,554,875
2038-2042	14,390,000	2,057,000	16,447,000
2043-2047	2,000,000	50,000	2,050,000
Total	<u>\$ 164,195,863</u>	<u>\$ 87,052,943</u>	<u>\$ 251,248,806</u>

Changes in the Department's long-term debt for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation bonds	\$ 145,275,863	\$ 30,005,000	\$ (11,085,000)	\$ 164,195,863	\$ 12,125,000
Highway User Tax Revenue bonds	2,257,365,000	701,455,000	(436,950,000)	2,521,870,000	66,400,000
Lottery Revenue bonds	570,457,688	82,172,117	(58,986,215)	593,643,590	25,800,782
Certificates of Participation	13,561,543	-	(2,834,697)	10,726,846	3,413,750
Total long-term debt	<u>\$ 2,986,660,094</u>	<u>\$ 813,632,117</u>	<u>\$ (509,855,912)</u>	<u>\$ 3,290,436,299</u>	<u>\$ 107,739,532</u>

Arbitrage Rebate Liability

The Tax Reform Act of 1986 placed restrictions on the non-purpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the non-purpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Non-purpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government. At June 30, 2017, the Department's arbitrage rebate liability is estimated to be zero.

**Oregon Department of Transportation
Notes to the Financial Statements**

Pledged Revenues

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers, and statutory transfers to cities and counties, to repay \$2.5 billion of highway user tax revenue bonds. Proceeds from highway user tax revenue bonds provide financing for the construction, reconstruction, improvement, repair, maintenance, operation, and use of public highways, roads, streets and roadside rest areas. The highway user tax revenue bonds are payable solely from the pledged revenues and are payable through November 2042. Fiscal year 2018 principal and interest payments on the bonds are expected to require approximately 28.6 percent of pledged revenues. Highway user tax revenue bond principal and interest paid for the current fiscal year totaled \$175.1 million and pledged revenues totaled \$620.9 million. The estimated total principal and interest remaining to be paid on the highway user tax revenue bonds is \$3.8 billion.

⁽¹⁾Debt Service Coverage for fiscal years through June 30, 2017:

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Estimated 2017
Total Pledged Revenues	<u>\$565,961,000</u>	<u>\$581,652,000</u>	<u>\$605,743,000</u>	<u>\$606,763,000</u>	<u>\$620,869,000</u>
Total Senior Lien Debt Service	<u>109,850,000</u>	<u>121,115,000</u>	<u>132,121,000</u>	<u>136,541,000</u>	<u>135,708,000</u>
Senior Lien Debt Service Coverage	5.2	4.8	4.6	4.4	4.6
Subordinate Lien Debt Service	38,061,000	37,585,000	37,394,000	37,655,000	39,260,000
(Less Subordinate Lien BAB Payments)	<u>(10,811,000)</u>	<u>(10,032,000)</u>	<u>(10,022,000)</u>	<u>(10,076,000)</u>	<u>(10,070,000)</u>
Total Subordinate Lien Debt Service	<u>27,250,000</u>	<u>27,553,000</u>	<u>27,372,000</u>	<u>27,579,000</u>	<u>29,190,000</u>
Aggregate Senior and Subordinate Lien Debt Service	<u>137,100,000</u>	<u>148,668,000</u>	<u>159,493,000</u>	<u>164,120,000</u>	<u>164,898,000</u>
Total Pledged Revenues	565,961,000	581,652,000	605,743,000	606,763,000	620,869,000
(Less Subordinate Lien BAB Payments)	<u>(10,811,000)</u>	<u>(10,032,000)</u>	<u>(10,022,000)</u>	<u>(10,076,000)</u>	<u>(10,070,000)</u>
Net Pledged Revenue	<u>555,150,000</u>	<u>571,620,000</u>	<u>595,721,000</u>	<u>596,687,000</u>	<u>610,799,000</u>
Aggregate Senior and Subordinate Lien Debt Service Coverage	4.0	3.8	3.7	3.6	3.7

⁽¹⁾Source: Official Statement published May 16, 2017 for the Highway User Tax Revenue Refunding Bonds, Series 2017A and Series 2017B.

For more information regarding individual securities, please visit the Municipal Securities Rulemaking Board at <http://www.emma.msrb.org>.

8. CUSTODIAL DEPOSITS

The following items represent all cash and securities within the Department's agency funds. These assets are held by the Department, as a custodian, on behalf of individuals, vendors, or other governmental organizations as of June 30, 2017:

	<u>Total</u>
Motor carrier custodial deposits	\$ 16,459,180
Fuel dealer and retailer custodial deposits	639,797
Fuel taxes collected on behalf of local governments	<u>9,059,397</u>
Total custodial deposits	<u>\$26,158,374</u>

9. PENSION BENEFITS

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 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 the fiscal year ended June 30, 2017, the Department contributed a total of \$39.8 million to PERS.

10. 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, 2017, were \$588.5 thousand.

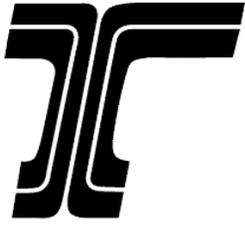
11. INSURANCE

The Risk Management Division of the Department of Administrative Services (Division) 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 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.

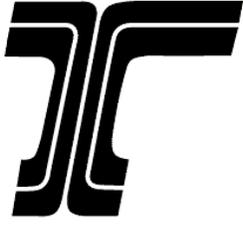
All state agencies, commissions, and boards participate in the State Insurance Fund. The Division allocates the cost of servicing insurance claims and payments by charging an assessment to each state entity, based on its share of losses. Statewide risk charges are based on independent, biennial actuarial forecasts and Division expenses, less any available fund balance from the prior biennium. Risk insurance payments for the fiscal year ended June 30, 2017, were \$11.3 million.

12. CONTINGENCIES

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
Special Revenue Funds
June 30, 2017

	Highway	Central Services	Motor Carrier Transportation	Driver and Motor Vehicle Services	Other	Total Special Revenue Funds
Assets						
Cash and Cash Equivalents	\$ 624,666,010	\$ 8,077,574	\$ 21,658,072	\$ 32,988,624	\$ 68,202,799	\$ 755,593,079
Securities Lending Cash Collateral	2,050,000	-	-	-	-	2,050,000
Investments	90,505,368	-	-	-	-	90,505,368
Loans Receivable (net)	4,693,500	-	-	-	17,625,272	22,318,772
Taxes Receivable (net)	-	48,992,862	16,733,452	-	3,261	65,729,575
Due from Federal Government	57,056,043	-	404,718	-	4,784,169	62,244,930
Due from State Agencies	109,902,255	48,310	-	3,904,078	2,736,438	116,591,081
Other Accounts Receivable (net)	13,191,822	40,721	1,130,359	4,264,017	487,906	19,114,825
Inventories	29,153,158	69,272	51,600	3,003,087	1,505,709	33,782,826
Prepaid Assets	685,648	28,260	53,244	320,195	-	1,087,347
Contracts Receivable (net)	204,828	-	-	-	-	204,828
Total Assets	\$ 932,108,632	\$ 57,256,999	\$ 40,031,445	\$ 44,480,001	\$ 95,345,554	\$ 1,169,222,631
Liabilities and Fund Balances						
<i>Liabilities:</i>						
Accounts Payable	\$ 106,768,423	\$ 2,364,899	\$ 844,112	\$ 9,441,903	\$ 2,483,895	\$ 121,903,232
Custodial Liabilities	489,908	-	-	-	-	489,908
Securities Lending Obligations	2,050,000	-	-	-	-	2,050,000
Due to Other Governments	79,962,135	-	45,727	-	2,338,074	82,345,936
Due to State Agencies	1,593,663	53,817,531	37,783,259	28,486,582	774,333	122,455,368
Unearned Revenue	30,813,356	977,037	1,253,503	3,188,234	-	36,232,130
Total Liabilities	221,677,485	57,159,467	39,926,601	41,116,719	5,596,302	365,476,574
<i>Fund Balances:</i>						
Nonspendable:						
Inventories	29,153,158	69,272	51,600	3,003,087	1,505,709	33,782,826
Revolving Accounts	-	-	-	40,000	-	40,000
Prepaid Assets	685,648	28,260	53,244	320,195	-	1,087,347
Restricted by:						
Oregon Constitution	513,818,939	-	-	-	51,483,446	565,302,385
Federal Laws and Regulations	33,934,996	-	-	-	12,811	33,947,807
Debt Covenants	113,588,556	-	-	-	-	113,588,556
Enabling Legislation	19,249,850	-	-	-	33,408,546	52,658,396
Committed	-	-	-	-	3,338,740	3,338,740
Total Fund Balances	710,431,147	97,532	104,844	3,363,282	89,749,252	803,746,057
Total Liabilities and Fund Balances	\$ 932,108,632	\$ 57,256,999	\$ 40,031,445	\$ 44,480,001	\$ 95,345,554	\$ 1,169,222,631

State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

	<u>Highway</u>	<u>Central Services</u>	<u>Motor Carrier Transportation</u>	<u>Driver and Motor Vehicle Services</u>	<u>Other</u>	<u>Total Special Revenue Funds</u>
Revenues:						
Motor Fuel Taxes	\$ -	\$ 546,574,309	\$ -	\$ -	\$ -	\$ 546,574,309
Federal Revenues	485,171,127	54,654	558,796	-	45,588,231	531,372,808
Weight-Mile Taxes	-	-	297,052,489	-	-	297,052,489
Vehicle Registration Taxes	-	-	-	324,794,826	215,580	325,010,406
Driver License Fees	-	-	-	33,602,238	4,093,009	37,695,247
Other Transportation Fees	-	-	45,890,302	208,837	2,038,113	48,137,252
Charges for Services	30,322,251	782,831	19,654	-	777,864	31,902,600
Other Sales Income	7,455,790	17,871	59,149	3,726,751	5,931	11,265,492
Investment Income	5,745,983	33,452	1,306,259	-	1,176,618	8,262,312
Business License Fees	455,475	-	3,161,654	233,017	2,699,274	6,549,420
Rents	4,376,356	-	-	-	70,360	4,446,716
Other Revenues	6,059,427	27,459	4,158,145	1,595,225	136,459	11,976,715
Total Revenues	539,586,409	547,490,576	352,206,448	364,160,894	56,801,439	1,860,245,766
Expenditures:						
Personal Services	292,230,305	56,698,680	23,561,950	61,224,072	11,103,345	444,818,352
Services and Supplies	765,358,740	42,080,831	6,138,893	28,302,416	20,099,750	861,980,630
Capital Outlay	24,660,297	374,470	578,800	6,852,669	7,447,250	39,913,486
Loan Interest	-	-	-	-	11,425	11,425
Special Payments	22,390,920	-	146,831	615,405	53,479,611	76,632,767
Other Debt Service	1,474,929	420	-	408	46,540	1,522,297
Total Expenditures	1,106,115,191	99,154,401	30,426,474	96,994,970	92,187,921	1,424,878,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	(566,528,782)	448,336,175	321,779,974	267,165,924	(35,386,482)	435,366,809
Other Financing Sources (Uses):						
Long-Term Debt Issued	439,267,182	-	-	-	10,611,635	449,878,817
Transfers In	1,114,801,776	92,595,261	8,575,491	295,959	35,865,419	1,252,133,906
Transfers Out	(718,377,069)	(540,973,265)	(330,352,407)	(267,353,321)	(33,035,358)	(1,890,091,420)
Loans Made to Others	(742,700.00)	-	-	-	-	(742,700)
Gain (Loss) on Sale of Capital Assets	4,878,768	-	-	-	-	4,878,768
Insurance Recoveries	1,003,023	44,069	1,358	3,508	-	1,051,958
Total Other Financing Sources (Uses)	840,830,980	(448,333,935)	(321,775,558)	(267,053,854)	13,441,696	(182,890,671)
Net Change in Fund Balances	274,302,198	2,240	4,416	112,070	(21,944,786)	252,476,138
Fund Balances - Beginning	436,495,704	51,056	83,163	2,432,977	111,086,932	550,149,832
Prior Period Adjustment	(2,750)	6,725	-	(29,500)	262,718	237,193
Change in Nonspendable Fund Balances	(364,005)	37,511	17,265	847,735	344,388	882,894
Fund Balances - Ending	\$ 710,431,147	\$ 97,532	\$ 104,844	\$ 3,363,282	\$ 89,749,252	\$ 803,746,057

State of Oregon
Department of Transportation
Combining Balance Sheet
Special Revenue Funds - Other
June 30, 2017

	Public Transit	Transportation Safety	Rail	Snowmobile	Transportation Operating
Assets					
Cash and Cash Equivalents	\$ 3,062,171	\$ 11,689,195	\$ 21,379,541	\$ 5,558,998	\$ 3,166,421
Loans Receivable (net)	-	-	-	-	-
Taxes Receivable (net)	-	-	-	3,261	-
Due from Federal Government	2,481,866	1,903,765	398,538	-	-
Due from State Agencies	864,177	362,776	529,396	980,089	-
Other Accounts Receivable (net)	-	265	2,633	5,957	479,051
Inventories	5,964	113,686	1,386,059	-	-
Total Assets	\$ 6,414,178	\$ 14,069,687	\$ 23,696,167	\$ 6,548,305	\$ 3,645,472
Liabilities and Fund Balances					
<i>Liabilities:</i>					
Accounts Payable	\$ 1,087,488	\$ 603,210	\$ 312,054	\$ -	\$ 352,230
Due to Other Governments	1,980,195	62,166	295,713	-	-
Due to State Agencies	-	566,470	-	-	207,863
Total Liabilities	3,067,683	1,231,846	607,767	-	560,093
<i>Fund Balances:</i>					
Nonspendable:					
Inventories	5,964	113,686	1,386,059	-	-
Restricted by:					
Oregon Constitution	-	11,630,277	2,241,647	-	-
Federal Laws and Regulations	1,791	10,787	233	-	-
Enabling Legislation	-	1,083,091	19,460,461	6,548,305	3,085,379
Committed	3,338,740	-	-	-	-
Total Fund Balances	3,346,495	12,837,841	23,088,400	6,548,305	3,085,379
Total Liabilities and Fund Balances	\$ 6,414,178	\$ 14,069,687	\$ 23,696,167	\$ 6,548,305	\$ 3,645,472

Winter Recreational Parking	Consumer Protection	Transportation Infrastructure Bank	State Radio Project⁽¹⁾	Total Other Special Revenue Funds
\$ 3,253,908	\$ 105,224	\$ 19,987,341	\$ -	\$ 68,202,799
-	-	17,625,272	-	17,625,272
-	-	-	-	3,261
-	-	-	-	4,784,169
-	-	-	-	2,736,438
-	-	-	-	487,906
-	-	-	-	1,505,709
<u>\$ 3,253,908</u>	<u>\$ 105,224</u>	<u>\$ 37,612,613</u>	<u>\$ -</u>	<u>\$ 95,345,554</u>
\$ 122,709	\$ 5,113	\$ 1,091	\$ -	\$ 2,483,895
-	-	-	-	2,338,074
-	-	-	-	774,333
<u>122,709</u>	<u>5,113</u>	<u>1,091</u>	<u>-</u>	<u>5,596,302</u>
-	-	-	-	1,505,709
-	-	37,611,522	-	51,483,446
-	-	-	-	12,811
3,131,199	100,111	-	-	33,408,546
-	-	-	-	3,338,740
<u>3,131,199</u>	<u>100,111</u>	<u>37,611,522</u>	<u>-</u>	<u>89,749,252</u>
<u>\$ 3,253,908</u>	<u>\$ 105,224</u>	<u>\$ 37,612,613</u>	<u>\$ -</u>	<u>\$ 95,345,554</u>

⁽¹⁾ The State Radio Project was completed during fiscal year 2017. The balances were transferred to the capital projects fund.

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, 2017

	<u>Public Transit</u>	<u>Transportation Safety</u>	<u>Rail</u>	<u>Snowmobile</u>	<u>Transportation Operating</u>
Revenues:					
Federal Revenues	\$ 32,409,195	\$ 8,880,404	\$ 4,247,691	\$ -	\$ -
Vehicle Registration Taxes	-	-	-	215,580	-
Driver License Fees	-	-	-	-	4,093,009
Other Transportation Fees	-	-	-	-	-
Charges for Services	393,860	2,602	373,722	-	-
Other Sales Income	-	-	2,611	-	-
Investment Income	24,211	120,606	76,110	65,134	59,644
Business License Fees	-	-	1,739,376	-	959,898
Rents	-	-	70,360	-	-
Other Revenues	4,385	925	-	-	131,149
Total Revenues	<u>32,831,651</u>	<u>9,004,537</u>	<u>6,509,870</u>	<u>280,714</u>	<u>5,243,700</u>
Expenditures:					
Personal Services	2,670,972	2,339,129	4,144,451	2,829	610,012
Services and Supplies	1,112,168	1,966,807	2,139,964	1,296,998	2,661,882
Capital Outlay	11,000	54,026	1,321,910	-	-
Loan Interest	-	-	-	-	-
Special Payments	39,756,246	9,852,117	3,746,566	-	124,682
Other Debt Service	-	-	46,540	-	-
Total Expenditures	<u>43,550,386</u>	<u>14,212,079</u>	<u>11,399,431</u>	<u>1,299,827</u>	<u>3,396,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,718,735)</u>	<u>(5,207,542)</u>	<u>(4,889,561)</u>	<u>(1,019,113)</u>	<u>1,847,124</u>
Other Financing Sources (Uses):					
Long-Term Debt Issued	-	-	10,611,635	-	-
Transfers In	13,104,192	5,084,476	4,535,402	980,089	18,342
Transfers Out	<u>(2,445,869)</u>	<u>(542,864)</u>	<u>(565,095)</u>	<u>-</u>	<u>(7,098,612)</u>
Total Other Financing Sources (Uses)	<u>10,658,323</u>	<u>4,541,612</u>	<u>14,581,942</u>	<u>980,089</u>	<u>(7,080,270)</u>
Net Change in Fund Balances	(60,412)	(665,930)	9,692,381	(39,024)	(5,233,146)
Fund Balances - Beginning	3,401,157	13,503,283	13,057,869	6,587,329	8,318,525
Prior Period Adjustment	-	-	-	-	-
Change in Nonspendable Fund Balances	5,750	488	338,150	-	-
Fund Balances - Ending	<u>\$ 3,346,495</u>	<u>\$ 12,837,841</u>	<u>\$ 23,088,400</u>	<u>\$ 6,548,305</u>	<u>\$ 3,085,379</u>

Winter Recreational Parking	Consumer Protection	Transportation Infrastructure Bank	State Radio Project	Total Other Special Revenue Funds
\$ -	\$ -	\$ -	\$ 50,941	\$ 45,588,231
-	-	-	-	215,580
-	-	-	-	4,093,009
1,994,902	43,211	-	-	2,038,113
-	-	7,680	-	777,864
-	-	-	3,320	5,931
36,371	993	677,465	116,084	1,176,618
-	-	-	-	2,699,274
-	-	-	-	70,360
-	-	-	-	136,459
<u>2,031,273</u>	<u>44,204</u>	<u>685,145</u>	<u>170,345</u>	<u>56,801,439</u>
325,500	39,083	-	971,369	11,103,345
1,544,268	3,499	6,848	9,367,316	20,099,750
-	-	-	6,060,314	7,447,250
-	-	11,425	-	11,425
-	-	-	-	53,479,611
-	-	-	-	46,540
<u>1,869,768</u>	<u>42,582</u>	<u>18,273</u>	<u>16,398,999</u>	<u>92,187,921</u>
<u>161,505</u>	<u>1,622</u>	<u>666,872</u>	<u>(16,228,654)</u>	<u>(35,386,482)</u>
-	-	-	-	10,611,635
-	-	-	12,142,918	35,865,419
-	-	-	<u>(22,382,918)</u>	<u>(33,035,358)</u>
-	-	-	<u>(10,240,000)</u>	<u>13,441,696</u>
161,505	1,622	666,872	(26,468,654)	(21,944,786)
2,969,694	98,489	36,681,932	26,468,654	111,086,932
-	-	262,718	-	262,718
-	-	-	-	344,388
<u>\$ 3,131,199</u>	<u>\$ 100,111</u>	<u>\$ 37,611,522</u>	<u>\$ -</u>	<u>\$ 89,749,252</u>



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STATISTICAL SECTION

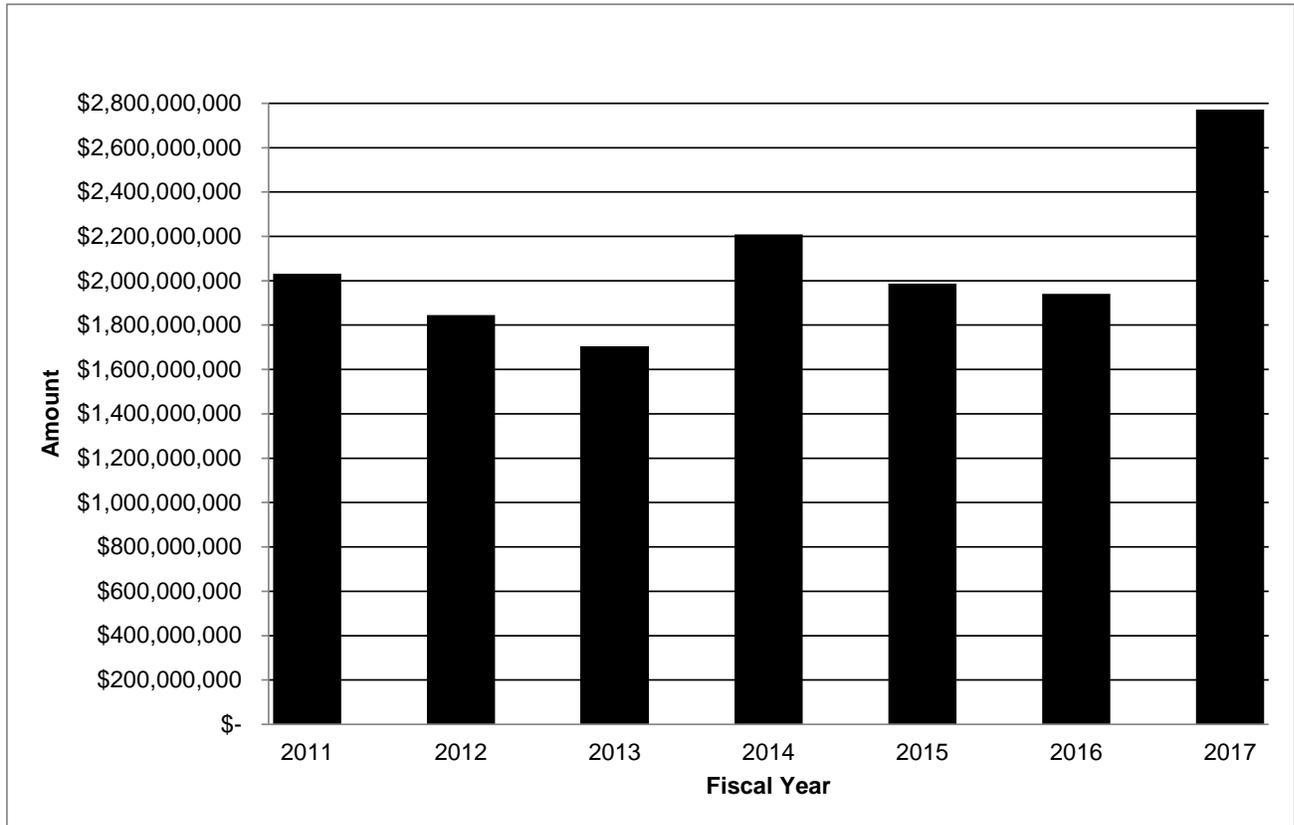
Table 1

**Schedule of Federal Financial Assistance
for the Fiscal Year Ended June 30, 2017**

CFDA #	Federal Program Description	Amount
11.549	State and Local Implementation Grant Program	\$ 366,470
20.200	Highway Research and Development Program	248,417
20.205	Highway Planning and Construction	487,957,768
20.232	Commercial Driver License State Programs	138,396
20.319	High Speed and Intercity Passenger Rail	1,280,792
20.500	Federal Transit Capital Investment Grants	859,663
20.505	Federal Transit Metropolitan Planning Grants	397,156
20.507	Federal Transit Formula Grants	2,794,914
20.509	Formula Grants for Other Than Urbanized Areas	13,931,721
20.513	Capital Assistance for Elderly and Disabled	15,501,928
20.526	Bus and Bus Facilities Formula Program	1,317,340
20.528	Rail Fixed Guideway Oversight Program	559,340
20.600	State and Community Highway Safety	2,378,635
20.608	Minimum Penalties Repeat Offenders DWI	848,052
20.614	NHTSA Discretionary Safety Grants	79,300
20.616	National Priority Safety Programs	3,470,255
20.933	National Infrastructure Investments	55,946
81.087	Renewable Energy Research and Development	54,654
	Total	<u>\$ 532,240,747</u>

Table 2

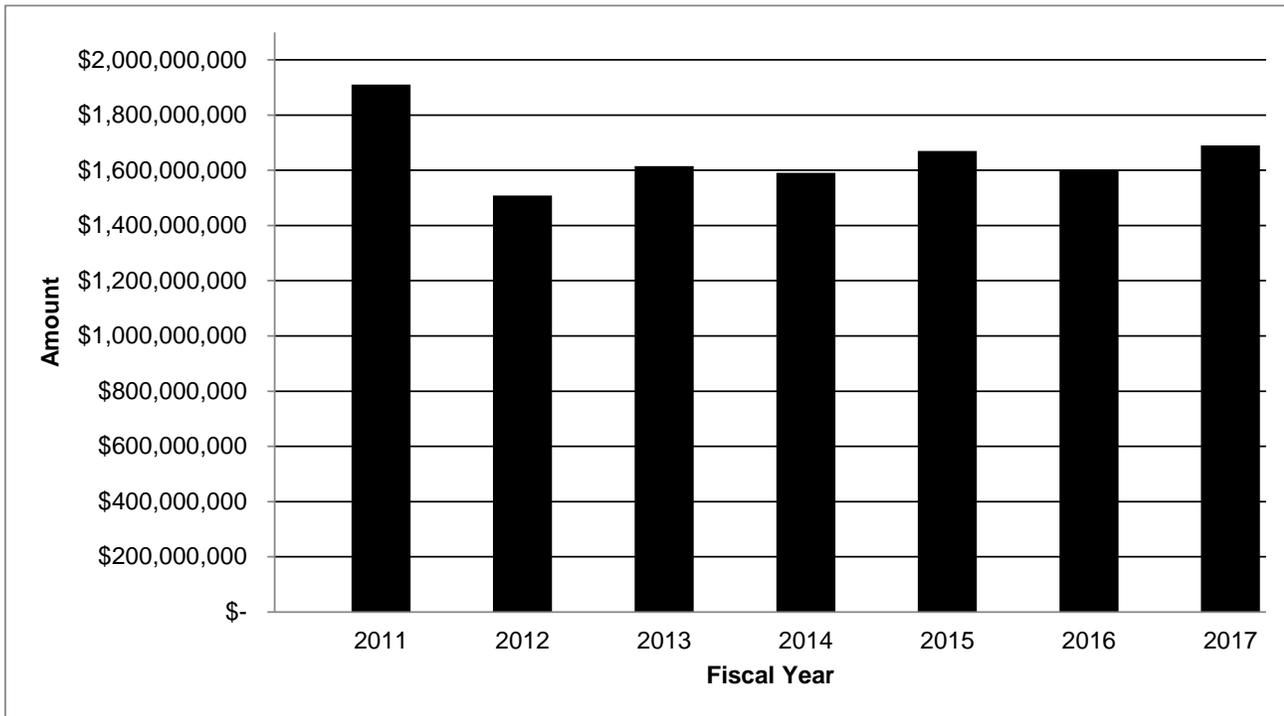
Net Revenues and Other Sources - Seven-Year Trend



	2011	2012	2013	2014	2015	2016	2017
Motor Fuel Taxes	\$ 449,290,147	\$ 490,991,236	\$ 487,930,939	\$ 493,677,217	\$ 508,902,698	\$ 532,171,382	\$ 546,574,309
Federal Revenues	713,718,305	576,236,890	479,339,292	519,714,179	453,466,794	524,704,337	532,240,747
Weight-Mile Taxes	239,967,358	259,983,935	251,527,795	269,388,277	285,234,715	291,302,037	297,052,489
Vehicle Registration Taxes	273,488,878	281,357,939	282,600,564	289,511,411	304,470,291	318,586,259	325,010,406
Driver License Fees	32,463,715	32,882,652	37,984,387	40,155,389	41,017,697	44,102,338	37,695,247
Other Transportation Fees	42,450,861	42,936,575	43,584,748	45,039,901	45,941,271	46,522,588	48,137,252
Charges for Services	34,599,212	35,406,532	25,919,958	30,061,733	35,118,997	30,885,656	31,902,600
Other Sales Income	3,690,463	4,678,690	12,406,304	17,452,891	10,927,951	10,215,406	11,265,492
Investment Income	14,123,078	10,297,874	9,492,178	9,563,816	5,326,284	10,776,161	8,492,507
Business License Fees	8,942,415	6,383,231	6,401,201	6,304,692	7,393,045	5,413,005	6,549,420
Rents	3,027,843	3,511,205	3,361,572	3,449,864	3,854,080	3,981,554	4,446,716
Other Revenues	15,449,700	24,543,899	27,129,850	32,671,538	25,037,780	21,500,912	22,111,854
Long-Term Debt	200,729,779	76,419,998	35,393,650	452,340,712	260,010,352	101,344,817	899,762,063
Total Net Revenue/Other Sources	\$ 2,031,941,754	\$ 1,845,630,656	\$ 1,703,072,438	\$ 2,209,331,620	\$ 1,986,701,955	\$ 1,941,506,452	\$ 2,771,241,102

Table 3

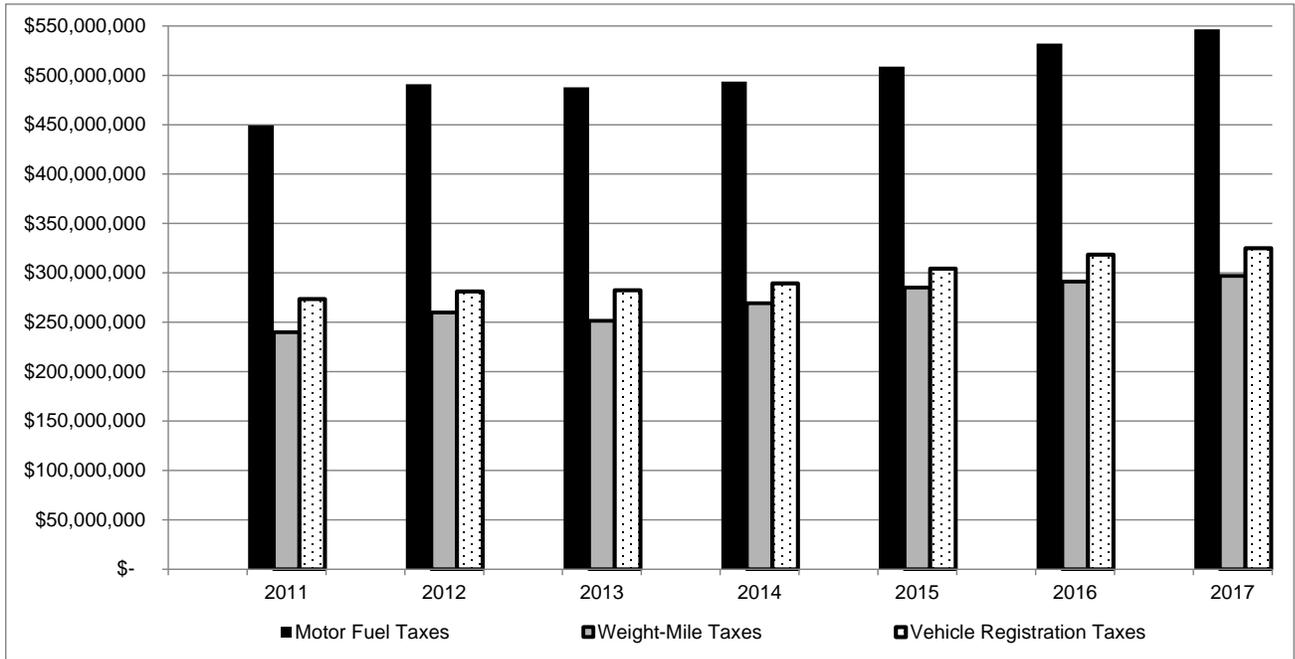
Total Expenditures - Seven-Year Trend



	2011	2012	2013	2014	2015	2016	2017
Personal Services	\$ 373,016,279	\$ 378,804,153	\$ 381,442,031	\$ 398,825,742	\$ 408,397,413	\$ 427,471,395	\$ 445,411,083
Services and Supplies	949,846,436	773,322,011	848,490,816	837,546,909	871,488,517	797,613,475	864,160,839
Capital Outlay	53,326,685	59,136,148	53,513,884	24,548,202	44,699,187	28,086,799	44,593,198
Loan Interest	750,473	638,725	418,855	502,851	263,426	234,374	11,425
Bad Debt Expense	-	-	-	437,817	-	-	-
Special Payments	320,256,046	98,782,907	118,298,492	102,746,347	95,816,455	84,377,981	84,482,353
Debt Service (combined)	213,163,329	197,563,429	213,343,942	226,193,937	249,656,909	263,021,793	251,686,534
Total Expenditures	\$ 1,910,359,248	\$ 1,508,247,373	\$ 1,615,508,020	\$ 1,590,801,805	\$ 1,670,321,907	\$ 1,600,805,817	\$ 1,690,345,432

Table 4

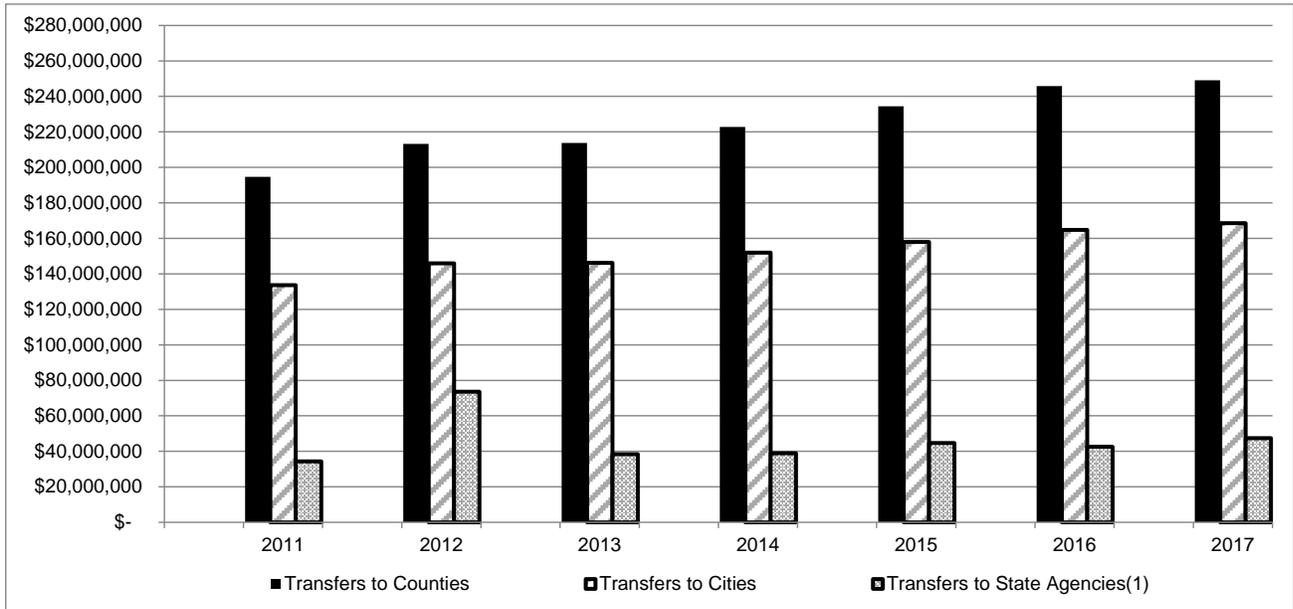
Net Vehicle-Related Tax Collections - Seven-Year Trend



	2011	2012	2013	2014	2015	2016	2017
Motor Fuel Taxes	\$ 449,290,147	\$ 490,991,236	\$ 487,930,939	\$ 493,677,217	\$ 508,902,698	\$ 532,171,382	\$ 546,574,309
Weight-Mile Taxes	239,967,358	259,983,935	251,527,795	269,388,277	285,234,715	291,302,037	297,052,489
Vehicle Registration Taxes	273,488,878	281,357,939	282,600,564	289,511,411	304,470,291	318,586,259	325,010,406
Total Vehicle Related Taxes	\$ 962,746,383	\$ 1,032,333,110	\$ 1,022,059,298	\$ 1,052,576,905	\$ 1,098,607,704	\$ 1,142,059,678	\$ 1,168,637,204

Table 5

Transfers to Others - Seven-Year Trend



	2011	2012	2013	2014	2015	2016	2017
Transfers to Counties	\$ 194,663,136	\$ 213,176,356	\$ 213,748,734	\$ 222,806,116	\$ 234,384,864	\$ 245,771,166	\$ 249,057,363
Transfers to Cities	133,729,003	146,031,720	146,184,265	152,030,171	158,041,400	164,775,679	168,563,914
Transfers to State Agencies ⁽¹⁾	34,360,229	73,605,057	38,481,075	39,017,147	44,725,728	42,693,360	47,506,294
Total Distributions	\$ 362,752,368	\$ 432,813,133	\$ 398,414,074	\$ 413,853,434	\$ 437,151,992	\$ 453,240,205	\$ 465,127,571

⁽¹⁾ In Fiscal Year 2012, the Oregon Department of Administrative Services (DAS) centralized the accounting and reporting for Lottery Bond Reserve Funds. This resulted in a one-time transfer of funds from the Department to DAS.

The Department is required by law to apportion Highway Funds to counties and cities based on specific criteria. As certain revenues increase, the apportionments to counties and cities also increase (e.g. increases in motor fuels tax revenues will cause an increase in apportionments).

Funds are apportioned to counties based on the proportion of the number of vehicles, trailers, and semi-trailers, etc. 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.