



STATE OF OREGON DEPARTMENT OF TRANSPORTATION ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



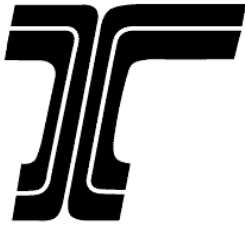
“Providing a safe, efficient transportation system that supports economic opportunity and livable communities for all Oregonians”



**State of Oregon
Department of Transportation
Annual Financial Report
For the Fiscal Year Ended June 30, 2007**

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Oregon

Theodore R. Kulongoski, Governor

Department of Transportation

Transportation Building
355 Capitol St. NE
Salem, Oregon 97301

FILE CODE:

December 31, 2007

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

Citizens of Oregon:

The Oregon Department of Transportation (Department) is pleased to present its annual financial report for the fiscal year ended June 30, 2007. Although the report is not audited by the Oregon Secretary of State, Audits Division, it is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The financial data in this report is supported by the Statewide Financial Management System (SFMS) and the Comprehensive Annual Financial Report (CAFR).

Per Oregon Revised Statute (ORS) 184.637, the responsibility for the accuracy of the data and the overall completeness of the presentation, including all disclosures, rests with the Chief Financial Officer of the Department. To the best of our knowledge, the financial activity presented in this report is accurate in all material respects and fairly presents the Department's financial position and results of operations. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities are included.

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

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

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

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



Per ORS 184.637 and ORS 184.638, the Chief Financial Officer is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Department are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements.

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

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

MISSION STATEMENT

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

OUR VALUES

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

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

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

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

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

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

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

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

OREGON TRANSPORTATION INVESTMENT ACT

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Oregon's economy saw a noticeable downshift in the rate of job growth during fiscal year 2007¹. The nation as a whole experienced a similar economic slow down. Both the State's economy and that of the nation overall are in the mature stages of the economic recovery from the downturn in 2001-2002. Oregon's job growth (total non-farm employment) for the fiscal year is 1.3 percent over the prior fiscal year, a substantial cooling off from the two to three percent annually that occurred in the prior three years.

The source of our slowdown pertains to the State's employment data. Our durable goods manufacturing sector displayed considerable weakness as business capital spending dropped off unexpectedly across the entire country. Coupled with this development was a cutback in production by businesses to work through significant inventory stocks. A major reversal in the residential housing construction sector nationwide was also a factor affecting Oregon manufacturing, given that the State's wood products sector is a significant supplier in housing construction. The State's transportation vehicle and equipment sector also reflected a major drop in activity. This largely emanated out of the Environmental Protection Agency's new engine emission standards that went into effect on January 1, 2007, which created a bubble of orders well before that effective date and which "borrowed" from production in the post-enactment quarters. Oregon's private industry non-manufacturing sector ("services"), which accounts for nearly four out of every five jobs, had several strong contributors to the job gains over the past year. Professional and business services, health services, as well as both retail and wholesale trade were leading sources of this growth. The leisure and hospitality sector was also a source of strength. Yet, despite these overall gains, improvements remain unevenly distributed throughout the state, with some of Oregon's rural areas continuing to suffer from high unemployment and much slower job growth. Nevertheless, statewide job growth is expected to continue through 2013, but at a slightly slower rate (1.3 % on an annual average) than experienced in the recent past.

¹ June 2007 "Summary of Economic Analysis"
http://www.oregon.gov/ODOT/CS/EA/reports/June_2007_Forecast.pdf

Although employment is growing faster in Oregon than in most other states, the State's unemployment rate remains higher than the national average. Oregon's unemployment rate peaked during the summer of 2003 at 8.7%. Since that time, the situation has improved substantially and the current rate has been stable in the range of 5.0 to 5.5%. These changes result from more than just hiring decisions by businesses; however, they also reflect decisions by individuals to enter or exit the labor force depending on personal matters such as family considerations and educational endeavors. It is anticipated that the State's unemployment rate will hold steady or at very slightly higher levels throughout the 2007-2009 time frame.

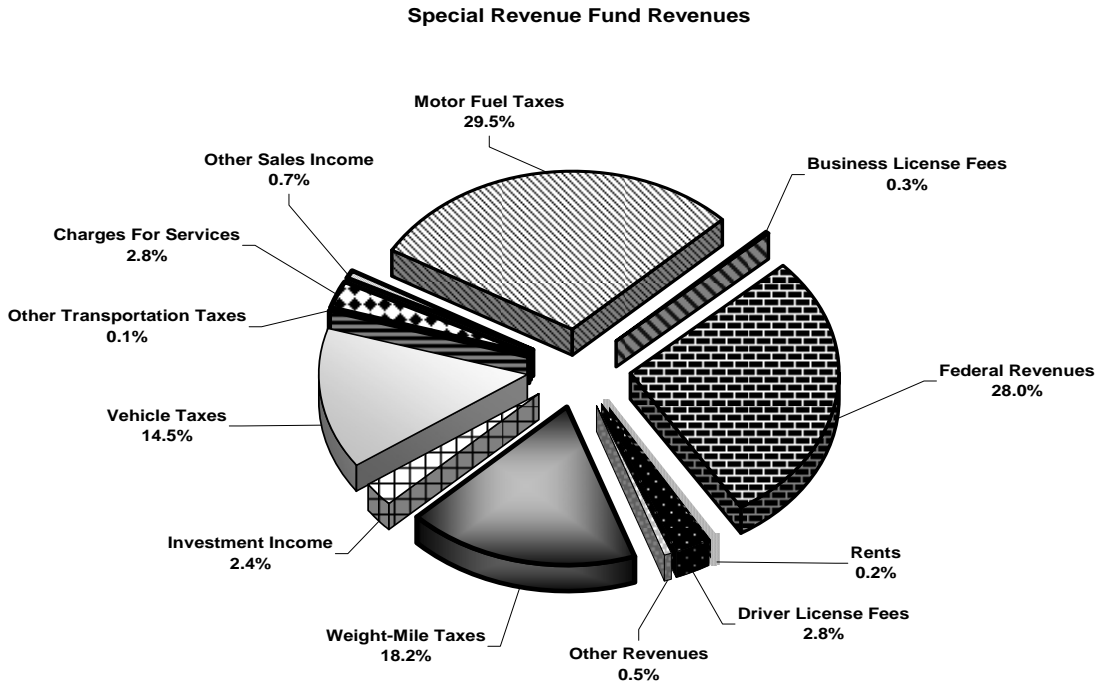
Budget challenges continue to present themselves to both the State and to local governments. Because the Department is not dependent on State General Fund revenues for its operations, it is not necessarily affected by the same budget matters to the extent as other agencies funded by the General Fund. The Department receives a large share of its financial resources from motor fuel taxes, driver and vehicle-related fees, and from weight-mile taxes. As the pace of economic growth in both Oregon and the nation are predicted to slow modestly during the next several years, revenues from these sources are expected to grow more slowly as well. High gas prices over the past four years have not materially affected fuel tax revenues except for the fact they would have grown more in the absence of high prices. This was partly an outgrowth of the robust job gains and the overall pace of economic activity, which propped up travel demand by consumers and freight movers despite increases in prices at the pump. On the other hand, the State Highway Fund continues to be affected by cost escalation in materials for construction and maintenance/ preservation of the state highway system. In lieu of major transportation finance legislation, the purchasing power of the Fund continues to seriously erode.

Financing for the Department's activities also comes from federal grants. With the legislation supporting the Safe, Accountable, Flexible, Efficient Transportation Efficiency Act – A Legacy for Users (SAFETEA-LU) federal transportation initiative, Oregon can expect the federal grants to increase moderately over the next few years.

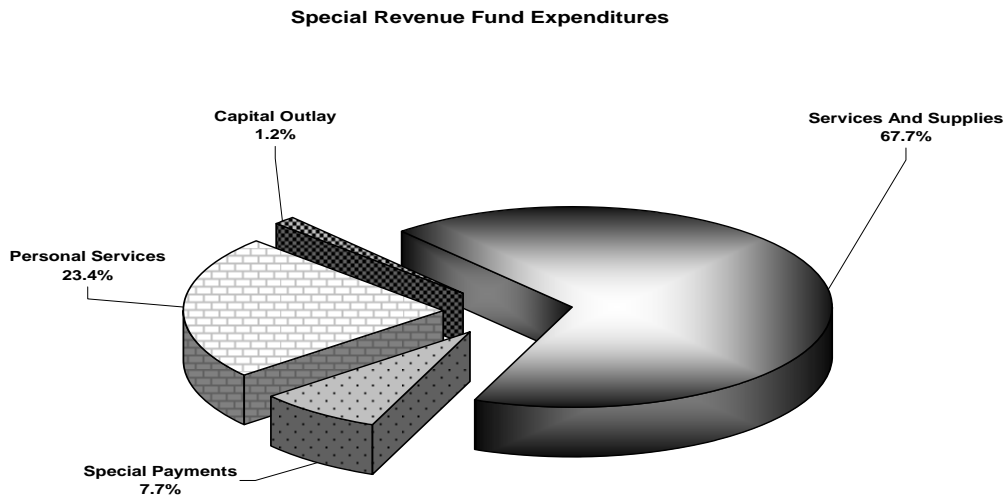
FINANCIAL ANALYSIS OF THE DEPARTMENT'S GOVERNMENTAL FUNDS

Special Revenue Funds

The Department accounts for 96% of its business in special revenue funds. The two principal revenue sources are taxes (62%) and federal revenues (28%). Total revenues increased from \$1,368,793,797 in 2006 to \$1,412,929,001 in 2007.



Special revenue fund expenditures are comprised primarily of services and supplies (68%).



FINANCIAL HIGHLIGHTS

This section of the annual financial report presents an overview of the financial performance of the State of Oregon Department of Transportation for the fiscal year ended June 30, 2007. The following discussion and analysis is intended to serve as an introduction to the Department's basic financial statements and is designed to assist the reader in focusing on significant financial issues.

FINANCIAL INFORMATION

Fund Level

At June 30, 2007, the Department's governmental funds reported combined ending fund balances of \$961.3 million, compared to \$607.3 million for the previous year. In 2007, more bonds were issued, resulting in an increase in combined fund balances of \$354.0 million.

Long-Term Debt

The Department's total long-term debt increased by \$631.0 million, or 64.9%, during the current fiscal year. The primary reason for the increase was the issuance of revenue bonds under the terms of the Oregon Transportation Investment Act.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund Financial Statements

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

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

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

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

Proprietary Funds – The Department’s sole enterprise fund was changed to a special revenue fund and is included in the governmental funds. The governmental fund’s beginning fund balance includes the proprietary fund’s balance.

Notes to Financial Statements

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

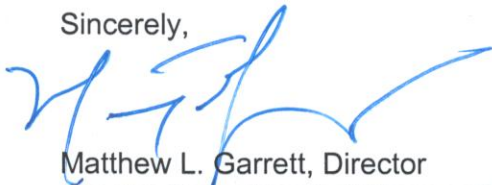
Other Information

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

ACKNOWLEDGEMENTS

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

Sincerely,



Matthew L. Garrett, Director
Oregon Department of Transportation



Les Brodie
Chief Financial Officer

**PRINCIPAL OFFICERS OF THE OREGON DEPARTMENT OF TRANSPORTATION
JUNE 30, 2007**

OREGON TRANSPORTATION COMMISSION

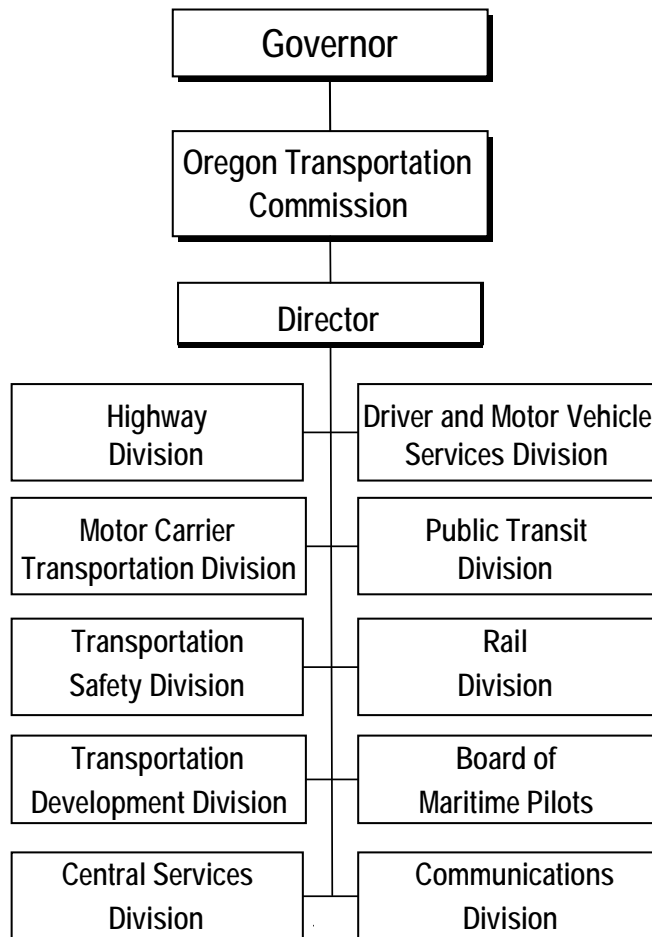
| <u>Commissioner</u> | <u>Commission Expires</u> |
|----------------------------|----------------------------------|
| Stuart Foster, Chair | June 30, 2009 |
| Gail Achterman | June 30, 2008 |
| Michael Nelson | June 30, 2011 |
| Randall C. Papé | June 30, 2009 |
| Janice Wilson | June 30, 2008 |

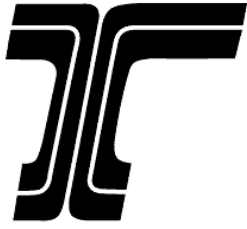
OREGON DEPARTMENT OF TRANSPORTATION

Director – Matthew Garrett
Deputy Director, Highway Division – Doug Tindall
Deputy Director, Central Services Division – Mike Marsh
Administrator, Driver and Motor Vehicle Services Division – Lorna Youngs
Administrator, Motor Carrier Transportation Division – Gregg Dal Ponte
Administrator, Transportation Development Division – Jerri Bohard
Administrator, Public Transit Division – Michael Ward
Administrator, Rail Division – Kelly Taylor
Administrator, Transportation Safety Division – Troy Costales
Administrator, Communications Division – Patrick Cooney
Administrator, Board of Maritime Pilots - Susan Johnson
Chief Financial Officer, Financial Services – Les Brodie
Chief Internal Audit Officer – Marlene Hartinger, CIA, CPA

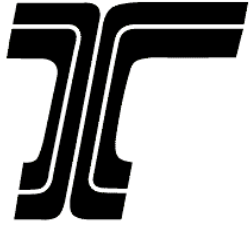


STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
ORGANIZATION CHART
JUNE 30, 2007





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FINANCIAL SECTION

State of Oregon
Department of Transportation
Combined Balance Sheet - All Fund Types
June 30, 2007

| | Governmental Fund Types | | | | Fiduciary Fund Type | Totals Memo Only |
|--|-------------------------|-------------------------|----------------------|---------------------|------------------------|-------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Agency | |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ 843,013,718 | \$ 16,659,646 | \$ (17,542) | \$ 9,110,402 | \$ 868,766,224 |
| Cash and Securities Held in Trust | - | 19,088,894 | 587,687 | - | 209,750 | 19,886,331 |
| Investments | - | 104,459,067 | 3,173,668 | - | - | 107,632,735 |
| Loans Receivable (net) | - | 15,321,796 | - | - | - | 15,321,796 |
| Taxes Receivable (net) | - | 55,496,342 | - | - | - | 55,496,342 |
| Due From the Federal Government | - | 68,271,454 | - | - | - | 68,271,454 |
| Due From Other State Agencies | - | 2,271,530 | 18,752,448 | - | - | 21,023,978 |
| Due From Other Funds | - | - | - | 477,066 | - | 477,066 |
| Advances to Other Funds | - | 12,123,671 | - | - | - | 12,123,671 |
| Other Accounts Receivable (net) | - | 9,762,199 | - | - | - | 9,762,199 |
| Inventories | - | 21,823,589 | - | - | - | 21,823,589 |
| Contracts Receivable | - | 1,359,396 | - | - | - | 1,359,396 |
| Total Assets | \$ - | \$ 1,152,991,656 | \$ 39,173,449 | \$ 459,524 | \$ 9,320,152 | \$ 1,201,944,781 |
| Liabilities and Fund Balances | | | | | | |
| <i>Liabilities:</i> | | | | | | |
| Accounts Payable | \$ - | \$ 121,488,935 | \$ - | \$ 459,524 | \$ - | \$ 121,948,459 |
| Surety Deposits | - | - | - | - | 3,503,082 | 3,503,082 |
| Advances From Other Agencies | - | 53,623 | - | - | - | 53,623 |
| Advances From Other Funds | - | 12,123,671 | - | - | - | 12,123,671 |
| Due to Other Governments | - | 55,176,378 | - | - | 5,817,070 | 60,993,448 |
| Due to Other State Agencies | - | 13,751,087 | - | - | - | 13,751,087 |
| Due to Other Funds | - | 477,066 | - | - | - | 477,066 |
| Deferred Revenue | - | 8,927,023 | - | - | - | 8,927,023 |
| Retainage Payable | - | 18,849,141 | - | - | - | 18,849,141 |
| Total Liabilities | - | 230,846,924 | - | 459,524 | 9,320,152 | 240,626,600 |
| <i>Fund Balances:</i> | | | | | | |
| Reserved for: | | | | | | |
| Inventories | - | 21,823,590 | - | - | - | 21,823,590 |
| Loans Receivable | - | 27,445,467 | - | - | - | 27,445,467 |
| Other Long-Term Receivable | - | 5,678,038 | - | - | - | 5,678,038 |
| Debt Service | - | - | 39,173,449 | - | - | 39,173,449 |
| Revolving Fund | - | 40,000 | - | - | - | 40,000 |
| Other Dedicated Programs | - | 867,157,637 | - | - | - | 867,157,637 |
| Total Fund Balances | - | 922,144,732 | 39,173,449 | - | - | 961,318,181 |
| Total Liabilities and Fund Balances | \$ - | \$ 1,152,991,656 | \$ 39,173,449 | \$ 459,524 | \$ 9,320,152 | \$ 1,201,944,781 |

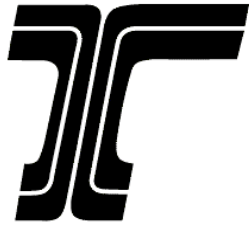
State of Oregon
Department of Transportation
**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Fund Types**
For the Fiscal Year Ended June 30, 2007

| | <u>Governmental Fund Types</u> | | | | Total |
|--|--------------------------------|----------------------------|----------------------|-----------------------------|-------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Governmental Funds</u> |
| Revenues: | | | | | |
| Motor Fuel Taxes | \$ - | \$ 416,395,672 | \$ - | \$ - | \$ 416,395,672 |
| Federal Revenues | - | 396,205,507 | - | - | 396,205,507 |
| Weight-Mile Taxes | - | 256,902,830 | - | - | 256,902,830 |
| Vehicle Taxes | - | 205,204,602 | - | - | 205,204,602 |
| Driver License Fees | - | 39,020,177 | - | - | 39,020,177 |
| Other Transportation Taxes | - | 1,599,780 | - | - | 1,599,780 |
| Charges For Services | - | 38,829,469 | - | - | 38,829,469 |
| Other Sales Income | - | 10,292,696 | - | - | 10,292,696 |
| Investment Income | - | 33,442,607 | 609,072 | - | 34,051,679 |
| Business License Fees | - | 4,507,911 | - | - | 4,507,911 |
| Rents | - | 2,787,522 | - | - | 2,787,522 |
| Other Revenues | - | 7,740,228 | - | - | 7,740,228 |
| Total Revenues | <u>-</u> | <u>1,412,929,001</u> | <u>609,072</u> | <u>-</u> | <u>1,413,538,073</u> |
| Expenditures: | | | | | |
| Personal Services | - | 318,641,911 | - | 217,795 | 318,859,706 |
| Services and Supplies | - | 920,691,164 | 820,464 | 2,603,061 | 924,114,689 |
| Capital Outlay | - | 16,976,427 | - | - | 16,976,427 |
| Loan Interest | - | 223,908 | - | - | 223,908 |
| Special Payments | 4,126,167 | 104,369,711 | - | - | 108,495,878 |
| Debt Service | - | - | 69,548,469 | - | 69,548,469 |
| Total Expenditures | <u>4,126,167</u> | <u>1,360,903,121</u> | <u>70,368,933</u> | <u>2,820,856</u> | <u>1,438,219,077</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(4,126,167)</u> | <u>52,025,880</u> | <u>(69,759,861)</u> | <u>(2,820,856)</u> | <u>(24,681,004)</u> |
| Other Financing Sources (Uses): | | | | | |
| General Fund Appropriations | 4,126,167 | - | - | - | 4,126,167 |
| Long-Term Debt Proceeds | - | 665,127,357 | 928,089 | - | 666,055,446 |
| Transfers In | - | 5,090,348 | 86,668,662 | 2,820,856 | 94,579,866 |
| Transfers Out | - | (392,998,129) | - | - | (392,998,129) |
| Total Other Financing Sources (Uses) | <u>4,126,167</u> | <u>277,219,576</u> | <u>87,596,751</u> | <u>2,820,856</u> | <u>371,763,350</u> |
| Net Change in Fund Balances | - | 329,245,456 | 17,836,890 | - | 347,082,346 |
| Fund Balances - Beginning | - | 585,963,875 | 21,347,494 | - | 607,311,369 |
| Change in Reserves | - | 6,935,401 | (10,935) | - | 6,924,466 |
| Fund Balances - Ending | <u>\$ -</u> | <u>\$ 922,144,732</u> | <u>\$ 39,173,449</u> | <u>\$ -</u> | <u>\$ 961,318,181</u> |

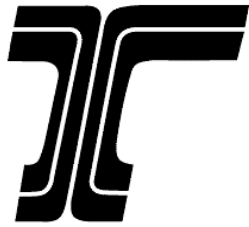
State of Oregon
Department of Transportation
**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual**
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2007

| | General Fund | | | Special Revenue Funds | | |
|--|---------------------------------|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|-------------------------------------|
| | 2005-2007 Biennial Budget | 2005-2007 Biennial Actuals | Variance Uncollected/ Unspent | 2005-2007 Biennial Budget | 2005-2007 Biennial Actuals | Variance Uncollected/ Unspent |
| Revenues: | | | | | | |
| Motor Fuel Taxes | \$ - | \$ - | \$ - | \$ 852,357,323 | \$ 834,308,622 | \$ 18,048,701 |
| Federal Revenues | - | - | - | 604,672,497 | 754,106,824 | (149,434,327) |
| Weight-Mile Taxes | - | - | - | 454,977,406 | 522,012,406 | (67,035,000) |
| Vehicle Taxes | - | - | - | 417,118,694 | 412,803,863 | 4,314,831 |
| Driver License Fees | - | - | - | 82,378,886 | 78,574,016 | 3,804,870 |
| Other Transportation Taxes | - | - | - | 63,087,118 | 4,299,329 | 58,787,789 |
| Charges For Services | - | - | - | 1,955,965 | 71,226,936 | (69,270,971) |
| Other Sales Income | - | - | - | 20,107,175 | 20,992,942 | (885,767) |
| Investment Income | - | - | - | 15,701,881 | 48,555,886 | (32,854,005) |
| Business License Fees | - | - | - | 5,143,477 | 10,306,633 | (5,163,156) |
| Rents | - | - | - | 1,872,146 | 8,843,628 | (6,971,482) |
| Other Revenues | - | - | - | 11,180,599 | 15,691,713 | (4,511,114) |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,530,553,167</u> | <u>2,781,722,798</u> | <u>(251,169,631)</u> |
| Expenditures: | | | | | | |
| Personal Services | - | - | - | 632,071,885 | 622,487,974 | 9,583,911 |
| Services and Supplies | - | - | - | 1,791,706,337 | 1,723,810,471 | 67,895,866 |
| Capital Outlay | - | - | - | 23,141,014 | 31,359,805 | (8,218,791) |
| Special Payments | 8,626,167 | 8,626,167 | - | 234,998,390 | 143,025,811 | 91,972,579 |
| Debt Service | - | - | - | - | - | - |
| Total Expenditures | <u>8,626,167</u> | <u>8,626,167</u> | <u>-</u> | <u>2,681,917,626</u> | <u>2,520,684,061</u> | <u>161,233,565</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(8,626,167)</u> | <u>(8,626,167)</u> | <u>-</u> | <u>(151,364,459)</u> | <u>261,038,737</u> | <u>(412,403,196)</u> |
| Other Financing Sources (Uses): | | | | | | |
| General Fund Appropriations | 8,626,167 | 8,626,167 | - | 8,626,167 | - | 8,626,167 |
| Long-Term Debt Proceeds | - | - | - | 743,782,016 | 1,067,175,287 | (323,393,271) |
| Transfers In | - | - | - | 1,835,027,269 | 1,746,006,255 | 89,021,014 |
| Transfers Out | - | - | - | (2,397,209,293) | (2,500,927,109) | 103,717,816 |
| Proceeds From Sale of Capital Assets | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>8,626,167</u> | <u>8,626,167</u> | <u>-</u> | <u>190,226,159</u> | <u>312,254,433</u> | <u>(122,028,274)</u> |
| Net Change in Fund Balances | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ 38,861,700</u> | <u>573,293,170</u> | <u>\$ (534,431,470)</u> |
| Fund Balances - Beginning | | - | | | 344,277,618 | |
| Change in Reserves | | - | | | 4,682,324 | |
| Prior Period Adjustment | | - | | | (108,380) | |
| Fund Balances - Ending | | <u>\$ -</u> | | | <u>\$ 922,144,732</u> | |

| Debt Service Funds | | | Capital Projects Funds | | |
|---------------------------------|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|-------------------------------------|
| 2005-2007 Biennial Budget | 2005-2007 Biennial Actuals | Variance Uncollected/ Unspent | 2005-2007 Biennial Budget | 2005-2007 Biennial Actuals | Variance Uncollected/ Unspent |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,001,652 | (1,001,652) | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,001,652 | (1,001,652) | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 347,160 | (347,160) |
| 204,432 | 828,161 | (623,729) | - | 4,187,563 | (4,187,563) |
| - | - | - | - | - | - |
| - | - | - | 4,790,689 | - | 4,790,689 |
| 170,370,430 | 122,162,270 | 48,208,160 | - | - | - |
| 170,574,862 | 122,990,431 | 47,584,431 | 4,790,689 | 4,534,723 | 255,966 |
| (170,574,862) | (121,988,779) | (48,586,083) | (4,790,689) | (4,534,723) | (255,966) |
| - | - | - | - | - | - |
| - | 928,089 | (928,089) | - | - | - |
| 204,632,814 | 140,871,584 | 63,761,230 | 4,790,689 | 4,534,723 | 255,966 |
| - | (226,805) | 226,805 | - | - | - |
| - | - | - | - | - | - |
| 204,632,814 | 141,572,868 | 63,059,946 | 4,790,689 | 4,534,723 | 255,966 |
| \$ 34,057,952 | 19,584,089 | \$ 14,473,863 | \$ - | - | \$ - |
| - | 19,491,915 | - | - | - | - |
| - | (10,935) | - | - | - | - |
| - | 108,380 | - | - | - | - |
| - | \$ 39,173,449 | - | - | \$ - | - |



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NOTES TO FINANCIAL STATEMENTS

STATE OF OREGON
DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

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

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

GOVERNMENTAL FUND STATEMENTS

Fund Financial Statements

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental Fund Financial Statements

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

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

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

Fiduciary Fund Financial Statements

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

BASIS OF PRESENTATION

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE

Deposits and Investments

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

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

Receivables and Payables

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

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

Inventories

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

Capital Assets

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

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

Retainage Payable

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

Deferred Revenue

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

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

Long-Term Liabilities

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

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

Fund Balance

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

USE OF ESTIMATES

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

NOTE 2 - BUDGETARY INFORMATION

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

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

A major component of the Department's budget request to the Governor is the Statewide Transportation Improvement Program (STIP). The STIP is the Department's four-year capital improvement program. In the STIP, the Department assigns resources to those projects that have been given the highest priority through the STIP update process. The STIP is updated every two years.

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

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Cash/cash equivalents, investments and securities held in trust consist of the following at June 30, 2007:

| | | |
|--------------------------------|----|--------------------|
| Deposits in transit | \$ | 4,740,465 |
| Deposits with State Treasury | | 864,025,759 |
| Deposits with fiscal agents | | 19,886,331 |
| Investments with fiscal agents | | 3,173,668 |
| Investments | | <u>104,459,067</u> |
| Total | \$ | <u>996,285,290</u> |

Deposits

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

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

Investments

At June 30, 2007, the Department's investments consisted of guaranteed investment contracts and U.S. agency securities, held for payment of outstanding debt.

Fund Transfers

Internal transfer activity is included at the combining financial statement level and eliminated at the combined level. The total amount eliminated for the current fiscal year was \$864,834,051. Of that amount, \$76,803,157 was accrued at year-end as *Due to/from Other Funds*.

The following schedule summarizes the transfer activity for the fiscal year ended June 30, 2007:

| | Transfers In | Transfers Out |
|--|--------------------------|---------------------------|
| <u>Intrafund transfers:</u> | | |
| Special Revenue Funds | | |
| Debt Service | \$ - | \$ 67,602,459 |
| Capital Projects | - | 2,820,855 |
| Debt Service Funds | | |
| Special Revenue | 67,602,459 | - |
| Capital Projects Funds | | |
| Special Revenue | 2,820,855 | - |
| Total intrafund transfers | <u>70,423,314</u> | <u>70,423,314</u> |
| <u>State agency transfers:</u> | | |
| Special Revenue Funds | | |
| Department of Economic and Community Development | - | 4,777,646 |
| Department of Aviation | - | 2,438,547 |
| Oregon State Police | 306,716 | - |
| Department of Revenue | 4,710,529 | - |
| State Marine Board | 1,950 | 5,570,271 |
| Department of Veteran Affairs | - | 20,551 |
| Department of Forestry | 18,881 | - |
| Department of Consumer and Business Services | - | 347,758 |
| Watershed Enhancement Board | - | 308,379 |
| Department of Land Conservation and Development | 52,272 | - |
| Department of Education | - | 92,987 |
| Department of Parks and Recreation | - | 25,069,701 |
| Debt Service Funds | | |
| Department of Administrative Services | 19,066,204 | - |
| Total State agency transfers | <u>24,156,552</u> | <u>38,625,840</u> |
| <u>Local governmental transfers:</u> | | |
| Special Revenue Funds | | |
| Cities | - | 115,807,647 |
| Counties | - | 168,141,328 |
| Total local governmental transfers | <u>-</u> | <u>283,948,975</u> |
| Total transfers | <u>\$ 94,579,866</u> | <u>\$ 392,998,129</u> |

Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2007 was as follows:

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> |
|------------------------------------|-----------------------------|-----------------------|-------------------------|--------------------------|
| Land | \$ 1,501,833,917 | \$ 14,302,490 | \$ (1,372,962) | \$ 1,514,763,445 |
| Land improvements | 51,016,327 | 2,022,720 | (1,005,269) | 52,033,778 |
| Buildings | 131,296,802 | 6,890,229 | (653,360) | 137,533,671 |
| Machinery and equipment | 217,488,743 | 17,203,952 | (9,453,663) | 225,239,032 |
| Data processing software | 15,181,310 | 6,294,295 | (145,647) | 21,329,958 |
| Leasehold improvements | 314,730 | 40,528 | - | 355,258 |
| Construction in progress - Highway | 1,520,725,008 | 585,270,385 | - | 2,105,995,393 |
| Construction in progress - Other | 5,199,436 | 3,456,303 | (5,737,027) | 2,918,712 |
| State highway network | 10,734,976,821 | 1,534,547 | (254,313,101) | 10,482,198,267 |
| State bridge network | <u>2,710,842,466</u> | <u>115,664</u> | <u>(6,294,261)</u> | <u>2,704,663,869</u> |
| Total capital assets | <u>\$ 16,888,875,560</u> | <u>\$ 637,131,113</u> | <u>\$ (278,975,290)</u> | <u>\$ 17,247,031,383</u> |

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

Major capital asset events during fiscal year 2007 included the following:

- The Department spent over \$586.9 million on 737 highway and bridge construction projects.
- Nearly \$14.2 million was spent on capital equipment used to maintain highways and bridges, such as sweepers, trucks, tractors, sanders, and other heavy equipment.
- Commitments of \$1,012.2 million have been made for highway and bridge construction.

Construction Commitments

These commitments represent the estimated dollar amount of planned highway construction approved by the Oregon Transportation Commission and presented in the State Transportation Improvement Plan (STIP). Outstanding commitments for highway construction contracts as of June 30, 2007 were (in millions):

| <u>For Fiscal Year Ended June 30</u> | <u>Federal</u> | <u>Local</u> | <u>State</u> | <u>Total</u> |
|--------------------------------------|-----------------|----------------|-----------------|-------------------|
| 2008 | 254.1 | 43.7 | 262.3 | 560.1 |
| 2009 | 111.0 | 33.5 | 162.8 | 307.3 |
| 2010 | 37.4 | 11.1 | 83.8 | 132.3 |
| 2011 | 1.1 | - | 11.0 | 12.1 |
| Total Commitments | <u>\$ 403.6</u> | <u>\$ 88.3</u> | <u>\$ 519.9</u> | <u>\$ 1,011.8</u> |

Operating Lease Commitments

The Department has commitments with entities outside of State government to lease certain buildings and equipment. Future minimum rental commitments under these operating leases as of June 30, 2007 are as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|----------------------------|----------------------|
| 2008 | \$ 5,007,010 |
| 2009 | 4,054,798 |
| 2010 | 2,659,474 |
| 2011 | 2,073,975 |
| 2012 | 1,534,671 |
| 2013-2017 | 4,161,558 |
| Total | <u>\$ 19,491,486</u> |

Long-Term Debt

The Oregon Revised Statutes give the Department the authority to issue bonds and to assume other forms of long-term debt to finance construction projects. The individual debt schedules are summarized below for all long-term debt outstanding at June 30, 2007 that consists of revenue bonds and certificates of participation.

- Revenue Bonds Repaid by Lottery Proceeds:

In April 2002, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$2,394,000. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used to fund grants for (1) short line track improvements under the Department's 2001 Rail Plan and (2) the design, construction or acquisition of components of the South Metro Commuter Rail Project in Washington County. The final maturity date for this bond series is April 2014. The first principal payment was due April 1, 2004. The bonds have an outstanding principal balance at June 30, 2007 of \$921,000.

In August 2004, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$6,313,983. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used for spur line and short line track improvements. The final maturity date for this bond series is April 2019. The bonds have an outstanding principal balance at June 30, 2007 of \$6,264,111.

In March 2005, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$4,343,493. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used for spur line improvements. The final maturity date for this bond series is April 2025. The bonds have an outstanding principal balance at June 30, 2007 of \$4,030,969.

In September 2006, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$27,355,000. As the designated user agency, the

Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used for multimodal transportation projects. The final maturity date for this bond series is April 2027. The bonds have an outstanding principal balance at June 30, 2007 of \$27,355,000.

In February 2007, the Oregon Department of Administrative Services issued Oregon Lottery Bonds in the amount of \$104,540,000. As the designated user agency, the Department is required to make the debt service payments from the lottery funds appropriated to it. The net proceeds from these bonds will be used for multimodal transportation projects and a commuter rail line in Washington County. The final maturity date for this bond series is April 2027. The bonds have an outstanding principal balance at June 30, 2007 of \$104,540,000.

In order to take advantage of lower interest rates, the Department issued lottery-refunding bonds in August 2002 in the amount of \$60,130,000. These bonds have an average coupon rate of 3.9% and were issued to advance refund the 1994 State of Oregon, Department of Transportation Regional Light Rail Extension Construction Fund Revenue Bonds. This advance refunding was undertaken to reduce total debt service payments over the next eight years by \$2,689,038 and results in an economic gain of \$2,672,782. The money from the sale of the new bonds was deposited with an escrow agent and will be used to meet all future debt service payments on the old bonds. The reacquisition price of the old debt exceeded the net carrying amount by \$5,082,770. This amount is being netted against the new debt and amortized over the life of the new debt. The refunding bonds are secured by and payable from the net proceeds of the Oregon State Lottery. The final maturity date for this bond series is May 2010. The bonds have an outstanding principal balance at June 30, 2007 of \$21,205,000.

- Revenue Bonds Repaid by State Highway Fund revenues (Series 2000):
In August 2000, the Department issued highway user tax revenue bonds in the amount of \$58,355,000, with an average coupon rate of 5.3%. The proceeds from the issuance were used to finance construction projects for the Local Street Networks, Access Management and other miscellaneous modernization projects. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2000 Bonds are subject to optional redemption effective November 15, 2010 at a price of par, plus interest accrued to the date of redemption. In the fiscal year ending June 30, 2005, certain maturities were refunded with the issuance of the Series 2004B Bonds and the Series 2005B Bonds. This series was issued with a final maturity in November 2020 and had a balance outstanding at June 30, 2007 of \$10,190,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2002A):
In May 2002, the Department issued highway user tax revenue bonds in the amount of \$221,845,000, with an average coupon rate of 5.2%. The proceeds from the issuance are being used to finance preservation and modernization projects on highways and bridges in Oregon. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2002A Bonds are subject to optional redemption effective November 2012 at a price of par, plus accrued interest to the date of redemption. In the fiscal year ending June 30, 2005, certain maturities were refunded in the Series 2004B and the Series 2005B issues. The final maturity for this series is November 2026. In the fiscal

year ending June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2007 was \$36,055,000.

- Revenue Bonds Repaid by State Highway Fund revenues (Series 2004A):
In July 2004, the Department issued highway user tax revenue bonds in the amount of \$294,750,000, with an average coupon rate of 4.44%. The proceeds from the issuance were used to provide grants to counties and cities for the repair and replacement of bridges on county and city highways. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2004A Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2028. In the fiscal year ending June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2007 was \$188,120,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2004B):
In July 2004, the Department issued highway user tax revenue bonds in the amount of \$75,575,000, with an average coupon rate of 5.40%. The proceeds from the issuance were used to refund certain maturities from the Series 2000 Bonds and the Series 2002A Bonds. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2004B Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2019. The balance outstanding at June 30, 2007 was \$74,945,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2005A):
In January 2005, the Department issued highway user tax revenue bonds in the amount of \$19,295,000, with an average coupon rate of 4.33%. The proceeds from the issuance are being used to finance preservation and modernization projects on highways and bridges in Oregon. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2005A Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2029. In the fiscal year ending June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2007 was \$14,185,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2005B):
In January 2005, the Department issued highway user tax revenue bonds in the amount of \$26,235,000. The proceeds from the issuance were used to refund certain maturities from the Series 2000 Bonds and the Series 2002A Bonds. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2005B Bonds are subject to optional redemption effective November 2014 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2020. The balance outstanding at June 30, 2007 was \$26,180,000.

- Revenue Bonds Repaid by State Highway Fund revenues (Series 2006A):
In May 2006, the Department issued highway user tax revenue bonds in the amount of \$291,505,000. The proceeds from the issuance were used to finance state highway and bridge projects under the OTIA I, II, and III programs. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2006A Bonds are subject to optional redemption effective November 2017 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2031. In the fiscal year ending June 30, 2007, certain maturities were refunded in the Series 2007C issue. The balance outstanding at June 30, 2007 was \$256,270,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2006B):
In May 2006, the Department issued highway user tax revenue bonds in the amount of \$100,270,000. The Series 2006B bonds are Subordinate Lien Bonds offering variable rate interest determined on a weekly basis and distributed monthly in arrears. The proceeds from the issuance were used to finance projects under the OTIA III program. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2006B Bonds are subject to optional redemption effective November 2017 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2026. The balance outstanding at June 30, 2007 was \$100,270,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2007A):
In May 2007, the Department issued highway user tax revenue bonds in the amount of \$358,225,000. The proceeds from the issuance were used to finance state highway and bridge projects under the OTIA I, II, and III programs. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2007A Bonds are subject to optional redemption effective November 2017 at a price of par, plus accrued interest to the date of redemption. The final maturity for this series is November 2032. The balance outstanding at June 30, 2007 was \$358,225,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2007B):
In May 2007, the Department issued highway user tax revenue bonds in the amount of \$165,000,000. The Series 2007B bonds are Subordinate Lien Bonds offering variable rate interest determined on a weekly basis and distributed monthly in arrears. The proceeds from the issuance were used to finance projects under the OTIA III program. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The final maturity for this series is November 2027. The balance outstanding at June 30, 2007 was \$165,000,000.
- Revenue Bonds Repaid by State Highway Fund revenues (Series 2007C):
In May 2007, the Department issued highway user tax revenue bonds in the amount of \$200,745,000. The proceeds from the issuance were used to refund certain maturities from the Series 2002A Bonds, Series 2004A Bonds, Series 2005A Bonds, and Series 2006A Bonds. The bonds are secured by highway user taxes collected and deposited in the State Highway Fund. The Series 2007C Bonds are subject to optional redemption effective November 2017 at a price of par, plus accrued interest to the date of redemption. The final

maturity for this series is November 2026. The balance outstanding at June 30, 2007 was \$200,745,000.

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------------|-----------------------|-------------------------|
| 2008 | \$ 45,006,837 | \$ 83,737,030 | \$ 128,743,867 |
| 2009 | 49,878,230 | 75,639,873 | \$ 125,518,103 |
| 2010 | 40,344,438 | 65,750,440 | \$ 106,094,878 |
| 2011 | 39,276,249 | 55,891,781 | \$ 95,168,030 |
| 2012 | 41,082,763 | 54,102,713 | \$ 95,185,476 |
| 2013-2017 | 286,991,168 | 237,462,497 | \$ 524,453,665 |
| 2018-2022 | 367,140,827 | 146,502,579 | \$ 513,643,406 |
| 2023-2027 | 320,070,569 | 114,339,486 | \$ 434,410,055 |
| 2028-2032 | 352,660,000 | 49,419,934 | \$ 402,079,934 |
| 2033-2037 | 52,050,000 | 1,171,125 | \$ 53,221,125 |
| Total | <u>\$ 1,594,501,081</u> | <u>\$ 884,017,459</u> | <u>\$ 2,478,518,540</u> |

Certificates of Participation - ORS Chapter 283 authorizes the Department to enter into long-term financing agreements through the issuance of certificates of participation. Certificates of participation were issued for the construction of the *Driver and Motor Vehicle Services Division* headquarters building. This debt will mature in November 2019 and has an outstanding principal balance at June 30, 2007 of \$7,760,000. Debt service requirements to maturity on the certificates of participation are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|----------------------|
| 2008 | \$ 440,000 | \$ 373,255 | \$ 813,255 |
| 2009 | 460,000 | 352,316 | 812,316 |
| 2010 | 485,000 | 329,875 | 814,875 |
| 2011 | 515,000 | 305,618 | 820,618 |
| 2012 | 535,000 | 279,625 | 814,625 |
| 2013-2017 | 3,090,000 | 959,750 | 4,049,750 |
| 2018-2022 | 2,235,000 | 171,125 | 2,406,125 |
| Total | <u>\$ 7,760,000</u> | <u>\$ 2,771,564</u> | <u>\$ 10,531,564</u> |

Changes in Long-Term Debt

Long-term debt for governmental activities during fiscal year 2007 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------------|------------------------------|-----------------------|----------------------|---------------------------|--------------------------------|
| Revenue bonds payable | \$ 963,069,384 | \$ 655,010,000 | \$ 23,578,303 | \$ 1,594,501,081 | \$ 45,006,836 |
| Certificates of participation payable | <u>8,185,000</u> | <u>-</u> | <u>425,000</u> | <u>7,760,000</u> | <u>440,000</u> |
| Total long-term liabilities | <u>\$ 971,254,384</u> | <u>\$ 655,010,000</u> | <u>\$ 24,003,303</u> | <u>\$ 1,602,261,081</u> | <u>\$ 45,446,836</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, 2007, the Department's arbitrage rebate liability was \$67,745.

Advances from Other Funds/State Agencies

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|------------------|-----------------|------------------|
| 2008 | 29,922 | 2,586 | 32,508 |
| 2009 | <u>23,701</u> | <u>619</u> | <u>24,320</u> |
| Total | <u>\$ 53,623</u> | <u>\$ 3,205</u> | <u>\$ 56,828</u> |

2009 principal amount was adjusted.

Trust Deposits

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

| | |
|---|---------------------|
| Motor carrier surety deposits | \$ 5,609,070 |
| Fuel dealers and retailers surety deposits | 208,000 |
| Maritime pilots surety deposits | 16,500 |
| Fuel taxes collected on behalf of local governments | <u>3,503,082</u> |
| Total cash and securities held in trust | <u>\$ 9,336,652</u> |

Defined Benefit Retirement Plan

The Public Employees Retirement System (PERS) is a defined benefit retirement plan for units of State government, school districts, community colleges and political subdivisions of the State. PERS is administered by the Public Employees Retirement Board under the guidelines of chapter 238 of the Oregon Revised Statutes, and it provides retirement benefits and cost-of-living adjustments as well as disability, post employment healthcare and death benefits to plan members and beneficiaries. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information that may be obtained by writing to the Fiscal Services Division, Public Employees Retirement System, 11410 SW 68th Parkway, Tigard, Oregon 97223. For fiscal year ended June 30, 2007, the Department contributed a total of \$28,189,957 to PERS.

Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. Each State agency is required to pay the Employment Department for benefit payments made to their former employees. Total payments made by the Department for the fiscal year ended June 30, 2007 were \$394,453.

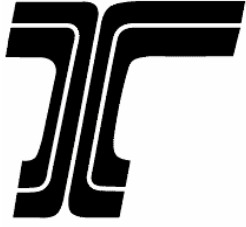
Insurance

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

All State agencies, commissions and boards participate in the State Insurance Fund. The Division allocates the cost of servicing insurance claims and payments by charging an assessment to each State entity, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and Division expenses, less any available fund balance from the prior biennium. Risk insurance payments for the current fiscal year were \$5,336,529.

Contingencies

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



COMBINING STATEMENTS

State of Oregon
Department of Transportation
Combining Balance Sheet
All Special Revenue Funds
June 30, 2007

| | <u>Highway Division</u> | <u>Central Services Division</u> | <u>Motor Carrier Transportation Division</u> | <u>Driver and Motor Vehicle Services Division</u> | <u>Other Funds</u> | <u>Total Special Revenue Funds</u> |
|--|-----------------------------|--|--|---|------------------------|--|
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 742,359,287 | \$ (811,455) | \$ 21,671,438 | \$ 13,825,889 | \$ 65,968,559 | \$ 843,013,718 |
| Cash and Securities Held in Trust | 19,088,894 | - | - | - | - | 19,088,894 |
| Investments | 104,459,067 | - | - | - | - | 104,459,067 |
| Loans Receivable (net) | - | - | - | - | 15,321,796 | 15,321,796 |
| Taxes Receivable (net) | 471 | 36,752,667 | 17,604,130 | 1,132,104 | 6,970 | 55,496,342 |
| Due From the Federal Government | 61,974,052 | 16,000 | 1,362,909 | - | 4,918,493 | 68,271,454 |
| Due From Other State Agencies | 59,877 | - | - | 1,616,359 | 595,294 | 2,271,530 |
| Due From Other Funds | 75,191,888 | 32,338 | - | - | 1,578,932 | 76,803,158 |
| Advances to Other Funds | 12,123,671 | - | - | - | - | 12,123,671 |
| Other Accounts Receivable (net) | 5,972,217 | 691,910 | 794,780 | 1,065,315 | 1,237,977 | 9,762,199 |
| Inventories | 19,370,002 | 37,132 | 78,216 | 2,336,885 | 1,354 | 21,823,589 |
| Contracts Receivable | 1,359,396 | - | - | - | - | 1,359,396 |
| Total Assets | <u>\$ 1,041,958,822</u> | <u>\$ 36,718,592</u> | <u>\$ 41,511,473</u> | <u>\$ 19,976,552</u> | <u>\$ 89,629,375</u> | <u>\$ 1,229,794,814</u> |
| Liabilities and Fund Balances | | | | | | |
| <i>Liabilities:</i> | | | | | | |
| Accounts Payable | \$ 116,751,551 | \$ - | \$ 690,284 | \$ 2,016,204 | \$ 2,030,896 | \$ 121,488,935 |
| Advances From Other State Agencies | - | - | - | 53,623 | - | 53,623 |
| Advances From Other Funds | - | - | - | - | 12,123,671 | 12,123,671 |
| Due to Other Governments | 52,062,088 | - | - | - | 3,114,290 | 55,176,378 |
| Due to Other State Agencies | 31,114 | 10,642,449 | - | 2,176,301 | 901,223 | 13,751,087 |
| Due to Other Funds | 656,382 | 25,185,878 | 38,139,483 | 13,137,229 | 161,252 | 77,280,224 |
| Deferred Revenue | 8,920,298 | 6,725 | - | - | - | 8,927,023 |
| Retainage Payable | 18,839,141 | - | - | 10,000 | - | 18,849,141 |
| Total Liabilities | <u>197,260,574</u> | <u>35,835,052</u> | <u>38,829,767</u> | <u>17,393,357</u> | <u>18,331,332</u> | <u>307,650,082</u> |
| <i>Fund Balances:</i> | | | | | | |
| Reserved for: | | | | | | |
| Inventories | 19,370,002 | 37,132 | 78,216 | 2,336,886 | 1,354 | 21,823,590 |
| Loans Receivable | 12,123,671 | - | - | - | 15,321,796 | 27,445,467 |
| Other Long-Term Receivables | 2,323,790 | 544,449 | 2,603,490 | 206,309 | - | 5,678,038 |
| Revolving Fund | - | - | - | 40,000 | - | 40,000 |
| Other Dedicated Programs | 810,880,785 | 301,959 | - | - | 55,974,893 | 867,157,637 |
| Total Fund Balances | <u>844,698,248</u> | <u>883,540</u> | <u>2,681,706</u> | <u>2,583,195</u> | <u>71,298,043</u> | <u>922,144,732</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,041,958,822</u> | <u>\$ 36,718,592</u> | <u>\$ 41,511,473</u> | <u>\$ 19,976,552</u> | <u>\$ 89,629,375</u> | <u>\$ 1,229,794,814</u> |

State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds - All Special Revenue
For the Fiscal Year Ended June 30, 2007

| | Highway Division | Central Services Division | Motor Carrier Transportation Division | Driver and Motor Vehicle Services Division | Other Funds | Total Special Revenue Funds |
|--|-----------------------|---------------------------------|---|--|----------------------|--------------------------------|
| Revenues: | | | | | | |
| Motor Fuel Taxes | \$ 226,118 | \$ 416,169,554 | \$ - | \$ - | \$ - | \$ 416,395,672 |
| Federal Revenues | 366,635,037 | - | 2,501,882 | - | 27,068,588 | 396,205,507 |
| Weight-Mile Taxes | - | - | 256,902,830 | - | - | 256,902,830 |
| Vehicle Taxes | 22,970 | - | 304 | 204,978,597 | 202,731 | 205,204,602 |
| Driver License Fees | - | - | - | 35,537,694 | 3,482,483 | 39,020,177 |
| Other Transportation Taxes | - | - | - | 282,198 | 1,317,582 | 1,599,780 |
| Charges for Services | 37,125,456 | 1,338,312 | - | 224 | 365,477 | 38,829,469 |
| Other Sales Income | 7,030,594 | 160,818 | 6,194 | 3,095,090 | - | 10,292,696 |
| Investment Income | 21,821,884 | 225,877 | 1,809,996 | - | 9,584,850 | 33,442,607 |
| Business License Fees | - | - | 2,593,123 | 294,140 | 1,620,648 | 4,507,911 |
| Rents | 2,765,598 | - | - | - | 21,924 | 2,787,522 |
| Other Revenues | 3,280,641 | 182,789 | 2,943,573 | 492,950 | 840,275 | 7,740,228 |
| Total Revenues | <u>438,908,298</u> | <u>418,077,350</u> | <u>266,757,902</u> | <u>244,680,893</u> | <u>44,504,558</u> | <u>1,412,929,001</u> |
| Expenditures: | | | | | | |
| Personal Services | 208,664,970 | 38,883,173 | 19,470,935 | 44,593,975 | 7,028,858 | 318,641,911 |
| Services and Supplies | 860,813,020 | 22,791,258 | 7,792,942 | 20,406,313 | 8,887,631 | 920,691,164 |
| Capital Outlay | 16,571,865 | 99,834 | 131,480 | 61,838 | 111,410 | 16,976,427 |
| Loan Interest | 13,894 | - | - | 4,301 | 205,713 | 223,908 |
| Special Payments | 30,634,282 | 14 | - | 157,454 | 73,577,961 | 104,369,711 |
| Total Expenditures | <u>1,116,698,031</u> | <u>61,774,279</u> | <u>27,395,357</u> | <u>65,223,881</u> | <u>89,811,573</u> | <u>1,360,903,121</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(677,789,733)</u> | <u>356,303,071</u> | <u>239,362,545</u> | <u>179,457,012</u> | <u>(45,307,015)</u> | <u>52,025,880</u> |
| Other Financing Sources (Uses): | | | | | | |
| Long-Term Debt Proceeds | 629,399,747 | - | - | - | 35,727,610 | 665,127,357 |
| Transfers In | 775,077,459 | 59,134,324 | 7,994,532 | - | 27,718,084 | 869,924,399 |
| Transfers Out | (410,896,732) | (415,226,008) | (247,357,077) | (179,375,182) | (4,977,181) | (1,257,832,180) |
| Total Other Financing Sources (Uses) | <u>993,580,474</u> | <u>(356,091,684)</u> | <u>(239,362,545)</u> | <u>(179,375,182)</u> | <u>58,468,513</u> | <u>277,219,576</u> |
| Net Change in Fund Balances | 315,790,741 | 211,387 | - | 81,830 | 13,161,498 | 329,245,456 |
| Fund Balances - Beginning | 526,359,197 | 104,926 | 29,506 | 1,334,043 | 58,136,203 | 585,963,875 |
| Change in Reserves | 2,548,310 | 567,227 | 2,652,200 | 1,167,322 | 342 | 6,935,401 |
| Fund Balances - Ending | <u>\$ 844,698,248</u> | <u>\$ 883,540</u> | <u>\$ 2,681,706</u> | <u>\$ 2,583,195</u> | <u>\$ 71,298,043</u> | <u>\$ 922,144,732</u> |

State of Oregon
Department of Transportation
Combining Balance Sheet
Special Revenue Funds - Other
June 30, 2007

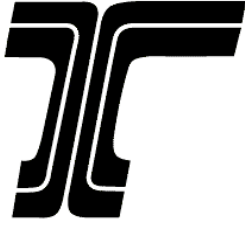
| | Public Transit Division | Transportation Safety Division | Rail Division | Board of Maritime Pilots | Snowmobile Fund |
|--|----------------------------|-----------------------------------|----------------------------|-----------------------------|----------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 3,095,995 | \$ 11,315,819 | \$ 7,967,911 | \$ 5,066 | \$ 4,125,563 |
| Loans Receivable | - | - | - | - | - |
| Taxes Receivable | - | - | - | - | 5,071 |
| Due From the Federal Government | 3,223,841 | 1,694,652 | - | - | - |
| Due From Other State Agencies | 595,294 | - | - | - | - |
| Due From Other Funds | 161,019 | 348,949 | 103,958 | - | 714,785 |
| Other Accounts Receivable | - | - | 2,045 | - | 17,607 |
| Inventories | 436 | 418 | 500 | - | - |
| Total Assets | <u>\$ 7,076,585</u> | <u>\$ 13,359,838</u> | <u>\$ 8,074,414</u> | <u>\$ 5,066</u> | <u>\$ 4,863,026</u> |
| Liabilities And Fund Balances | | | | | |
| <i>Liabilities:</i> | | | | | |
| Accounts Payable | \$ 692,282 | \$ 521,324 | \$ 328,831 | \$ 4,834 | \$ - |
| Advances from Other Funds | - | - | - | - | - |
| Due to Other Governments | 2,920,893 | 193,397 | - | - | - |
| Due to Other State Agencies | - | 901,223 | - | - | - |
| Due to Other Funds | - | - | 233 | - | - |
| Total Liabilities | <u>3,613,175</u> | <u>1,615,944</u> | <u>329,064</u> | <u>4,834</u> | <u>-</u> |
| <i>Fund Balances:</i> | | | | | |
| Reserved for: | | | | | |
| Inventories | 436 | 418 | 500 | - | - |
| Loans Receivable | - | - | - | - | - |
| Other Dedicated Programs | <u>3,462,974</u> | <u>11,743,476</u> | <u>7,744,850</u> | <u>232</u> | <u>4,863,026</u> |
| Total Fund Balances | <u>3,463,410</u> | <u>11,743,894</u> | <u>7,745,350</u> | <u>232</u> | <u>4,863,026</u> |
| Total Liabilities and Fund Balances | <u>\$ 7,076,585</u> | <u>\$ 13,359,838</u> | <u>\$ 8,074,414</u> | <u>\$ 5,066</u> | <u>\$ 4,863,026</u> |

| Transportation Operating Fund | Winter Recreational Parking Fund | Environmental Quality Fund | Consumer Protection | Short-Line Premium Fund | Transportation Infrastructure Bank | Total Other Special Revenue Funds |
|----------------------------------|--|-------------------------------|------------------------|----------------------------|--|---|
| \$ 5,249,575 | \$ 1,038,486 | \$ 2,167,141 | \$ 64,226 | \$ 2,652,508 | \$ 28,286,269 | \$ 65,968,559 |
| - | - | - | - | - | 15,321,796 | 15,321,796 |
| - | - | - | 1,899 | - | - | 6,970 |
| - | - | - | - | - | - | 4,918,493 |
| - | - | - | - | - | - | 595,294 |
| 67,757 | - | 182,464 | - | - | - | 1,578,932 |
| 1,213,656 | 4,669 | - | - | - | - | 1,237,977 |
| - | - | - | - | - | - | 1,354 |
| <u>\$ 6,530,988</u> | <u>\$ 1,043,155</u> | <u>\$ 2,349,605</u> | <u>\$ 66,125</u> | <u>\$ 2,652,508</u> | <u>\$ 43,608,065</u> | <u>\$ 89,629,375</u> |
| | | | | | | |
| \$ 362,925 | \$ 9,160 | \$ 108,798 | \$ 554 | \$ - | \$ 2,188 | \$ 2,030,896 |
| - | - | - | - | - | 12,123,671 | 12,123,671 |
| - | - | - | - | - | - | 3,114,290 |
| - | - | - | - | - | - | 901,223 |
| 161,019 | - | - | - | - | - | 161,252 |
| <u>523,944</u> | <u>9,160</u> | <u>108,798</u> | <u>554</u> | <u>-</u> | <u>12,125,859</u> | <u>18,331,332</u> |
| | | | | | | |
| - | - | - | - | - | - | 1,354 |
| - | - | - | - | - | 15,321,796 | 15,321,796 |
| 6,007,044 | 1,033,995 | 2,240,807 | 65,571 | 2,652,508 | 16,160,410 | 55,974,893 |
| <u>6,007,044</u> | <u>1,033,995</u> | <u>2,240,807</u> | <u>65,571</u> | <u>2,652,508</u> | <u>31,482,206</u> | <u>71,298,043</u> |
| | | | | | | |
| <u>\$ 6,530,988</u> | <u>\$ 1,043,155</u> | <u>\$ 2,349,605</u> | <u>\$ 66,125</u> | <u>\$ 2,652,508</u> | <u>\$ 43,608,065</u> | <u>\$ 89,629,375</u> |

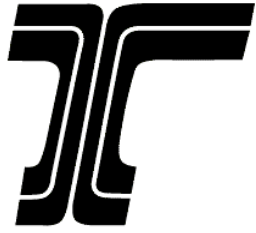
State of Oregon
Department of Transportation
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Special Revenue Funds - Other
For the Fiscal Year Ended June 30, 2007

| | Public Transit | Transportation | | Board of | |
|---|-----------------------|------------------------|----------------------|-----------------|---------------------|
| | Division | Safety Division | Rail Division | Maritime | Snowmobile |
| | | | | Pilots | Fund |
| Revenues: | | | | | |
| Federal Revenues | \$ 18,754,920 | \$ 8,233,851 | \$ 2,081 | \$ - | \$ - |
| Vehicle Taxes | - | - | - | - | 202,731 |
| Driver License Fees | - | - | - | - | - |
| Other Transportation Taxes | - | - | - | - | - |
| Charges for Services | - | - | 365,477 | - | - |
| Investment Income | 153,087 | 495,041 | 422,632 | - | 208,157 |
| Business License Fees | - | - | 1,527,648 | 93,000 | - |
| Rents | - | 13,358 | 8,566 | - | - |
| Other Revenues | 3,620 | 17,154 | 210,416 | 89 | - |
| Total Revenues | <u>18,911,627</u> | <u>8,759,404</u> | <u>2,536,820</u> | <u>93,089</u> | <u>410,888</u> |
| Expenditures: | | | | | |
| Personal Services | 1,086,650 | 1,674,712 | 1,748,678 | 57,615 | - |
| Services and Supplies | 134,123 | 1,795,949 | 1,692,969 | 41,440 | 750,000 |
| Capital Outlay | - | 20,032 | 91,378 | - | - |
| Loan Interest | - | - | - | - | - |
| Special Payments | 28,391,230 | 8,977,841 | 35,506,213 | - | - |
| Total Expenditures | <u>29,612,003</u> | <u>12,468,534</u> | <u>39,039,238</u> | <u>99,055</u> | <u>750,000</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | <u>(10,700,376)</u> | <u>(3,709,130)</u> | <u>(36,502,418)</u> | <u>(5,966)</u> | <u>(339,112)</u> |
| Other Financing Sources (Uses): | | | | | |
| Long-Term Debt Proceeds | - | - | 35,727,610 | - | - |
| Transfers In | 9,405,922 | 5,026,032 | 1,171,409 | - | 714,784 |
| Transfers Out | - | (281,555) | (233) | - | - |
| Total Other Financing Sources (Uses) | <u>9,405,922</u> | <u>4,744,477</u> | <u>36,898,786</u> | <u>-</u> | <u>714,784</u> |
| Net Change in Fund Balances | (1,294,454) | 1,035,347 | 396,368 | (5,966) | 375,672 |
| Fund Balances - Beginning | 4,757,478 | 10,708,443 | 7,349,130 | 6,198 | 4,487,354 |
| Change in Reserves | 386 | 104 | (148) | - | - |
| Fund Balances - Ending | <u>\$ 3,463,410</u> | <u>\$ 11,743,894</u> | <u>\$ 7,745,350</u> | <u>\$ 232</u> | <u>\$ 4,863,026</u> |

| <u>Transportation Operating Fund</u> | <u>Winter Recreational Parking Fund</u> | <u>Environmental Quality Fund</u> | <u>Consumer Protection</u> | <u>Short-Line Premium Fund</u> | <u>Transportation Infrastructure Bank</u> | <u>Total Other Special Revenue Funds</u> |
|--|---|---------------------------------------|--------------------------------|--|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 77,736 | \$ 27,068,588 |
| - | - | - | - | - | - | 202,731 |
| 3,482,483 | - | - | - | - | - | 3,482,483 |
| - | 1,280,044 | - | 37,538 | - | - | 1,317,582 |
| - | - | - | - | - | - | 365,477 |
| 160,207 | 52,229 | - | 3,098 | 137,474 | 7,952,925 | 9,584,850 |
| - | - | - | - | - | - | 1,620,648 |
| - | - | - | - | - | - | 21,924 |
| 608,996 | - | - | - | - | - | 840,275 |
| <u>4,251,686</u> | <u>1,332,273</u> | <u>-</u> | <u>40,636</u> | <u>137,474</u> | <u>8,030,661</u> | <u>44,504,558</u> |
| 996,115 | 287,535 | 1,078,723 | 18,743 | - | 80,087 | 7,028,858 |
| 2,926,344 | 821,960 | 699,289 | 19,075 | - | 6,482 | 8,887,631 |
| - | - | - | - | - | - | 111,410 |
| - | - | - | - | - | 205,713 | 205,713 |
| 540,427 | - | - | - | 162,250 | - | 73,577,961 |
| <u>4,462,886</u> | <u>1,109,495</u> | <u>1,778,012</u> | <u>37,818</u> | <u>162,250</u> | <u>292,282</u> | <u>89,811,573</u> |
| <u>(211,200)</u> | <u>222,778</u> | <u>(1,778,012)</u> | <u>2,818</u> | <u>(24,776)</u> | <u>7,738,379</u> | <u>(45,307,015)</u> |
| - | - | - | - | - | - | 35,727,610 |
| 9,194,523 | - | 2,205,414 | - | - | - | 27,718,084 |
| <u>(4,695,393)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,977,181)</u> |
| <u>4,499,130</u> | <u>-</u> | <u>2,205,414</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>58,468,513</u> |
| 4,287,930 | 222,778 | 427,402 | 2,818 | (24,776) | 7,738,379 | 13,161,498 |
| 1,719,114 | 811,217 | 1,813,405 | 62,753 | 2,677,284 | 23,743,827 | 58,136,203 |
| - | - | - | - | - | - | 342 |
| <u>\$ 6,007,044</u> | <u>\$ 1,033,995</u> | <u>\$ 2,240,807</u> | <u>\$ 65,571</u> | <u>\$ 2,652,508</u> | <u>\$ 31,482,206</u> | <u>\$ 71,298,043</u> |



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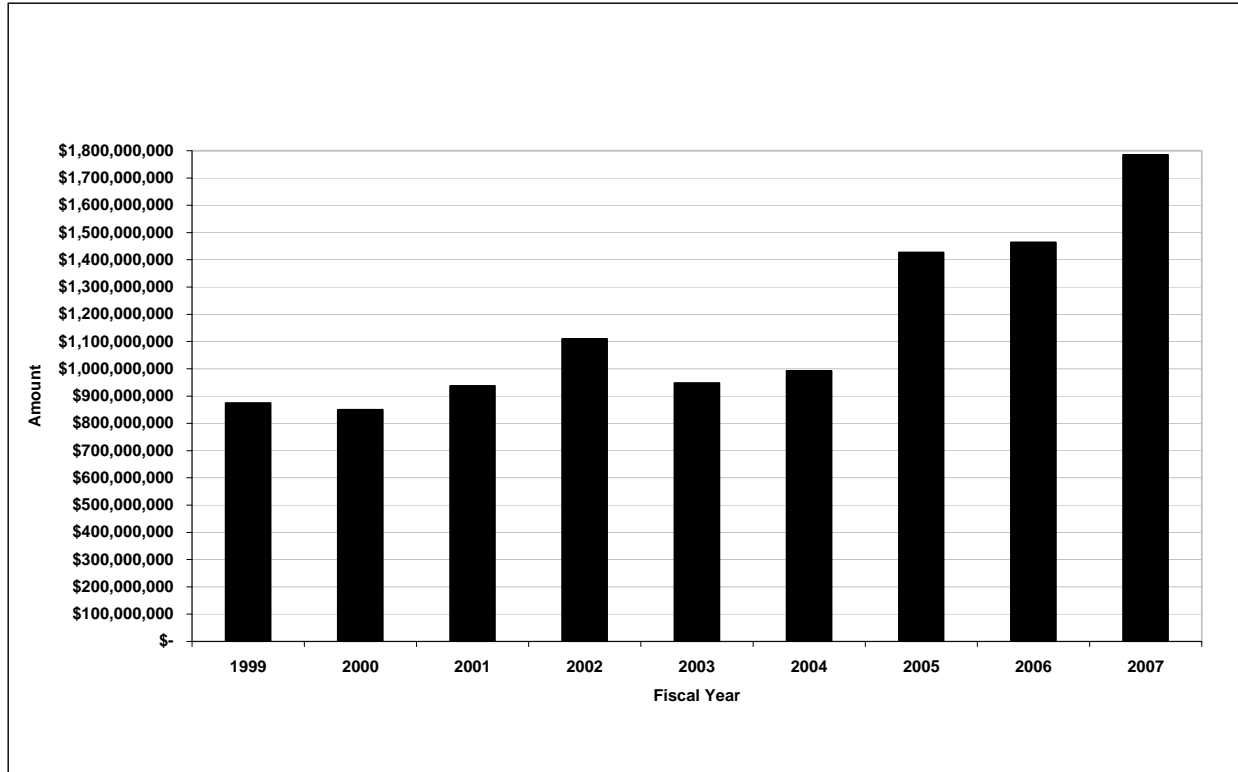
STATISTICAL SECTION

Table 1

Schedule of Federal Financial Assistance
For the Fiscal Year Ended June 30, 2007

| <u>CFDA #</u> | <u>Federal Program Description</u> | <u>Amount</u> |
|---------------|---|-----------------------|
| 20.205 | Highway Planning and Construction | \$ 368,639,992 |
| 20.218 | Motor Carrier Safety | 2,383,906 |
| 20.505 | Federal Transit Metropolitan Planning | 867,476 |
| 20.509 | Formula Grants for Other than Urbanized Areas | 7,411,381 |
| 20.513 | Capital Assistance for Elderly and Handicapped | 8,900,437 |
| 20.514 | Public Transportation Research | 32,540 |
| 20.515 | State Planning and Research | 241,915 |
| 20.516 | Job Access Reverse Commute | 337,064 |
| 20.600 | State and Community Highway Safety | 1,686,269 |
| 20.601 | Alcohol and Drunk Driving Prevention | 283,454 |
| 20.602 | Occupant Protection | 558,138 |
| 20.604 | Safety Incentives for Seatbelt Usage | 879,801 |
| 20.605 | Safety Incentives to Prevent Drunk Driving | 1,716,320 |
| 20.608 | Minimum Penalties Repeat DWI | 1,248,871 |
| 20.609 | Safety Belt Performance Grants | 610,455 |
| 20.611 | Incentive Grant to Prohibit Racial Profiling | 11,330 |
| 20.612 | Incentive Grant to Increase Motorcyclist Safety | <u>69,919</u> |
| | Total Federal Financial Assistance | <u>\$ 395,879,268</u> |

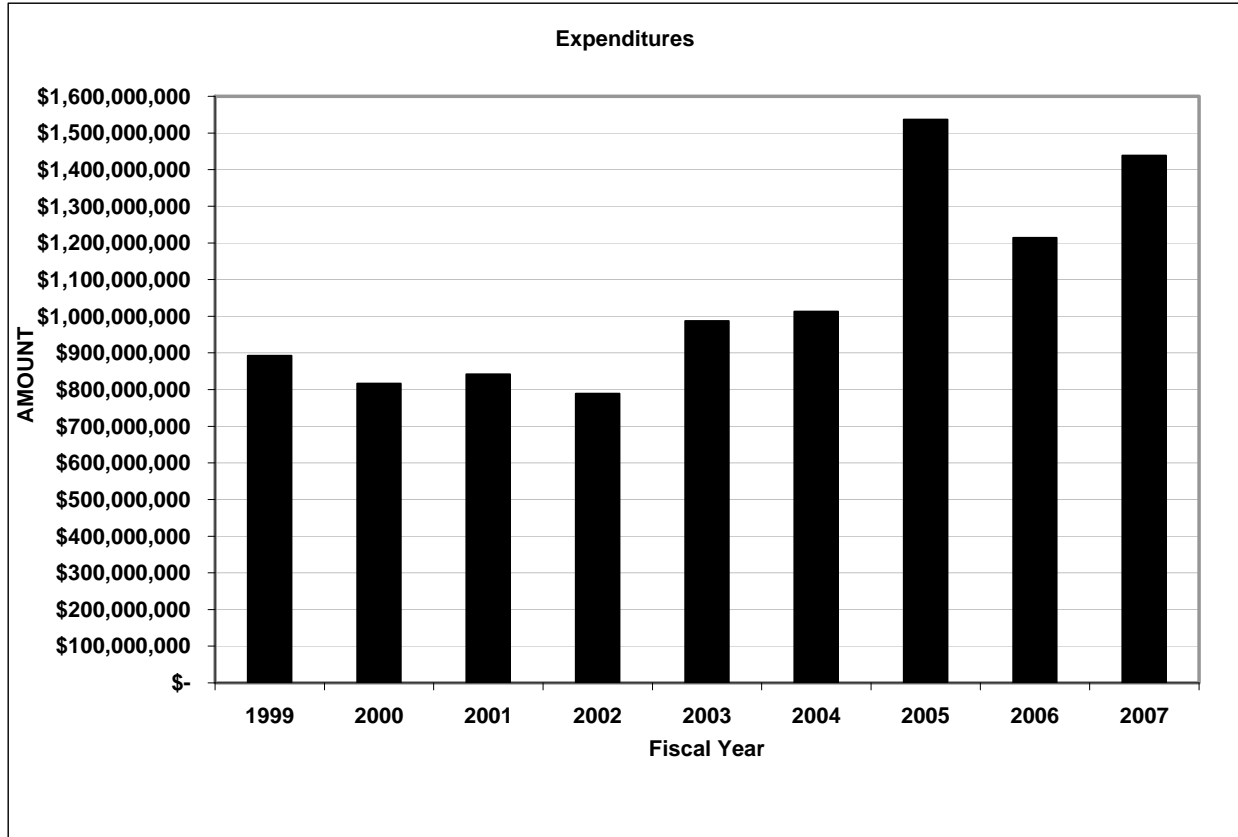
Table 2
Net Revenues – Nine Year Trend



| Revenues | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| Motor Fuel Taxes | \$ 396,742,553 | \$ 394,405,931 | \$ 397,162,232 | \$ 397,984,254 | \$ 406,527,322 | \$ 406,023,758 | \$ 408,099,454 | \$ 417,912,950 | \$ 416,395,672 |
| Weight-Mile Taxes | 233,794,274 | 240,190,088 | 213,470,675 | 204,732,673 | 211,804,629 | 225,490,882 | 252,453,050 | 265,109,576 | 256,902,830 |
| Vehicle Taxes | 86,993,346 | 88,860,110 | 86,680,275 | 113,137,171 | 120,710,821 | 165,269,759 | 204,818,218 | 207,599,261 | 205,204,602 |
| Other Transportation Taxes | 5,617,534 | 10,737,828 | 7,491,606 | 1,827,368 | 1,806,354 | 1,327,832 | 1,811,364 | 2,699,549 | 1,599,780 |
| General Fund Appropriations | 314,962 | 4,490,323 | 14,867,926 | 10,592,599 | 7,320,871 | 3,914,616 | - | 4,500,000 | 4,126,167 |
| Investment Income | 6,983,927 | 9,134,611 | 13,125,990 | 9,158,800 | 8,767,573 | 7,699,746 | 11,407,205 | 15,113,279 | 33,442,607 |
| Transfers In - State Agencies | 16,079,064 | 15,759,650 | 33,849,020 | 23,695,326 | 5,211,352 | 25,237,622 | 17,624,077 | 17,030,428 | 24,156,552 |
| Federal Revenues | 309,845,242 | 288,590,557 | 303,640,729 | 285,707,032 | 380,112,394 | 364,365,028 | 384,744,016 | 357,901,317 | 396,205,507 |
| Driver License Fees | 22,490,272 | 23,200,327 | 29,821,860 | 34,236,958 | 34,886,692 | 37,048,197 | 39,729,334 | 39,553,839 | 39,020,177 |
| Charges for Services | 47,653,223 | 40,579,318 | 37,166,427 | 32,614,336 | 45,721,858 | 41,940,333 | 56,246,200 | 32,397,467 | 38,829,469 |
| Other Sales Income | 9,052,145 | 8,130,651 | 7,994,776 | 13,949,588 | 4,988,404 | 5,682,619 | 10,228,859 | 10,700,246 | 10,292,696 |
| Other Revenues | 7,064,317 | 3,481,012 | 3,030,877 | 15,688,221 | 6,729,366 | 10,000,701 | 127,365,947 | 7,951,485 | 7,740,228 |
| Business License Fees | 2,302,009 | 2,599,186 | 2,599,163 | 6,152,485 | 6,313,732 | 6,037,167 | 5,852,411 | 5,798,722 | 4,507,911 |
| Rents | 1,857,465 | 3,323,102 | 2,554,615 | 1,482,164 | 1,266,967 | 2,386,873 | 11,244,756 | 6,056,106 | 2,787,522 |
| Long-Term Debt Proceeds | - | - | 58,515,056 | 228,643,006 | 512,161 | - | 213,741,421 | 402,047,930 | 666,055,446 |
| Loan Proceeds | - | - | 5,500,000 | - | - | - | - | - | - |
| Total Gross Revenue | 1,146,790,333 | 1,133,482,694 | 1,217,471,227 | 1,379,601,981 | 1,242,680,496 | 1,302,425,133 | 1,745,366,312 | 1,792,372,155 | 2,107,267,166 |
| Transfers to Cities | (93,678,676) | (98,735,839) | (94,711,775) | (94,888,387) | (96,486,685) | (109,176,221) | (117,585,956) | (119,631,206) | (115,807,647) |
| Transfers to Counties | (152,538,707) | (159,853,266) | (153,895,285) | (149,338,063) | (151,946,604) | (170,317,584) | (166,762,359) | (174,302,576) | (168,141,328) |
| Transfers to State Agencies | (25,590,767) | (25,275,581) | (31,332,332) | (25,700,332) | (46,384,181) | (30,561,790) | (34,044,909) | (34,419,736) | (38,625,840) |
| Total Transfers Out | (271,808,150) | (283,864,686) | (279,939,392) | (269,926,782) | (294,817,470) | (310,055,595) | (318,393,224) | (328,353,518) | (322,574,815) |
| Total Net Revenue | \$ 874,982,183 | \$ 849,618,008 | \$ 937,531,835 | \$ 1,109,675,199 | \$ 947,863,026 | \$ 992,369,538 | \$ 1,426,973,088 | \$ 1,464,018,637 | \$ 1,784,692,351 |

Table 3

Total Expenditures – Nine Year Trend

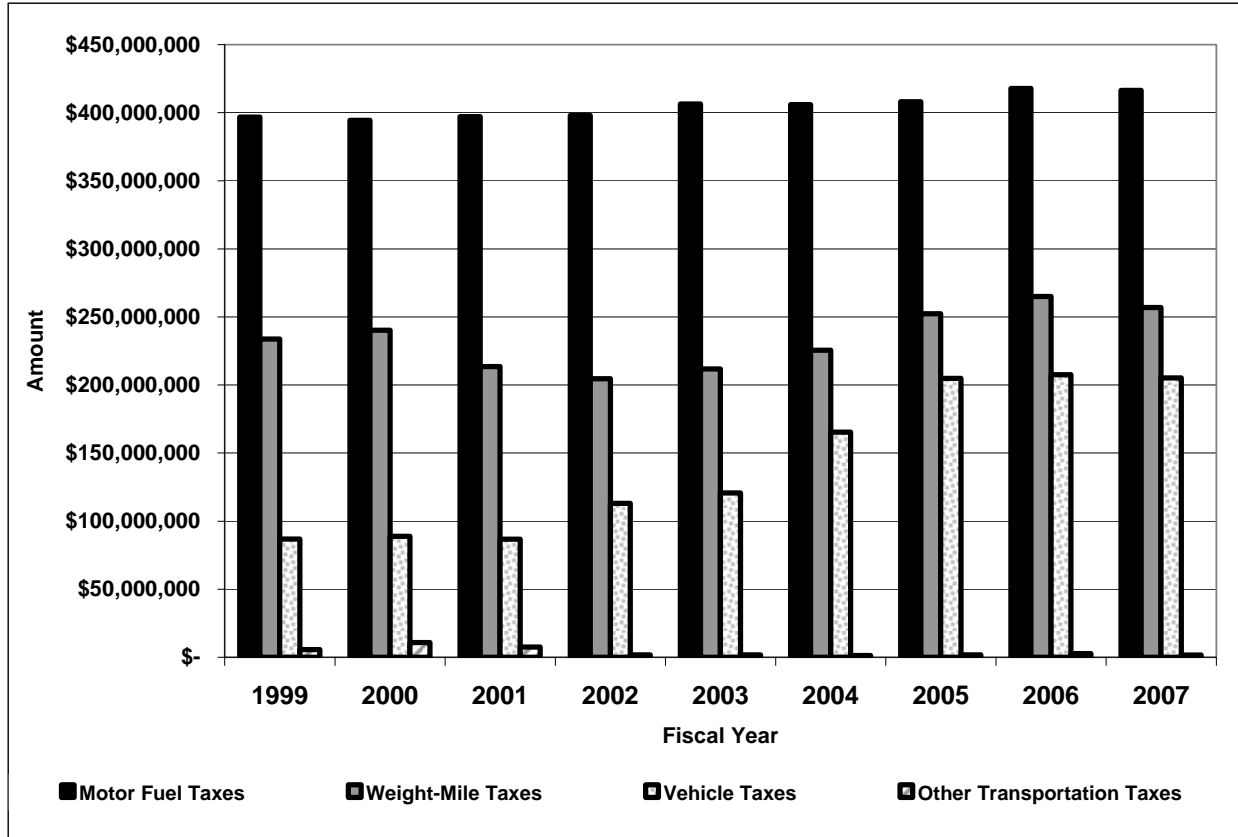


| <u>Expenditures</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Personal Services | \$ 228,641,583 | \$ 247,826,435 | \$ 252,625,841 | \$ 259,788,049 | \$ 279,492,945 | \$ 276,589,663 | \$ 288,160,254 | \$ 303,975,428 | \$ 318,859,706 |
| Services and Supplies | 581,863,421 | 489,599,937 | 481,483,501 | 446,539,370 | 607,618,926 | 662,482,959 | 819,583,482 | 804,711,506 | 924,114,689 |
| Capital Outlay | 20,914,183 | 7,017,170 | 23,635,572 | 21,525,630 | 11,515,705 | 8,363,784 | 20,949,092 | 14,383,378 | 16,976,427 |
| Special Payments (1) | 43,413,152 | 58,684,899 | 68,444,067 | 43,910,707 | 39,156,891 | 34,538,359 | 354,375,509 | 38,432,192 | 108,719,786 |
| Debt Service | <u>17,646,130</u> | <u>13,464,080</u> | <u>15,732,273</u> | <u>17,340,080</u> | <u>49,739,794</u> | <u>31,108,932</u> | <u>53,788,508</u> | <u>52,613,801</u> | <u>69,548,469</u> |
| Total Expenditures | <u>\$ 892,478,469</u> | <u>\$ 816,592,521</u> | <u>\$ 841,921,254</u> | <u>\$ 789,103,836</u> | <u>\$ 987,524,261</u> | <u>\$ 1,013,083,697</u> | <u>\$ 1,536,856,845</u> | <u>\$ 1,214,116,305</u> | <u>\$ 1,438,219,077</u> |

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

Table 4

Gross Vehicle-Related Tax Collections – Nine Year Trend

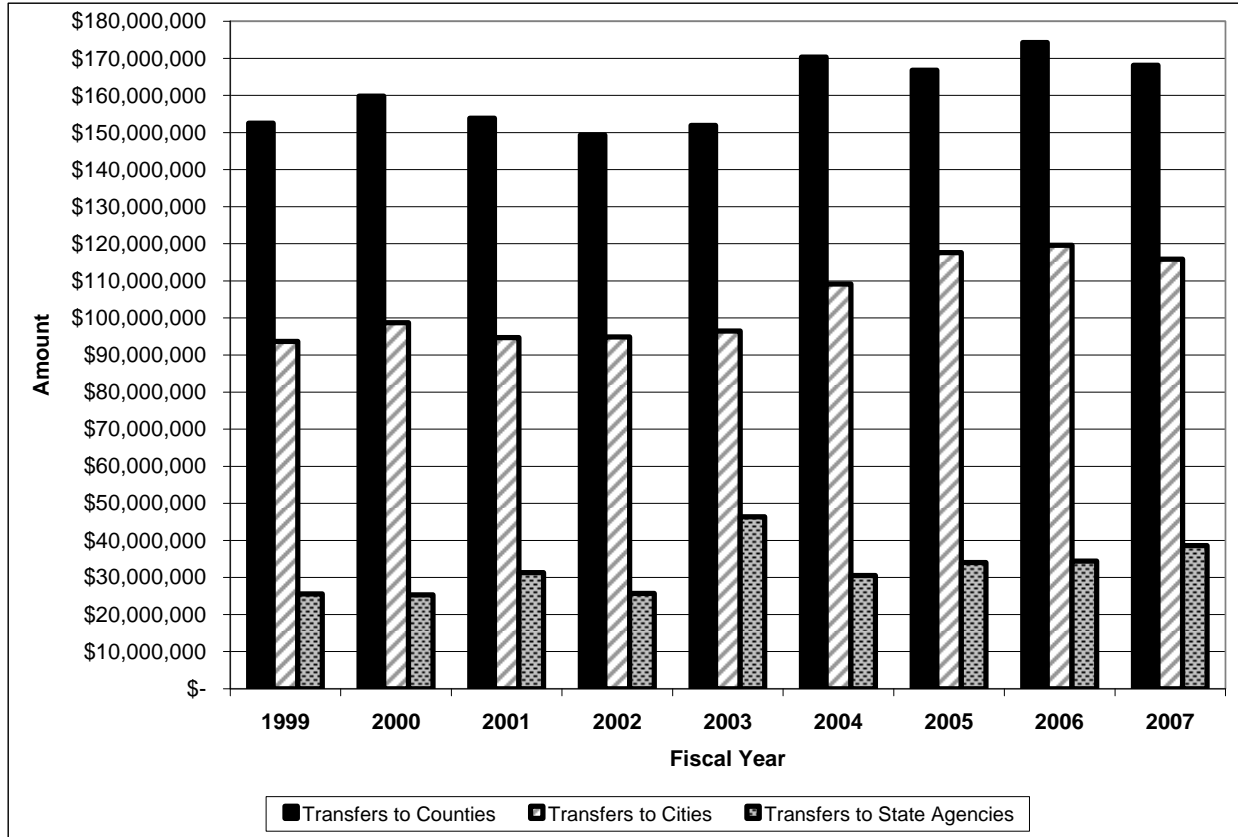


| Vehicle-Related Taxes | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Motor Fuel Taxes | \$ 396,742,553 | \$ 394,405,931 | \$ 397,162,232 | \$ 397,984,254 | \$ 406,527,322 | \$ 406,023,758 | \$ 408,099,454 | \$ 417,912,950 | \$ 416,395,672 |
| Weight-Mile Taxes | 233,794,274 | 240,190,088 | 213,470,675 | 204,732,673 | 211,804,629 | 225,490,882 | 252,453,050 | 265,109,576 | 256,902,830 |
| Vehicle Taxes | 86,993,346 | 88,860,110 | 86,680,275 | 113,137,171 | 120,710,821 | 165,269,759 | 204,818,218 | 207,599,261 | 205,204,602 |
| Other Transportation Taxes | 5,617,534 | 10,737,828 | 7,491,606 | 1,827,368 | 1,806,354 | 1,327,832 | 1,811,364 | 2,699,549 | 1,599,780 |
| Total Vehicle Related Taxes | \$ 723,147,707 | \$ 734,193,957 | \$ 704,804,788 | \$ 717,681,466 | \$ 740,849,126 | \$ 798,112,231 | \$ 867,182,086 | \$ 893,321,336 | \$ 880,102,884 |

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

Table 5

Net Revenue Transfers to Other Governments – Nine Year Trend



| Distribution Category | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Transfers to Cities | \$ 93,678,676 | \$ 98,735,839 | \$ 94,711,775 | \$ 94,888,387 | \$ 96,486,685 | \$ 109,176,221 | \$ 117,585,956 | \$ 119,631,206 | \$ 115,807,647 |
| Transfers to Counties | 152,538,707 | 159,853,266 | 153,895,285 | 149,338,063 | 151,946,604 | 170,317,584 | 166,762,359 | 174,302,576 | 168,141,328 |
| Transfers to State Agencies | 25,590,767 | 25,275,581 | 31,332,332 | 25,700,332 | 46,384,181 | 30,561,790 | 34,044,909 | 34,419,736 | 38,625,840 |
| Total Distributions | <u>\$ 271,808,150</u> | <u>\$ 283,864,686</u> | <u>\$ 279,939,392</u> | <u>\$ 269,926,782</u> | <u>\$ 294,817,470</u> | <u>\$ 310,055,595</u> | <u>\$ 318,393,224</u> | <u>\$ 328,353,518</u> | <u>\$ 322,574,815</u> |

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