Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

John A. Kitzhaber, MD
Governor

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State Chief Operating Officer
Director, Department of Administrative Services

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2014

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Introductory Section

Oregon
John A. Kitzhaber, MD, Governor

Department of Administrative Services
Chief Financial Office
155 Cottage Street NE U10
Salem, OR 97301

December 30, 2014

To the Honorable Governor John Kitzhaber, MD, and Citizens of the State of Oregon:

We are pleased to provide you with the Comprehensive Annual Financial Report of the State of Oregon for the fiscal year ended June 30, 2014. This report is published to fulfill the requirement for annual financial statements in Oregon Revised Statute 291.040.

This report consists of management's representations concerning the finances of the State of Oregon (State). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the information presented is accurate in all material respects.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the State's financial statements for the fiscal year ended June 30, 2014. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. Based on the audit, the auditors concluded the financial statements for fiscal year 2014 are fairly presented in accordance with GAAP. The audit report is the first component in the financial section of this report.

The audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal agencies that provide aid to the State. The standards governing single audit engagements require the auditor to report on the State's internal controls and compliance with legal requirements, particularly as they relate to federal awards. This information, also prepared by the Audits Division, will be available in a separately issued report on or about March 31, 2015.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A should be read in conjunction with the letter of transmittal.

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs, including education, human services, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative support, and judicial services. Oregon's primary government as reported in the accompanying financial statements consists of approximately 90 state agencies. In addition to the primary government, four entities are reported as discretely presented component units to emphasize that they are legally separate from the State. See Note 1 to the basic financial statements for a more detailed discussion of the reporting entity.

Oregon's Legislature adopts a budget on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. This biennial budget serves as the foundation for the State's financial planning and control. Appropriation bills approved through the legislative process include one or more appropriations that may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these various levels depending on the Legislature's view of the activity. Legislative approval is required to

transfer expenditure authority between appropriations. Management can reallocate within an appropriation without legislative approval. The following budgeted appropriated fund types have been established to account for the State's budgetary activities: general funds, federal funds, lottery funds, and other funds. See the notes to the required supplementary information for additional information about the budget process and budgetary monitoring.

Local Economy

Oregon's labor market accelerated in 2013 and has already seen the stronger growth in jobs, wages and labor force that the national economy is still waiting for. Oregon's unemployment rate has remained essentially unchanged, and even risen, throughout 2014, however, this is not a cause for concern. The labor force – the number of Oregonians with a job or actively looking for a job – has surged. Even as job growth is strong, the number of Oregonians looking for work has increased even more, pushing the unemployment rate up, however for a good reason. This dynamic – the stronger job growth and higher wage gains leading to more Oregonians entering the labor market – is to be expected. Even the longer term concerns of labor force participation are primarily driven by demographic and structural changes, a cyclical response was and is to be expected. This is another indication that the labor market is healing and functioning closer to normal.

Currently, wages in Oregon are increasing at nearly 7 percent per year, which is on par with the mid-2000s expansion but below the 1990s gains of 8 percent per year. Average wages per worker are currently increasing over 3 percent per year, which is slightly above the rate of inflation. However real wages have increased less than one half of one percent since 2000. As economic conditions continue to improve, expectations are that real average wages will pick up as well.

As has been the case in the recovery from the Great Recession to date, jobs in the large service sector have led growth in terms of outright job gains and above-average growth rates. These include jobs in professional and business services, health services, and leisure and hospitality industries. These three industries have gained over 20 thousand jobs in the past year and account for 49 percent of all job gains across the State. The good news is this represents the smallest share these industries have contributed so far since employment began growing, as other industries continue to strengthen.

Manufacturing continues to add jobs in line with the average industry. Mining and logging and construction are growing at rates significantly faster than the average. All told, mining and logging firms have regained nearly half of their recessionary losses while construction firms have added back approximately one-third of their job losses so far.

Currently, five major industries, which account for 40 percent of statewide jobs, are at all-time highs. Private sector education, health, and food manufacturing never suffered recessionary losses – although their growth did slow during the recession. Professional and business services and leisure and hospitality have each regained all of their losses and are leading growth today.

Spending on education as reported by the State's governmental funds during fiscal year 2014 increased $536.9 million, or 13.8 percent, compared to fiscal year 2013 and over the last ten years, education spending has increased 38 percent. Human services spending by the State's governmental funds was up $1.4 billion, or 16.6 percent, compared to fiscal year 2013, but is more than double the amount spent in fiscal year 2005. Governmental fund expenditures for administration in fiscal year 2014 decreased $7.1 million, or 2 percent, compared to fiscal year 2013, and are 41.9 percent lower than in fiscal year 2005. Public safety expenditures increased $48.2 million from fiscal year 2013, or 3.9 percent. Compared to fiscal year 2005, public safety expenditures have grown 42.4 percent. The slower growth rate in expenditures for education and public safety, when compared to human services, reflects the continued demand for safety net programs as Oregon emerges from the recent recession, as well as opportunities to use state debt to spur economic growth. Governmental fund expenditures related to debt service, for example, have increased as the State expands its use of low-cost capital financing. Debt service expenditures in fiscal year 2014 were 67.8 percent larger than fiscal year 2005 debt service expenditures.

During this same ten-year period, tax revenues, while increasing in amount overall, decreased 5.4 percent as a percentage of total governmental fund revenues. The reason for this decline is the relative increase in governmental fund expenditures for federally supported programs (e.g., human services) versus governmental activities funded by taxes. As a percentage of total revenues, federal revenues were 7.1 percent higher than they were ten years ago, evidence of the State's continuing reliance on federal assistance programs.

Long-term Financial Planning

Budget for the 2013-15 Biennium

The legislatively approved budget for the State for the 2013-15 biennium, as adjusted during the 2013 special session and the 2014 regular session, and including authorized executive branch administrative actions, is $62.7 billion total funds, an increase of $2.8 billion from the 2013-15 budget adopted at the end of the 2013 session. The budget increase since the 2013 session was comprised of about $1.5 billion Federal Funds, mostly in human services programs, $981 million Other Funds, and $314 million in combined General Fund and Lottery Funds. Although Lottery Funds in the 2013-15 budget were down $212 million from 2011-13, primarily due to the use of $182 million of Education Stability Fund resources in the 2011-13 budget, combined General Fund and Lottery Funds were up by $2 billion in 2013-15, an increase of 13.7 percent. Federal Funds also increased substantially, up $2.5 billion, or an increase of 15.8 percent. The other component of the state budget, Other Funds, recorded an increase of $973 million between 2013-15 and 2011-13, a gain of 3.7 percent.

The March 2014 revenue forecast from the Office of Economic Analysis projects total 2013-15 biennium lottery resources of $1.1 billion, a $6.4 million, or 0.6 percent decline from the May 2013 forecast level used in the 2013 session to develop the legislatively adopted budget. With this revised lottery resource forecast, current biennium lottery resources are now $31 million, or 2.9 percent below the prior biennium level.

The December 2014 economic and revenue forecast projects $15.9 billion of General Fund gross revenues for the 2013-15 biennium. The projected General Fund ending balance for 2013-15 is $260.2 million. General Fund resources are forecasted to increase by 11.4 percent in the 2015-17 biennium and 8.5 percent in the 2017-19 biennium.

State Bonding

In January 2014, the State Debt Policy Advisory Commission (SDPAC) updated its recommended capacity limits for General Fund and Lottery Funds debt based on the December 2013 revenue forecast, new estimated interest rates, and the amount of bonds that were approved during the 2013 session. The new recommended remaining capacity was $215 million for General Fund bonds and $96 million for lottery revenue bonds.

The Legislature approved $161.5 million in Article XI-G general obligation bond authorization for the construction of research, clinical, and other related facilities for the Oregon Health and Science University's (OHSU) Cancer Institute. These Article XI-G bonds will be paired with $42 million in lottery revenue bonds for this project. Before either the Article XI-G or lottery bonds may be issued, OHSU must raise at least $800 million in gifts, grants and other revenues through the OHSU's Cancer Challenge campaign. The bond proceeds will be used to construct a research building on the Schnitzer Campus and for additional floors in the Center for Health and Healing II building already planned for construction for clinical trial space. OHSU plans to begin planning, design and permitting throughout 2014 and 2015, and construction is likely to begin in spring 2016. The 2015 Legislature will have to reauthorize the sale of these bonds under this schedule.

The Legislature increased the Department of Administrative Services Article XI-Q general obligation authority by $33.6 million for projects owned or operated by the State. The approved projects include: $3.2 million for utility tunnel failure and repair at the Oregon Institute of Technology and the University of Oregon; $21.3 million for deferred maintenance and seismic upgrades for buildings at Southern Oregon University; $5 million for Western Oregon University's acquisition of the Oregon Military Academy; and an additional $4.1 million designated for construction of a new three-story Jefferson County Courthouse.

The Legislature authorized the issuance of lottery revenue bonds to provide an additional $5 million to the Oregon Department of Energy, bringing a total of $10 million in lottery revenue bond proceeds to the Department for the 2013-15 biennium. The Legislature directed that the entire $10 million be deposited into the Jobs, Energy, and Schools Fund to provide a grant to Clean Energy Works Oregon for the purposes specified in Oregon Revised Statute 470.575, namely, the promotion of energy efficiency, renewable energy, and energy conservation projects.

There will be no debt service during the 2013-15 biennium on any of the new bonds that were approved. Estimated debt service for the new projects will total $29.2 million General Fund and $10.2 million Lottery Funds during the 2015-17 biennium.

With the approvals of the 2014 session, approved General Fund bonding totals $833.5 million and Lottery revenue bonding totals $219.7 million for the 2013-15 biennium.

Relevant Financial Policies

The State currently administers two general reserve accounts, the Oregon Rainy Day Fund and the Education Stability Fund.

Established by the 2007 Legislature, the Oregon Rainy Day Fund is funded from the General Fund's ending balance up to 1 percent of General Fund appropriations for the prior biennium. The Legislature may deposit additional funds as it did to create the fund, using surplus corporate income tax revenues from the 2005-07 biennium. The Rainy Day Fund also earns interest on the moneys in the fund. Withdrawals from the Rainy Day Fund require one of three specific economic triggers to occur plus approval of three-fifths of both chambers of the Legislature. Withdrawals are capped at two-thirds of the balance as of the beginning of the biennium in question, while fund balance is capped at 7.5 percent of General Fund revenues in the prior biennium.

The Education Stability Fund is the State's second general reserve fund. Its current reserve structure and mechanics are the result of a constitutional amendment in 2002. Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions is met, the Education Stability Fund can also be used by the Legislature for public education in Oregon if the Governor declares an emergency and the expenditure is approved by a three-fifths majority in each chamber. This fund receives 18 percent of lottery earnings, deposited on a quarterly basis. The fund does not retain interest earnings. The fund balance is capped at 5 percent of General Fund revenues collected in the prior biennium.

The Rainy Day Fund started the 2013-15 biennium with a cash balance of $61.9 million. Because the General Fund's ending balance for 2011-13 was positive, 1 percent of budgeted appropriations, or $136.9 million, will be deposited in the Rainy Day Fund. In addition, Measure 67 directs revenue collected from corporate income and excise tax rates above 6.6 percent to be deposited in the Rainy Day Fund beginning with the 2013-15 biennium. The current estimate for the biennium is $10.4 million. The December 2014 economic and revenue forecast projects the Rainy Day Fund will end the 2013-15 biennium with a cash balance of $210.6 million.

The Education Stability Fund started the 2013-15 biennium with a cash balance of $7.4 million. The December 2014 economic and revenue forecast projects the Education Stability Fund will end the current biennium with a cash balance of $176.4 million, which includes deposits of $169 million based on lottery sales. No withdrawals are projected at this time.

Major Initiatives

Of the major projects and related efforts included in the 2013-2015 budget, several are of particular interest due to their overall cost, complexity and risk, importance to public safety and health, and/or cross-biennium timeframes. These projects include:

- Oregon Judicial Department's eCourt Program
- Oregon Department of Transportation's State Radio Project
- Oregon Department of Revenue's Core Systems Replacement Project

<u>Oregon Judicial Department's eCourt Program</u>

During 2012 and early 2013, the Judicial Department successfully implemented the new "court management" software in five of its initial pilot and early-adopter trial courts. As a result, the Legislature approved another $25.9 million (which is part of the estimated $97 million total one-time program cost) for the continued implementation of the Oregon eCourt Program. During the 2013-15 biennium, eCourt will be expanded to an additional fourteen courts, including the State's largest, the Multnomah County Circuit Court.

<u>Oregon Department of Transportation State Radio Project</u>

The 2011 Legislature directed the leadership of the State Radio Project to scale back the project to the first goal established in the original 2005 legislation, which was simply to upgrade all existing state radios and infrastructure to assure the continued proper operation of an "integrated statewide radio network." The scaled back project was estimated to cost a total of $209 million.

During the 2011-13 timeframe, the Department of Transportation completed a major portion of the requirements needed for the network. However, the original cost estimates for the remaining work were found to be

insufficient. As a result, the Department's budget bill for the 2013-15 biennium includes an additional $20 million in limitation to cover the remaining costs. The Department's goal during 2013-15 is to continue the shift from "project" to "operations" as the final work is completed.

Department of Revenue Core System Replacement Project

The Department of Revenue originally sought legislative approval for this project during the 2011 legislative session. A budget note directed that the agency report to the 2012 Legislature with completed foundational work to ensure project readiness and to re-evaluate the assumptions behind its benefits-based revenue model.

The Department of Revenue was interested in a software product used by a variety of other states to provide automated support for statewide tax, revenue collection, and management activities. However, the 2013 Legislature took a different direction and approved funding for a different project referred to as the Core Systems Replacement Project. The Legislature also changed the funding model from a benefits-based model to the standard funding model used for issuing Article XI-Q bonds. Finally, the Legislature directed a more conservative implementation that would focus on the much smaller corporate and tobacco tax programs rather than the personal income tax and compliance program as originally planned.

The primary vendor for the project was originally estimated to cost $29 million over three biennia; however, the Department of Revenue was able to negotiate a $27 million contract. The savings for the current biennium totals $2.3 million Other Funds, with $300 thousand of the savings needed in a future biennium. The bonding authority for the agency was not adjusted, so the $2.3 million in bond proceeds, once issued, will be available for future biennia project expenses.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oregon for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-second consecutive year that the State has achieved this prestigious award. To receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Chief Financial Office takes great pride in the preparation of the Oregon Comprehensive Annual Financial Report. We greatly appreciate the professionalism, commitment, and effort of Statewide Accounting and Reporting Services and the other individuals involved. We also want to thank all state agencies for their continuing support in planning and conducting the financial operations of the State in a professionally responsible manner. Without the participation and cooperation of the agencies' fiscal units, the preparation of this report would not have been possible. In addition, we appreciate the contributions of the Office of Economic Analysis, the budget and policy section of the Chief Financial Office, the Oregon State Treasury, and the staff of the Secretary of State Audits Division.

Respectfully submitted,

George Naughton
Chief Financial Officer
State of Oregon

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

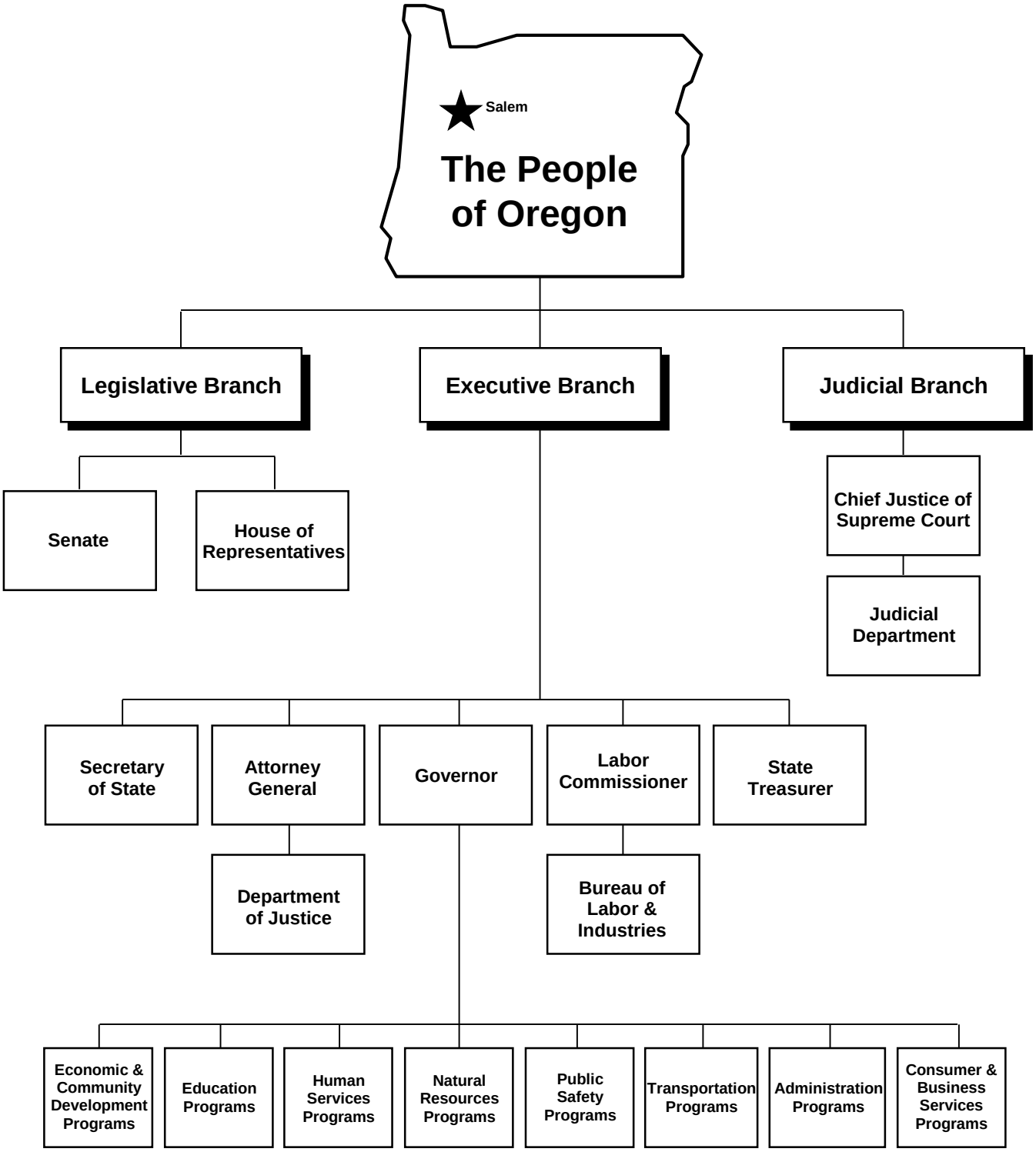
State of Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

STATE OF OREGON ORGANIZATION CHART



Principal State Officials

EXECUTIVE

John A. Kitzhaber, MD, Governor

Kate Brown, Secretary of State

Ted Wheeler, State Treasurer

Ellen F. Rosenblum, Attorney General

Brad Avakian, Commissioner, Labor and Industries

LEGISLATIVE

Peter Courtney, Senate President

Tina Kotek, Speaker of the House of Representatives

JUDICIAL

Thomas A. Balmer, Chief Justice of the Supreme Court

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Financial Section

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Kate Brown
Secretary of State

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INDEPENDENT AUDITOR'S REPORT

The Honorable John Kitzhaber
Governor of Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the SAIF Corporation and the Oregon Health and Science University, which are discretely presented component units, the Oregon University System, the Common School Fund or the Public Employees Retirement System. Those financial statements represent the following percentage of the assets, liabilities, and revenues/additions of opinion units as indicated below:

Opinion Unit	Percent of Assets	Percent of Liabilities	Percent of Revenues/ Additions
Governmental Activities	6%	3%	1%
Business Type Activities	42%	57%	42%
Discretely Presented Component Units	82%	96%	87%
Common School – Major Governmental Fund	100%	100%	100%
University System – Major Enterprise Fund	100%	100%	100%
Aggregate Remaining Funds:			
Public Employees Retirement System	87%	59%	71%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above opinion units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits

contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 section P, during the year ended June 30, 2014, the State of Oregon implemented the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This action resulted in adjustments to beginning net position. The State of Oregon also implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oregon's basic financial statements. The combining fund financial statements and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 29, 2014, on our consideration of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in the Oregon Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oregon's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
December 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Oregon (State) for the fiscal year ended June 30, 2014. The MD&A is intended to serve as an introduction to the State's financial statements. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes, and required supplementary information should be reviewed in their entirety.

We encourage readers to consider the information presented in this analysis in conjunction with the transmittal letter beginning on page 2 of this report.

FINANCIAL HIGHLIGHTS

- On June 30, 2014, the State's net position on a government-wide basis was over $18 billion. Of this amount, the unrestricted portion was $2.5 billion. The amount restricted for specific uses was $4.1 billion. The State's net investment in capital assets was $11.4 billion.
- The State's net position increased $1.1 billion compared to the prior year. Net position for governmental activities increased 3.8 percent, while net position for business-type activities increased 12.3 percent.
- As of June 30, 2014, the State's governmental funds reported combined ending fund balances of $5.6 billion. Of this total, approximately 1.5 percent was considered nonspendable and included amounts related to inventories, prepaid amounts, and permanent fund principal.
- Approximately 79 percent of ending governmental fund balances were classified as restricted and included amounts that were subject to constraints imposed by external parties, such as creditors, grantors, or the laws and regulations of other governments (including the federal government), or imposed by constitutional provisions or enabling legislation. Restricted fund balances totaled $4.4 billion.
- The remaining 19.5 percent of ending fund balances were classified as unrestricted and included the fund balance categories designated as committed, assigned, and unassigned. Committed fund balances are available for spending only with legislative approval, while assigned fund balances express legislative intent as indicated through the budget process. Unassigned fund balances may be spent at the government's discretion. Total unrestricted fund balances equaled $1.1 billion. Additional information on the classification of governmental fund balances may be found in Notes 1 and 21 in the notes to the financial statements.
- At fiscal year-end, unrestricted fund balance (committed, assigned, and unassigned categories) in the General Fund were $489.3 million.
- Outstanding debt (bonds and certificates of participation) increased by $326.4 million during fiscal year 2014. As part of an overall plan to reduce borrowing costs, the State was involved in four separate debt refunding issuances and refunded $322.7 million of previously existing debt with $402.2 million of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the MD&A, the financial section of this annual report contains the *basic financial statements, required supplementary information*, and the *combining financial statements* for nonmajor funds, internal service funds, and fiduciary funds. A *statistical section* follows the combining fund statements.

The basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the State's finances in a manner similar to a private-sector business. All of the State's activities are reported in the government-wide

statements except for activities accounted for in fiduciary funds because resources of those funds are not available to support the State's own programs.

- The *statement of net position* presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual balance reported as *net position*.
- The *statement of activities* presents information showing how the State's net position changed during the fiscal year. All of the changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

Net position is one measure of the State's financial health, or financial position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the State's financial position is improving or deteriorating. However, to assess the overall health of the State, the reader needs to consider additional non-financial factors such as changes in Oregon's income tax base and changes in Oregon's economy.

The activities reported in the government-wide financial statements are divided into three categories:

- *Governmental activities*. This category includes the basic services provided by the State to its citizens, such as K-12 schools and community colleges, public assistance programs, public safety, and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
- *Business-type activities*. The State charges fees to customers to help cover the costs of certain services it provides. For example, the State administers loan programs to provide housing to citizens with low incomes and those who are elderly or disabled. The operation of the State's lottery and the Oregon University System are also reported under business-type activities.
- *Component units*. The State includes four other entities in its report: SAIF Corporation, Oregon Health and Science University, the Oregon University System Foundations, and the Oregon Affordable Housing Assistance Corporation. Although legally separate, these entities are reported as component units either because they are fiscally dependent on the State or because of the nature and significance of their relationship to the State. Financial information for the component units is reported separately from the financial information of the primary government.

The government-wide financial statements can be found on pages 30-33 of this report.

Fund Financial Statements

The fund financial statements provide detail information about the State's most significant funds (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. Some funds are required by state law (such as the Lottery Operations Fund) or by bond covenants. The State establishes other funds to control and manage money for particular purposes, such as health and social services, or to show that it is properly using certain taxes and grants, such as gas taxes for transportation.

All of the State's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the State's basic services are included in governmental funds, which focus on (1) how cash and other financial resources that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that are available to spend. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the State's programs. Because this information does not encompass the

long-term focus of the government-wide statements, additional information has been provided following each governmental fund statement that reconciles the government-wide focus to the governmental fund focus.

The State maintains 20 individual governmental funds. Information is presented separately in the governmental fund financial statements for the five major governmental funds, including the General Fund. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements presented later in this report. The basic governmental fund financial statements can be found on pages 34-41 of this report.

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long-term and short-term financial information. The State's enterprise funds (one type of proprietary fund) are the same as the business-type activities reported in the government-wide statements, except that the fund statements provide more detail and additional information, such as cash flows. The State also uses internal service funds (the other type of proprietary fund). The Central Services Fund, for example, is used to report activities that provide services to other agencies.

The proprietary fund financial statements provide separate information for the State's four major proprietary funds. Data from the other ten proprietary funds are combined into a single, aggregated presentation. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the nonmajor proprietary funds and for each of the internal service funds is provided in the combining statements presented later in this report. The basic proprietary fund financial statements can be found on pages 42-51 of this report.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The State is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, due to a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are accounted for in a manner similar to proprietary funds. All of the State's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities have been excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

The basic fiduciary fund financial statements include the private purpose trust fund, the short term investment trust fund, the intermediate term investment trust fund, the agency fund, and aggregated data for the State's pension and other employee benefit trust funds. Individual fund data for each of the pension and other employee benefit trust funds is provided in the combining statements presented later in this report. The basic fiduciary fund financial statements can be found on pages 52-53 of this report.

Discretely Presented Component Units

The State reports one major discretely presented component unit (DPCU) and three nonmajor DPCUs. Within the basic financial statements on pages 55-57, the major DPCU, SAIF Corporation, is presented separately while the nonmajor DPCUs are combined and reported in the aggregate. Individual information for each of the nonmajor DPCUs is provided in the combining statements presented later in this report. In the government-wide statements, the activities of the DPCUs are aggregated into a single column.

Notes to the Financial Statements

The basic financial statements also include notes that provide additional information essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 59-144 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents a section of *required supplementary information* (RSI), beginning on page 148, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes. This section also includes a Schedule of Funding Progress and accompanying notes for the Public Employees Benefit Board Plan, an agent multiple-employer postemployment healthcare benefit plan, and the Retiree Health Insurance Premium Account, a defined benefit single-employer postemployment healthcare benefit plan.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 160 of this report. These combining statements provide details about the nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and nonmajor discretely presented component units each of which has been aggregated and presented in a single column in the basic financial statements. The combining financial statements also provide details about the pension and other employee benefit trust funds.

A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as demographic, economic, and operating information follows immediately after the combining statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. The State's net position on a government-wide basis at June 30, 2014, was over $18 billion as shown in Table 1. Most of this balance was invested in capital assets, with infrastructure being the largest component. The net investment in capital assets was $11.4 billion. Restricted net position represents resources that are subject to external restrictions on how they may be used. At June 30, 2014, restricted net position totaled $4.1 billion. The remaining balance of $2.5 billion was classified as unrestricted net position.

Table 1
State of Oregon's Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital assets	$12,866.2	$12,579.9	$ 3,420.4	$ 3,191.3	$16,286.6	$15,771.2
Other assets and deferred outflows	11,211.1	9,884.7	7,192.6	6,738.9	18,403.7	16,623.6
Total assets and deferred outflows	24,077.3	22,464.6	10,613.0	9,930.2	34,690.3	32,394.8
Long-term liabilities	8,561.5	8,245.6	4,045.5	4,099.0	12,607.0	12,344.6
Other liabilities and deferred inflows	3,116.2	2,275.5	931.9	813.6	4,048.1	3,089.1
Total liabilities and deferred inflows	11,677.7	10,521.1	4,977.4	4,912.6	16,655.1	15,433.7
Net investment in capital assets	9,982.1	10,636.7	1,443.1	1,383.5	11,425.2	12,020.2
Restricted	3,494.8	2,795.0	578.8	549.5	4,073.6	3,344.5
Unrestricted	(1,077.3)	(1,488.2)	3,613.7	3,084.6	2,536.4	1,596.4
Total net position	$12,399.6	$11,943.5	$ 5,635.6	$ 5,017.6	$18,035.2	$16,961.1

Changes in net position. The State's total net position increased $1.1 billion compared to the prior year. The net position of governmental activities increased 3.8 percent, while the net position of business-type activities increased 12.3 percent.

The ending net position of governmental activities for fiscal year 2014 was $12.4 billion compared to $11.9 billion reported in fiscal year 2013. Operating grants and contributions increased $1.2 billion, reflecting the increase in federal revenues received for health and social service programs.

Both personal and corporate income tax revenues were up in fiscal year 2014. This increase was due to a combination of factors, including an improving labor market as Oregon continues to emerge from the recession, strong growth in the investment income of individual taxpayers, and enhanced collection efforts. Year over year, charges for services decreased $120.2 million or 7.4 percent. This decrease is primarily the result of two instances that occurred within the judicial activities: first, there was an $85.3 million reduction in earned but unavailable revenue at Oregon Judicial Department, and second, an analysis of the Department's long-term receivables resulted in an increase to the allowance for doubtful accounts of $66.5 million.

Governmental activities expenses increased $2.2 billion, or 12.7 percent from fiscal year 2013. This increase was largely due to a combination of increases in expenses in education, human services and transportation, combined with a decrease in consumer and business services. Education expenses increased $537.1 million, or 13.8 percent, due primarily to three factors: the creation of two new divisions (Early Learning and Youth Development) within the Department of Education; certain strategic education initiatives; and the establishment of a Network of Quality Teaching and Learning. Human services expenses increased $1.4 billion, or 16.8 percent, due primarily to expansions in Medicaid enrollment under the Affordable Care Act. Transportation expenses grew by $148.3 million, or 10.5 percent, due primarily to a capital asset impairment of $84.9 million, which was the result of the permanent construction stoppage on the Columbia River Crossing I-5 Bridge Replacement project. Consumer and business services expenses decreased $120.7 million, or 29.9 percent, caused primarily by a large prior year increase in the claims loss liability of the Workers' Benefit Fund, that did not reoccur in the current year.

As shown in Table 2, the ending net position of business-type activities for fiscal year 2014 was $5.6 billion, compared to $5 billion reported in fiscal year 2013. Although federal funding for unemployment benefits (which is reported under operating grants and contributions) decreased year over year, it was more than offset by a reduction in unemployment compensation expenses, which dropped $404.7 million, or 32.8 percent. Together, these two changes reflect Oregon's slowly improving unemployment rate.

Table 2
State of Oregon's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total	
Revenues:	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	$ 1,504.6	$ 1,624.8	$ 4,597.5	$ 4,556.2	$ 6,102.1	$ 6,181.0
Operating grants and contributions	9,055.5	7,816.7	851.2	1,139.9	9,906.7	8,956.6
Capital grants and contributions	17.8	30.7	158.9	60.0	176.7	90.7
General revenues:						
Personal income taxes	6,596.7	6,320.5	-	-	6,596.7	6,320.5
Corporate income taxes	506.9	463.0	-	-	506.9	463.0
Other taxes	2,411.5	2,287.9	17.6	16.4	2,429.1	2,304.3
Unrestricted investment earnings	5.5	4.9	-	-	5.5	4.9
Total revenues	20,098.5	18,548.5	5,625.2	5,772.5	25,723.7	24,321.0
Expenses:						
Education	4,420.7	3,883.6	-	-	4,420.7	3,883.6
Human services	9,880.3	8,459.7	-	-	9,880.3	8,459.7
Public safety	1,300.1	1,256.1	-	-	1,300.1	1,256.1
Economic & community development	385.5	423.2	-	-	385.5	423.2
Natural resources	724.2	637.9	-	-	724.2	637.9
Transportation	1,555.8	1,407.5	-	-	1,555.8	1,407.5
Consumer and business services	283.0	403.7	-	-	283.0	403.7
Administration	404.2	305.8	-	-	404.2	305.8
Legislative	37.2	40.8	-	-	37.2	40.8
Judicial	340.3	311.4	-	-	340.3	311.4
Interest on long-term debt	347.0	331.5	-	-	347.0	331.5
Housing and community services	-	-	56.5	67.9	56.5	67.9
Lottery operations	-	-	493.7	494.3	493.7	494.3
Unemployment compensation	-	-	831.9	1,236.6	831.9	1,236.6
University system	-	-	2,505.4	2,412.1	2,505.4	2,412.1
State hospitals	-	-	278.8	254.0	278.8	254.0
Liquor control	-	-	384.4	367.2	384.4	367.2
Other business-type activities	-	-	306.2	324.5	306.2	324.5
Total expenses	19,678.3	17,461.2	4,856.9	5,156.6	24,535.2	22,617.8
Increase (decrease) before contributions, special and extraordinary items, and transfers	420.2	1,087.3	768.3	615.9	1,188.5	1,703.2
Contributions to permanent funds	0.3	0.2	-	-	0.3	0.2
Additions to permanent endowments	-	-	0.8	0.2	0.8	0.2
Transfers	133.0	107.4	(133.0)	(107.4)	-	-
Increase (decrease) in net position	553.5	1,194.9	636.1	508.7	1,189.6	1,703.6
Net position – beginning	11,943.5	11,191.5	5,017.6	4,667.9	16,961.1	15,859.4
Prior period adjustments	(65.3)	(442.9)	(4.8)	(159.0)	(70.1)	(601.9)
Cumulative effect of accounting change	(32.1)	-	(13.3)	-	(45.4)	-
Net position – beginning – as restated	11,846.1	10,748.6	4,999.5	4,508.9	16,845.6	15,257.5
Net position – ending	$12,399.6	$11,943.5	$ 5,635.6	$ 5,017.6	$18,035.2	$16,961.1

Figure 1 below illustrates fiscal year 2014 revenues of the State as a whole, by source. Approximately 38.5 percent of total revenue was provided by other entities and governments in the form of operating grants and contributions (e.g., federal revenues). Personal and corporate income taxes provided 27.6 percent of total revenues, while charges for services accounted for 23.7 percent.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2014

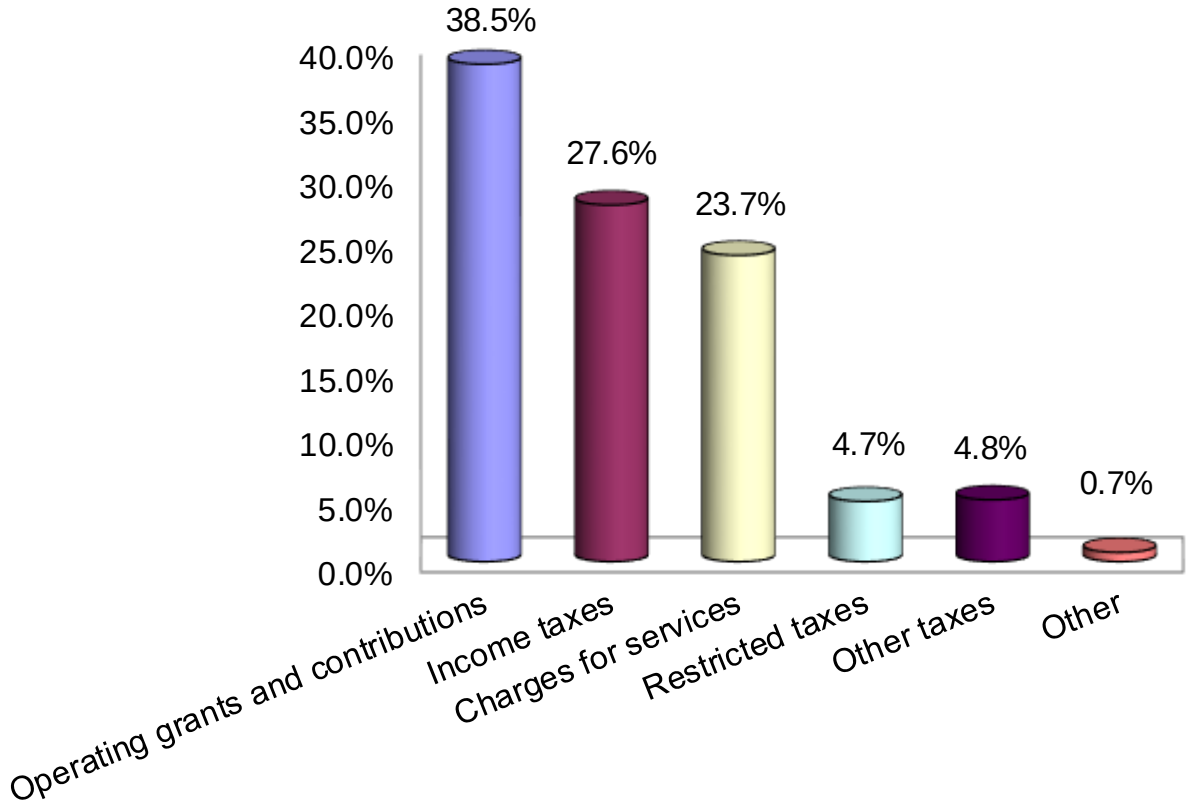
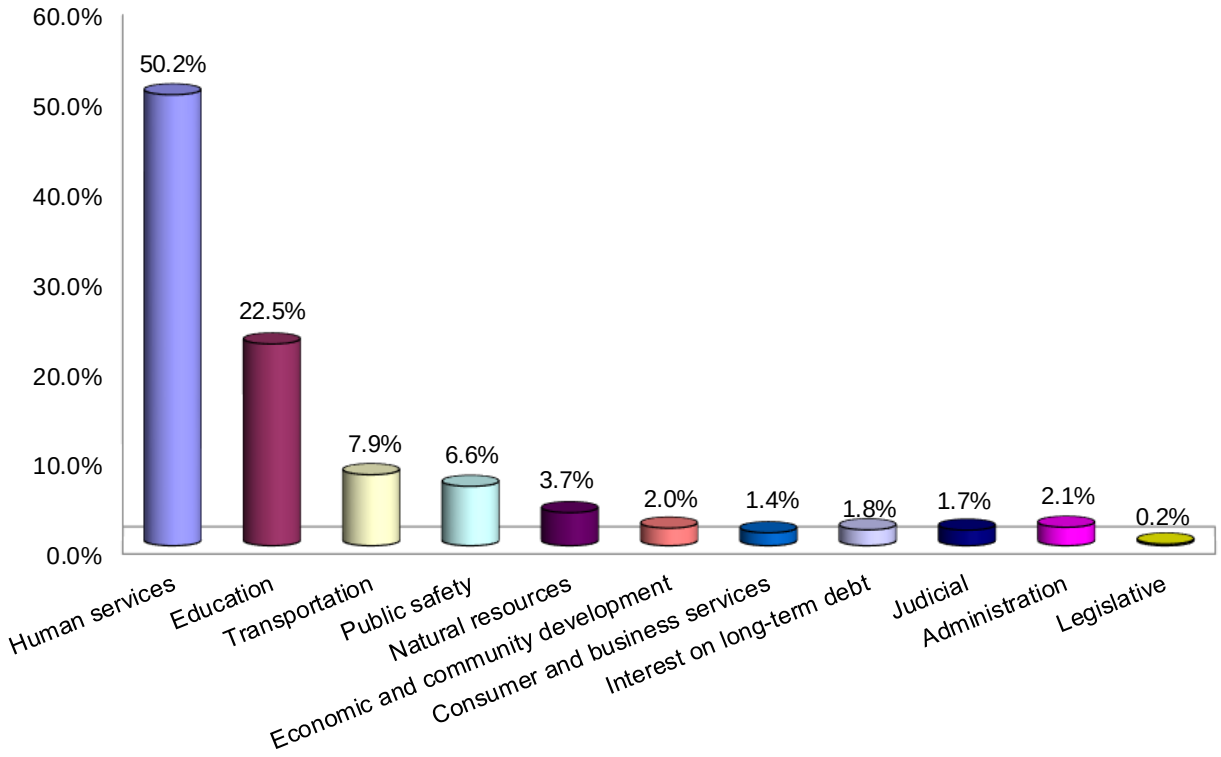


Figure 2 below shows governmental activity expenses for the State as a whole, by function. The cost of providing human services for Oregon citizens in need of assistance comprised 50.2 percent of total expenses. Elementary and secondary education accounted for 22.5 percent of the total.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2014



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State of Oregon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* financial resources. In governmental funds, such information may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2014, the State's governmental funds reported combined ending fund balances of $5.6 billion, up $622.4 million compared to the prior year.

Nonspendable fund balances of $85.2 million, or 1.5 percent, included amounts that were either not in spendable form or were legally or contractually required to be maintained intact, while restricted fund balances of $4.4 billion, or 79 percent, were restricted for specific purposes. These restrictions included, for example, vehicle-related taxes that must be used for transportation purposes; federal funding that must be spent in accordance with the underlying grants; and lottery revenues restricted by the Oregon Constitution for job creation, economic development, financing public education, and restoring and protecting Oregon's parks and beaches.

Committed fund balances of $679.3 million comprised 12.2 percent of total fund balances. This category represents amounts committed to specific purposes, such as residential assistance and community protection programs, as the result of constraints imposed by legislation. These amounts may not be used for other purposes unless the legislation is modified or rescinded by passing additional legislation. The assigned fund balance category of $24.6 million represents amounts constrained by the State's intent to use them for specific purposes. Intent is expressed by the Legislature via the budget process when there is no legislation other than

the budget bill imposing the constraints. The unassigned fund balance category of $376.8 million represents (1) the residual fund balance applicable to the General Fund and (2) negative unassigned fund balance in governmental funds other than the General Fund, which is the result of the combination of nonspendable fund balance, restricted fund balance and committed fund balance exceeding that fund's total fund balance.

The General Fund, which is the operating fund of the State, ended fiscal year 2014 with a total fund balance of $769.3 million. This represents a $14.6 million decrease from the prior year's ending fund balance. Total revenues grew by 6.5 percent, while transfers from other funds decreased 28.7 percent. Prior period adjustments of $59.4 million further decreased fund balance, the most significant being a $53.9 million adjustment to correct expenditures that were recognized in the incorrect period. Significant revenue contributors included personal income taxes, which rose $389.6 million, or 6.2 percent, and corporate income taxes, which gained $58.7 million, or 12.8 percent. Personal income tax collections grew strongly during the April 2014 filing season as the 2013 gains seen in stock markets and across other investments were realized for tax purposes. Spending on education increased $515.7 million, or 15.9 percent, due to primarily to three factors: the creation of two new divisions (Early Learning and Youth Development) within the Department of Education; certain strategic education initiatives; and the establishment of a Network of Quality Teaching and Learning.

Due to the implementation of GASB Statement No. 54, the State reports the Oregon Rainy Day Fund as part of the General Fund. Beginning fund balance for the separate Rainy Day Fund was $61.9 million. During the current fiscal year, the fund balance increased $335 thousand to $62.2 million, attributed entirely to investment earnings. The ending fund balance of the Rainy Day Fund is classified as committed fund balance.

In the Health and Social Services Fund, total revenues increased $1.3 billion, or 23.2 percent, due primarily to expansions in Medicaid enrollment under the Affordable Care Act, which resulted in higher federal grant revenues of $1.2 billion. Also because of the expansion, the related Medicaid eligibility payments also increased. These payments are reported as Human Services expenditures, which increased $1.4 billion, or 25.6 percent from fiscal year 2013. In addition, the State issued $67.2 million in general obligation bonds through this fund for the Junction City, Oregon portion of the Oregon State Hospital Replacement Project during the year.

Many of the revenues and expenditures of the Public Transportation Fund were comparable to the prior year. Total revenues did increase $85.8 million, or 5 percent, reflecting regular fluctuations in federal award activity, and slight increases in activities that generate motor fuel and other vehicle taxes. The primary cause of the $251.2 million increase in ending fund balance is the issuance of $409.8 million of highway user tax revenue bonds, which were issued as part of the Jobs and Transportation Act.

Ending fund balance in the Environmental Management Fund decreased $20.7 million, or 2.5 percent. Revenues increased $51.1 million (12 percent) due to a combination of increases in federal revenue, charges for services, and sales. Federal revenue increased $22.3 million, or 16.7 percent, due to revenues from the Federal Emergency Management Agency (FEMA) related to a larger than normal fire season. Charges for services increased $7.3 million, or 21 percent, due to energy supplier assessments charged by the Oregon Department of Energy, which generally are recognized in the first year of the biennium. Sales increased $7.7 million, or 9.1 percent, due primarily to increased timber sales. The major contributors to the decrease in fund balance were the $10.2 million increase in transfers to other funds, which was due to the significant fire season, as noted previously, and $17.1 million in prior period adjustments. The most significant prior period adjustment was made to correctly record supplies that were recorded as inventory in prior years.

The Common School Fund experienced a 19.2 percent growth in fund balance for fiscal year 2014. Due to improvements in market performance, financial assets returned $226.2 million in investment income in the current year compared to $143.3 million in the prior year, an increase of 57.9 percent.

Proprietary funds. The State's enterprise funds provide the same type of information presented for business-type activities in the government-wide financial statements, but in more detail.

Housing and Community Services finances home ownership and multi-family units for elderly, disabled, and low to moderate-income persons through the issuance of bonds. For fiscal year 2014, the Housing and Community Services Fund reported an operating loss of $1.5 million; reduced mortgage loan balances resulted in a decrease of $6.7 million, or 11 percent, in loan interest income; investment earnings increased $7.4 million from fiscal year 2013, with $1 million of the increase attributable to gains in investment fair values. In addition, operating expenses declined by $10.7 million, due primarily to an $8.8 million reduction in Bond and COP

interest expense, a result of smaller outstanding bond balances compared to the prior year. The net effect was a $3.1 million increase in net position for fiscal year 2014 before a prior period adjustment of $6.4 million and the cumulative effect of a change in accounting principle of $9 million. The prior period adjustment was the result of not previously deferring loan origination fees related to points and recognizing them over the life of the loan. The cumulative effect of a change in accounting principle was due to the State's implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, which required that bond issuance costs be recognized as an expense in the period incurred, instead of being amortized over the life of the associated bond, as required under previous standards.

The net position of the Lottery Operations Fund increased $49.4 million in fiscal year 2014. This was due primarily to a $39.7 million reduction from the prior year in the amount transferred to the Economic Development Fund. This was due to the Lottery Commission retaining working capital for the Video Lottery℠ Terminal (VLT) Modernization Program. Overall, net product sales were lower by $15 million, or 1.4 percent below the prior year. There was a decrease of $20.4 million, or 6.2 percent, in sales of traditional games. This is due in part to the fluctuation of jackpot amounts between the years and their direct effect on sales. There was an increase of $5.4 million in Video Lottery℠ revenue over fiscal year 2013. During the year, new game sets were deployed on select Video Lottery℠ terminals to offer a wide variety of game choices that appeal to a diverse audience. This is the fourth consecutive year of slight gains in Video Lottery℠ revenue, as economic conditions have gradually improved. Operating expenses increased only 0.5 percent from the prior year.

For fiscal year 2014, assessments in the Unemployment Compensation Fund were comparable to those collected in fiscal year 2013 at $1 billion. While federal revenues declined for the fourth year in a row, down $321 million, or 62.3 percent, benefit payments to unemployed Oregonians continued to decrease, down $420.1 million, or 34 percent. These two factors reflect Oregon's declining unemployment rate and, in some cases, the expiration of extended benefits. Because of these changes, the net position of the Unemployment Compensation Fund increased $460 million, or 23.7 percent.

The University System Fund experienced an increase in fund net position of 5.6 percent from fiscal year 2013. Charges for services, which includes student tuition and fees, increased $68.1 million, or 8.2 percent, from the prior year, due primarily to higher tuition and fee rates. Salaries and wages increased 5.4 percent, or $80 million over the prior year, which was the primary reason for the $115.1 million increase in operating expenses from fiscal year 2013. Capital contributions increased $83.8 million from the prior year, due to the donation of a completed athletic facility at one of the institutions. The University System Fund received a transfer of $386 million from the General Fund, which contributed to an overall increase in net position of $83.2 for the year.

In fiscal year 2014, the other (nonmajor) proprietary funds realized increased operating revenues, primarily sales revenue in the Liquor Control Fund. Operating expenses also increased, by a larger percentage, resulting in an operating loss of $62.6 million. Transfers from the General Fund to the State Hospital Fund for $169.2 million helped nonmajor proprietary funds in total realize an increase in net position over fiscal year 2013.

At the end of fiscal year 2014, approximately 63.9 percent of the net position reported by the State's proprietary funds was classified as unrestricted and was available for spending on business-type activities. However, restrictions significantly affected the availability of resources in the Housing and Community Services Fund with 98 percent of the fund's net position restricted for debt service. In the University System Fund, the net investment in capital assets was 63 percent of net position, while 23.9 percent was restricted for education, debt service, capital construction, and purposes stipulated by donors.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The net position of the Pension and Other Employee Benefit Trust Fund, which accounts for resources held in trust for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the Public Employees Retirement System, increased by $8.4 billion, or 12.8 percent. The net appreciation in the fair value of investments of $10 billion, up $3.5 billion from the prior year, was the primary factor contributing to this increase. The net position of all fiduciary funds is reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State budgets on a biennial basis rather than an annual basis. Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the budgetary statements represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised

estimates, while the final budgeted expenditures represent the original appropriated budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year. For the 2013-15 biennium, final estimated revenues for the General Fund increased slightly compared to the original estimate. The General Fund's final budgeted expenditures increased by $306 million, or 2 percent.

Because of Oregon's biennial process, budget to actual comparison are not final until the second year of the biennium. For the first year of the 2013-15 biennium, actual expenditures and other financing uses exceeded actual General Fund revenues and other financing source by $653.4 million, leaving an ending budget balance of $222 million. Actual revenues for the first year of the biennium were 47.1 percent of the final budgeted revenues, or $7.3 billion, while actual cash expenditures were 51 percent of those budgeted, or $8.1 billion.

To manage differences in the timing of cash flows, the State issued $590.2 million of tax anticipation notes in July 2014. These notes will be repaid with income tax revenue prior to the end of fiscal year 2015.

DEBT ADMINISTRATION

The State Debt Policy Advisory Commission advises the Governor and the legislative assembly regarding policies and actions that enhance and preserve the State's credit rating and maintain the future availability of low cost capital financing. The State's debt credit ratings, unchanged from the prior year at AA+ by Fitch, AA+ by Standard & Poor's, and Aa1 by Moody's, are an indication of the State's ability to repay its debt.

Debt outstanding for the years ended June 30, 2014 and 2013 is summarized in Table 3. In fiscal year 2014, the State issued general obligation bonds to finance or refinance the Oregon State Hospital Replacement Project, the Core System Replacement Project at the Department of Revenue, the acquisition and construction of new higher education facilities, the upgrade and renovation of the Oregon State Capitol building, for energy and conservation projects for the Department of Energy, and various other facilities and modernization projects.

During fiscal year 2014, revenue bonds were issued for both governmental activities and business-type activities. Within the governmental activities, the revenue bonds were issued for state and local highways, bridges, multi-modal and light rail projects. Revenue bonds were issued within the business-type activities to assist low-income families purchasing single-family housing.

The State made its final principal payment on general appropriation bonds during the year. Therefore, there are no further outstanding amounts for this type of debt.

The State was involved in four separate debt refunding issuances in fiscal year 2014 and refunded $322.7 million of previously existing debt with $402.2 million of new debt. Additional information on the State's long-term debt may be found in Note 9 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2014 and 2013
(In Millions)

	2014	2013	2014 Over (Under) 2013 Amount	2014 Over (Under) 2013 Percent
General Obligation Bonds	$ 5,615.7	$ 5,403.6	$ 212.1	3.9%
Revenue Bonds	4,872.0	4,649.7	222.3	4.8%
Certificates of Participation	698.3	777.2	(78.9)	-10.2%
General Appropriation Bonds	-	29.1	(29.1)	-100.0%
Total	$ 11,186.0	$ 10,859.6	$ 326.4	3.0%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2014, was $16.3 billion (net of accumulated depreciation) as summarized in Table 4. Capital assets include land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and other nondepreciable assets. The State's investment in capital assets for fiscal year 2014 increased $515.4 million, or 3.3 percent.

Table 4
State of Oregon's Capital Assets, Net of Depreciation
(In Millions)

	Governmental Activities		**Business-type Activities**		**Total**	
	2014	2013	2014	2013	2014	2013
Land	$ 1,867.1	$ 1,844.4	$ 147.3	$ 142.2	$ 2,014.4	$ 1,986.6
Buildings, property and equipment	1,922.0	1,899.9	2,813.0	2,759.8	4,735.0	4,659.7
Construction in progress	1,445.5	1,285.6	320.3	148.5	1,765.8	1,434.1
Infrastructure	7,629.7	7,548.1	65.8	66.2	7,695.5	7,614.3
Works of art and other nondepreciable assets	1.9	1.9	74.0	74.6	75.9	76.5
Total	$ 12,866.2	$ 12,579.9	$ 3,420.4	$ 3,191.3	$ 16,286.6	$ 15,771.2

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

- The State's outstanding construction commitments related to highway and bridge construction totaled $722.1 million at June 30, 2014.
- During the year, the methodology used by the Oregon Department of Transportation to estimate the value of the State's highway infrastructure was changed. This resulted in decreases to both the infrastructure account and the associated accumulated depreciation of approximately $4.5 billion within the governmental activities.
- The State permanently stopped construction on the Columbia River Crossing I-5 Bridge Replacement project, which resulted in the recognition of a capital asset impairment of $84.9 million in the governmental activities.
- The statewide increase in infrastructure along with buildings, property and equipment was primarily due to the completion of projects or project phases related to state highways, tunnels, bridges and higher education facilities.

Additional information on the State's capital assets may be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

Oregon's unemployment rate for November 2014 was 7 percent compared to 7.3 percent in November 2013. The U.S. unemployment rate for November 2014 was 5.8 percent. Since reaching a high point of 11.6 percent in May and June 2009, the rate has slowly declined over the past four and a half years.

Job growth in Oregon continues to remain relatively strong to date in 2014, and the outlook is for growth to persist for two to three years before longer-run demographic trends weigh on growth rates. The most recent economic forecast anticipates that employment rates will be relatively unchanged through 2016 and some upward revisions to the out years. However, job growth is the most recent months has tracked behind forecast. While the unrevised employment data indicates a slowdown in Oregon, real-time wage information suggest otherwise.

An improved job market is fueling growth in tax revenues. In recent months, growth in personal taxes withheld from paychecks has returned to rates similar to those seen during the peak of the housing boom. In addition to gains in taxable labor income, corporate tax collections grew rapidly through much of the year, prior to running out of steam in the fall.

The 2013-15 biennium is far from over, and therefore significant uncertainty remains. One more income tax filing season remains between now and the end of the biennium. As such, many risks to the outlook remain. The primary downside risk facing the near-term revenue forecast is the uncertain future of the nationwide economic expansion. Should contractionary monetary policy or economic weakness among our trading partners derail the U.S. economy, the strong expected growth in Oregon's tax collections will not be realized.

Revenue growth in Oregon will face considerable downward pressure over the 10-year extended forecast horizon. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes will become less effective, and revenue growth will fail to match the pace seen in the past.

The December 2014 forecast for General Fund revenues for the 2013-15 biennium is $15.9 billion. This figure is $270 million above the amount forecasted at the close of the 2013 legislative session. The projected General Fund ending balance for the 2013-15 biennium is $260.2 million. The latest revenue forecast projects increases in General Fund revenues for the next two biennia, up 11.4 percent to $17.7 billion in 2015-17 and 8.5 percent to $19.2 billion in 2017-19.

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Basic Financial Statements

Statement of Net Position
June 30, 2014
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,853,831	$ 3,260,191	$ 6,114,022	$ 219,662
Cash and Cash Equivalents - Restricted	-	50,290	50,290	19,277
Investments	1,388,375	32,643	1,421,018	4,530,055
Investments - Restricted	-	94,199	94,199	-
Securities Lending Collateral	321,008	154,379	475,387	172,668
Accounts and Interest Receivable (net)	1,266,597	569,390	1,835,987	738,522
Taxes Receivable (net)	570,483	-	570,483	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	177,470
Internal Balances	117,909	(117,909)	-	-
Due from Component Units	-	22,090	22,090	-
Due from Other Governments	-	7,440	7,440	2,504
Due from Primary Government	-	-	-	15,142
Inventories	65,660	41,060	106,720	18,153
Prepaid Items	7,337	12,734	20,071	72,203
Foreclosed and Deeded Property	-	8,567	8,567	-
Total Current Assets	6,591,200	4,135,074	10,726,274	5,965,656
Noncurrent Assets:				
Cash and Cash Equivalents	-	66,765	66,765	-
Cash and Cash Equivalents - Restricted	1,216,715	345,772	1,562,487	-
Investments	173,938	121,775	295,713	691,830
Investments - Restricted	169,137	515,018	684,155	2,037,943
Custodial Assets	22,742	-	22,742	-
Taxes Receivable (net)	550,492	-	550,492	-
Interfund Loans	(179)	179	-	-
Advances to Component Units	-	38,438	38,438	-
Net Contracts, Notes, and Other Receivables	361,134	116,364	477,498	2,156
Loans Receivable (net)	610,757	1,797,291	2,408,048	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	84,934
Net Pension Asset	1,478,400	-	1,478,400	-
Capital Assets:				
Land	1,867,126	147,268	2,014,394	81,575
Buildings, Property, and Equipment	3,514,220	4,856,517	8,370,737	2,495,419
Construction in Progress	1,445,492	320,309	1,765,801	291,852
Infrastructure	12,374,627	128,234	12,502,861	-
Works of Art and Other Nondepreciable Assets	1,919	74,027	75,946	-
Less Accumulated Depreciation and Amortization	(6,337,159)	(2,105,919)	(8,443,078)	(1,278,222)
Total Noncurrent Assets	17,449,361	6,422,038	23,871,399	4,407,487
Total Assets	24,040,561	10,557,112	34,597,673	10,373,143
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	-	19,192	19,192	13,586
Loss on Refunding	36,750	36,738	73,488	3,048
Total Deferred Outflows of Resources	36,750	55,930	92,680	16,634

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
June 30, 2014
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,035,513	257,748	1,293,261	302,753
Obligations Under Securities Lending	321,008	154,379	475,387	172,633
Due to Component Units	15,124	-	15,124	-
Due to Other Governments	162,563	4,210	166,773	18,818
Due to Primary Government	-	-	-	33,012
Unearned Revenue	48,594	141,841	190,435	284,134
Matured Bonds/COPs and Coupons Payable	-	194	194	-
Tax Anticipation Notes Payable	650,744	-	650,744	-
Compensated Absences Payable	116,587	61,449	178,036	69,499
Reserve for Loss and Loss Adjustment Expense	-	-	-	251,185
Claims and Judgments Payable	118,268	18,492	136,760	20,303
Lottery Prize Awards Payable	-	32,413	32,413	-
Arbitrage Rebate Payable	-	12	12	-
Custodial Liabilities	273,466	53,299	326,765	12,573
Contracts, Mortgages and Notes Payable	37,200	22,740	59,940	1,960
Bonds/COPs Payable	327,611	179,081	506,692	14,006
Obligations Under Capital Lease	1,950	25	1,975	1,036
Pollution Remediation Obligation	7,080	147	7,227	-
Total Current Liabilities	3,115,708	926,030	4,041,738	1,181,912
Noncurrent Liabilities:				
Obligations Under Life Income Agreements	-	-	-	111,584
Compensated Absences Payable	60,060	13,542	73,602	-
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,790,190
Claims and Judgments Payable	1,063,141	7,643	1,070,784	39,992
Lottery Prize Awards Payable	-	126,670	126,670	-
Arbitrage Rebate Payable	740	21,063	21,803	-
Custodial Liabilities	3,377	12,221	15,598	-
Contracts, Mortgages, and Notes Payable	375,360	137,368	512,728	58,098
Bonds/COPs Payable	6,995,589	3,681,751	10,677,340	715,399
Obligations Under Capital Lease	1,077	44	1,121	6,057
Advances from Primary Government	-	-	-	38,438
Pollution Remediation Obligation	9,821	-	9,821	-
Net OPEB Obligation	52,285	26,066	78,351	10,798
Derivative Instrument Liabilities	-	19,171	19,171	14,968
Total Noncurrent Liabilities	8,561,450	4,045,539	12,606,989	3,785,524
Total Liabilities	11,677,158	4,971,569	16,648,728	4,967,436
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	-	-	-	3,885
Loan Origination	512	5,905	6,417	-
Total Deferred Inflows of Resources	512	5,905	6,417	3,885
NET POSITION				
Net Investment in Capital Assets	9,982,055	1,443,136	11,425,191	818,503
Restricted-Nonexpendable	14,808	17,561	32,369	1,020,667
Restricted for:				
Health and Social Services Programs	76,764	-	76,764	-
Transportation Programs	739,143	-	739,143	-
Natural Resource Programs	724,757	484	725,241	-
Education	1,339,844	175,321	1,515,165	1,184,495
Community Protection	34,788	-	34,788	-
Consumer Protection	87,957	-	87,957	-
Employment Services	105,127	-	105,127	-
Workers' Compensation	-	-	-	1,378,147
Residential Assistance	122,242	2,019	124,261	-
Debt Service	544	287,064	287,608	-
Capital Projects	778	96,291	97,069	-
Other Purposes	248,099	-	248,099	-
Unrestricted	(1,077,265)	3,613,692	2,536,427	1,016,644
Total Net Position	$ 12,399,641	$ 5,635,568	$ 18,035,209	$ 5,418,456

Statement of Activities
For the Year Ended June 30, 2014
(In Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs					
Primary Government:					
Governmental Activities:					
Education	$ 4,420,704	$ 8,485	$ 670,577	$ -	$ (3,741,642)
Human Services	9,880,251	615,829	6,822,498	1,930	(2,439,994)
Public Safety	1,300,085	85,549	149,215	4,949	(1,060,372)
Economic and Community Development	385,464	33,564	251,064	-	(100,836)
Natural Resources	724,185	335,198	448,921	141	60,075
Transportation	1,555,822	171,154	529,946	10,746	(843,976)
Consumer and Business Services	283,039	126,482	17,535	-	(139,022)
Administration	404,182	92,358	163,576	-	(148,248)
Legislative	37,234	2,298	33	-	(34,903)
Judicial	340,313	33,722	2,099	-	(304,492)
Interest on Long-term Debt	347,010	-	-	-	(347,010)
Total Governmental Activities	19,678,289	1,504,639	9,055,464	17,766	(9,100,420)
Business-type Activities:					
Housing and Community Services	56,473	55,493	4,845	-	3,865
Lottery Operations	493,652	1,052,945	6,331	-	565,624
Unemployment Compensation	831,914	1,064,234	238,477	-	470,797
University System	2,505,392	1,527,836	589,872	138,610	(249,074)
State Hospitals	278,804	71,721	-	-	(207,083)
Liquor Control	384,491	524,218	-	-	139,727
Other Business-type Activities	306,212	301,130	11,674	20,317	26,909
Total Business-type Activities	4,856,938	4,597,577	851,199	158,927	750,765
Total Primary Government	$ 24,535,227	$ 6,102,216	$ 9,906,663	$ 176,693	$ (8,349,655)
Component Units:					
SAIF Corporation	$ 559,045	$ 462,881	$ 85,801	$ -	$ (10,363)
Other Component Units	2,483,213	1,842,062	1,003,734	5,135	367,718
Total Component Units	$ 3,042,258	$ 2,304,943	$ 1,089,535	$ 5,135	$ 357,355

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2014
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in Net Position:				
Net (Expense) Revenue	$ (9,100,420)	$ 750,765	$ (8,349,655)	$ 357,355
General Revenues:				
Taxes:				
Personal Income Taxes	6,596,708	-	6,596,708	-
Corporate Income Taxes	506,889	-	506,889	-
Tobacco Taxes	260,882	-	260,882	-
Healthcare Provider Taxes	485,584	-	485,584	-
Insurance Premium Taxes	85,196	-	85,196	-
Other Taxes	380,783	17,584	398,367	-
Restricted for Transportation Purposes:				
Motor Fuel and Other Vehicle Taxes	1,053,611	-	1,053,611	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	54,126	-	54,126	-
Employer-Employee Taxes	91,343	-	91,343	-
Total Taxes	9,515,122	17,584	9,532,706	-
Unrestricted Investment Earnings	5,516	-	5,516	-
Contributions to Permanent Funds	297	-	297	-
Additions to Permanent Endowments	-	776	776	-
Transfers - Internal Activities	133,008	(133,008)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	9,653,943	(114,648)	9,539,295	-
Change in Net Position	553,523	636,117	1,189,640	357,355
Net Position - Beginning	11,943,504	5,017,612	16,961,116	5,079,521
Prior Period Adjustments	(65,274)	(4,828)	(70,102)	14
Cumulative Effect of a Change in Accounting Principles	(32,112)	(13,333)	(45,445)	(18,434)
Net Position - Beginning - As Restated	11,846,118	4,999,451	16,845,569	5,061,101
Net Position - Ending	$ 12,399,641	$ 5,635,568	$ 18,035,209	$ 5,418,456

Balance Sheet
Governmental Funds
June 30, 2014
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	$ 872,602	$ 412,503	$ 788,004
Investments	12,220	-	78,757
Custodial Assets	-	-	-
Securities Lending Collateral	55,669	22,863	50,609
Accounts and Interest Receivable (net)	7,939	730,916	79,543
Taxes Receivable (net)	1,020,154	13,462	69,479
Due from Other Funds	769,288	54,961	3,630
Inventories	19,228	913	31,143
Prepaid Items	5,184	-	473
Advances to Other Funds	-	-	-
Net Contracts, Notes and Other Receivables	6,833	49,962	3,753
Loans Receivable (net)	-	35	25,119
Total Assets	$ 2,769,117	$ 1,285,615	$ 1,130,510
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 304,199	$ 272,409	$ 128,638
Obligations Under Securities Lending	55,669	22,863	50,609
Due to Other Funds	224,629	556,448	16,881
Due to Component Units	-	15,031	-
Due to Other Governments	40,289	-	73,074
Unearned Revenue	-	221	15,845
Tax Anticipation Notes Payable	650,744	-	-
Custodial Liabilities	9,265	37,174	888
Contracts, Mortgages, and Notes Payable	-	-	-
Advances from Other Funds	584	-	-
Total Liabilities	1,285,379	904,146	285,935
Deferred Inflows of Resources:			
Unavailable Revenue	714,465	50,878	8,691
Total Deferred Inflows of Resources	714,465	50,878	8,691
Fund Balances:			
Nonspendable	24,430	965	31,591
Restricted by:			
Federal Laws and Regulations	2,116	111,612	32,539
Oregon Constitution	221,344	2,034	411,869
Enabling Legislation	14,618	77,319	49,923
Debt Covenants	17,461	41,276	309,962
Donors and Other External Parties	-	4,572	-
Committed	92,978	110,366	-
Assigned	1,327	-	-
Unassigned	394,999	(17,553)	-
Total Fund Balances	769,273	330,591	835,884
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,769,117	$ 1,285,615	$ 1,130,510

The notes to the financial statements are an integral part of this statement.

Environmental Management	Common School	Other	Total
$ 400,211	$ 89,101	$ 947,850	$ 3,510,271
-	1,342,175	228,875	1,662,027
1,109	9,838	11,795	22,742
26,082	71,295	41,249	267,767
82,774	18,282	263,527	1,182,981
-	-	17,880	1,120,975
17,049	126	189,240	1,034,294
9,667	-	3,265	64,216
108	-	1,050	6,815
-	300	-	300
38,563	1,083	260,937	361,131
392,432	-	193,155	610,741
$ 967,995	$ 1,532,200	$ 2,158,823	$ 9,844,260

$ 28,187	$ 35,282	$ 153,198	$ 921,913
26,082	71,295	41,249	267,767
8,044	26,160	41,086	873,248
-	-	93	15,124
14,806	-	34,394	162,563
8,628	-	5,925	30,619
-	-	-	650,744
2,944	207,851	13,666	271,788
20,000	-	-	20,000
300	-	48	932
108,991	340,588	289,659	3,214,698
38,563	1,083	261,575	1,075,255
38,563	1,083	261,575	1,075,255
9,830	-	18,342	85,158
564,491	-	86,022	796,780
14,000	892,976	390,421	1,932,644
121,707	297,494	332,536	893,597
50,185	-	307,088	725,972
3,888	59	30,976	39,495
50,043	-	425,887	679,274
6,297	-	17,001	24,625
-	-	(684)	376,762
820,441	1,190,529	1,607,589	5,554,307
$ 967,995	$ 1,532,200	$ 2,158,823	$ 9,844,260

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014
(In Thousands)

Total fund balances of governmental funds		$ 5,554,307
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 1,857,796	
Buildings, property and equipment	2,918,660	
Construction in progress	1,435,659	
Infrastructure	12,373,990	
Works of Art and Other Nondepreciable Assets	1,757	
Accumulated depreciation and amortization	(5,991,958)	
Total capital assets		12,595,904
The net pension asset resulting from contributions in excess of the annual required contribution in 2004 are not financial resources and therefore are not reported in the funds. (See Note 15)		1,478,400
Some of the State's governmental revenues will be collected after year-end but are not available soon enough to pay the current year liabilities.		1,075,255
Gain or loss on debt refunding is reported as a deferred inflow of resources or a deferred outflow of resources, respectively, for govermental activities in the Statement of Net Position but are reported as expenditures in the funds.		
Deferred outflow-loss on refunding		33,627
Deferred inflow-gain on refunding		(512)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		529,026
Unamortized debt insurance costs are reported as prepaid items for governmental activities in the Statement of Net Position but are reported as expenditures in the funds.		74
Some liabilities are not due and payable in the current year and therefore are not reported in the funds. Those liabilities consist of:		
Accounts and interest payable	(71,768)	
Compensated absences	(159,855)	
Claims and judgments	(967,551)	
Arbitrage rebate	(740)	
Contracts, mortgages and notes payable	(372,428)	
Bonds and COPS	(7,227,265)	
Pollution remediation obligation	(16,900)	
Net OPEB Obligation	(49,933)	
Total long-term liabilities		(8,866,440)
Net position of governmental activities		$ 12,399,641

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)

	General	Health and Social Services	Public Transportation
REVENUES			
Personal Income Taxes	$ 6,615,190	$ -	$ -
Corporate Income Taxes	517,410	-	-
Tobacco Taxes	66,637	193,855	-
Healthcare Provider Taxes	-	485,584	-
Insurance Premium Taxes	60,818	24,378	-
Motor Fuel and Other Vehicle Taxes	-	-	1,052,578
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	198,824	-	2,155
Licenses and Fees	99,482	18,093	89,781
Federal	139	5,632,525	558,543
Rebates and Recoveries	33	272,104	4,627
Charges for Services	15,377	91,419	30,059
Fines, Forfeitures, and Penalties	23,305	224	4,574
Rents and Royalties	679	4	6,003
Investment Income	5,516	2,091	9,072
Sales	1,522	4,986	17,460
Donations and Grants	1,847	1,535	19
Contributions to Permanent Funds	-	-	-
Tobacco Settlement Proceeds	-	86,924	-
Unclaimed and Escheat Property Revenue	-	-	-
Other	4,327	210,923	17,983
Total Revenues	7,611,106	7,024,645	1,792,854
EXPENDITURES			
Current:			
Education	3,764,106	-	-
Human Resources	1,722,738	7,030,914	-
Public Safety	1,013,079	-	-
Economic and Community Development	28,626	-	-
Natural Resources	128,225	-	-
Transportation	9,938	-	1,678,500
Consumer and Business Services	5,150	12	-
Administration	237,800	3	46,988
Legislative	35,407	-	-
Judicial	307,591	1,299	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	89,999	-	9
Interest	58,012	-	504
Other Debt Service	1,174	586	2,420
Total Expenditures	7,401,845	7,032,814	1,728,421
Excess (Deficiency) of Revenues Over (Under) Expenditures	209,261	(8,169)	64,433
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	971,248	173,054	25,365
Transfers to Other Funds	(1,165,757)	(122,784)	(286,430)
Insurance Recoveries	180	-	639
Long-term Debt Issued	25,670	67,223	409,775
Loan Proceeds	-	-	32
Debt Issuance Premium	2,749	8,807	42,566
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(165,910)	126,300	191,947
Net Change in Fund Balances	43,351	118,131	256,380
Fund Balances - Beginning	783,882	233,627	584,669
Prior Period Adjustments	(59,375)	(21,180)	(6,980)
Fund Balances - Beginning - As Restated	724,507	212,447	577,689
Change in Inventories	1,415	13	1,815
Fund Balances - Ending	$ 769,273	$ 330,591	$ 835,884

The notes to the financial statements are an integral part of this statement.

Environmental Management	Common School	Other	Total
$ -	$ -	$ -	$ 6,615,190
-	-	-	517,410
-	-	-	260,492
-	-	-	485,584
-	-	-	85,196
-	-	-	1,052,578
-	-	91,344	91,344
-	-	54,126	54,126
22,960	-	156,210	380,149
133,616	767	154,035	495,774
156,106	-	2,275,823	8,623,136
1	-	16,040	292,805
42,265	254	71,364	250,738
1,055	85	78,083	107,326
2,620	5,863	2,124	17,293
10,970	226,185	21,027	274,861
91,749	188	8,166	124,071
816	-	40,155	44,372
-	-	297	297
-	-	-	86,924
-	24,360	-	24,360
13,820	4,317	30,461	281,831
475,978	262,019	2,999,255	20,165,857
-	-	657,125	4,421,231
-	-	1,205,806	9,959,458
-	-	276,153	1,289,232
-	-	355,766	384,392
496,031	18,730	42,371	685,357
-	-	9,980	1,698,418
-	-	294,763	299,925
-	-	56,758	341,549
-	-	912	36,319
-	-	37,820	346,710
-	-	73,976	73,976
-	-	240,737	330,745
478	-	280,482	339,476
45	-	534	4,759
496,554	18,730	3,533,183	20,211,547
(20,576)	243,289	(533,928)	(45,690)
93,081	3,657	957,511	2,223,916
(76,708)	(55,937)	(346,890)	(2,054,506)
219	797	4	1,839
-	-	36,177	538,845
-	-	-	32
-	-	3,489	57,611
-	-	266,635	266,635
-	-	(266,425)	(266,425)
16,592	(51,483)	650,501	767,947
(3,984)	191,806	116,573	722,257
841,132	998,734	1,489,911	4,931,955
(17,090)	(11)	928	(103,708)
824,042	998,723	1,490,839	4,828,247
383	-	177	3,803
$ 820,441	$ 1,190,529	$ 1,607,589	$ 5,554,307

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Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014
(In Thousands)

Net change in fund balances of total governmental funds		$ 722,257
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported as an expenditure in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:		
Capital outlay	$ 614,019	
Depreciation expense	(357,666)	
Excess of depreciation over capital outlays		256,353
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net position.		(12,321)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(863,091)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		597,170
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these become a component of Bonds/COPs payable and are amortized in the Statement of Activities.		6,280
Accrued interest on tax anticipation notes does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		(9,476)
Some expenses reported in the Statement of Activities do not require the use of current financial resources; thus, they are not reported as expenditures in governmental funds.		
Net pension asset	(72,000)	
Accounts and interest payable	(13,587)	
Compensated absences	7,057	
Claims and judgments payable	13,202	
Pollution remediation obligation	(4,365)	
Contracts, mortgages and notes payable	(22,057)	
Net OPEB obligation	(2,263)	
Total		(94,013)
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds.		534
Some revenues will not be collected for several months after the State's fiscal year ends. Therefore, they are not considered "available" revenues in the governmental funds.		(95,056)
Change in inventory is reported as a separate line after the change in fund balances in the governmental statements, but is included in expenses in the governmental activities.		3,803
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported within governmental activities.		41,083
Change in net position of governmental activities		$ 553,523

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 4,060	$ 274,220	$ 2,078,813
Cash and Cash Equivalents - Restricted	10,171	-	72
Investments	-	12,245	-
Investments - Restricted	94,199	-	-
Securities Lending Collateral	3,394	67,865	1,464
Accounts and Interest Receivable (net)	5,633	23,778	274,339
Due from Other Funds	11	-	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	7,440
Inventories	-	1,706	-
Prepaid Items	8	746	-
Foreclosed and Deeded Property	7,136	-	-
Total Current Assets	124,612	380,560	2,362,128
Noncurrent Assets:			
Cash and Cash Equivalents	-	66,765	-
Cash and Cash Equivalents - Restricted	54,611	-	1,894
Investments	-	121,775	-
Investments - Restricted	215,858	-	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	3,338	57,272
Loans Receivable (net)	1,009,416	-	-
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	178	189,660	-
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Other Nondepreciable Assets	-	-	-
Less Accumulated Depreciation and Amortization	(155)	(154,454)	-
Total Noncurrent Assets	1,279,908	227,084	59,166
Total Assets	1,404,520	607,644	2,421,294
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	17,276	-	-
Loss on Refunding	2,262	-	-
Total Deferred Outflows of Resources	19,538	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ 456,891	$ 446,207	$ 3,260,191	$ 555,239
-	40,047	50,290	-
-	20,398	32,643	-
-	-	94,199	-
46,840	34,816	154,379	53,240
233,287	32,353	569,390	83,615
16,085	1,878	17,974	2,561
22,090	-	22,090	-
-	-	7,440	-
8,118	31,236	41,060	1,442
11,767	213	12,734	450
-	1,431	8,567	-
795,078	608,579	4,270,957	696,547
-	-	66,765	-
177,261	112,006	345,772	5,038
-	-	121,775	-
299,160	-	515,018	69,424
-	120,154	120,154	584
38,438	-	38,438	-
51,546	4,208	116,364	2
-	787,875	1,797,291	17
138,166	9,102	147,268	9,330
4,187,331	479,348	4,856,517	595,560
290,642	29,667	320,309	9,832
126,186	2,048	128,234	637
73,340	687	74,027	162
(1,859,381)	(91,929)	(2,105,919)	(345,202)
3,522,689	1,453,166	6,542,013	345,384
4,317,767	2,061,745	10,812,970	1,041,931
21	1,895	19,192	-
34,458	18	36,738	3,124
34,479	1,913	55,930	3,124

(continued on next page)

Statement of Net Position
Proprietary Funds
June 30, 2014
(In Thousands)

(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	21,499	21,285	13,844
Obligations Under Securities Lending	3,394	67,865	1,464
Due to Other Funds	47	140,644	1,184
Due to Other Governments	-	-	4,121
Unearned Revenue	1,540	2,922	-
Matured Bonds/COPs and Coupons Payable	-	-	-
Compensated Absences Payable	195	2,067	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	32,413	-
Arbitrage Rebate Payable	-	-	-
Custodial Liabilities	-	103	72
Contracts, Mortgages, and Notes Payable	16	298	-
Bonds/COPs Payable	82,980	-	-
Obligations Under Capital Lease	-	-	-
Pollution Remediation Obligation	-	-	-
Total Current Liabilities	109,671	267,597	20,685
Noncurrent Liabilities:			
Compensated Absences Payable	101	1,065	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	126,670	-
Arbitrage Rebate Payable	-	-	-
Custodial Liabilities	-	-	1,894
Contracts, Mortgages, and Notes Payable	585	6,276	-
Bonds/COPs Payable	1,087,878	-	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	-	-
Net OPEB Obligation	88	723	-
Derivative Instrument Liabilities	17,276	-	-
Total Noncurrent Liabilities	1,105,928	134,734	1,894
Total Liabilities	1,215,599	402,331	22,579
DEFERRED INFLOWS OF RESOURCES			
Loan Origination	5,905	-	-
Total Deferred Inflows of Resources	5,905	-	-
NET POSITION			
Net investment in capital assets	22	35,206	-
Restricted-Nonexpendable	-	-	-
Restricted for:			
Natural Resource Programs	-	-	-
Education	-	-	-
Residential Assistance	2,019	-	-
Debt Service	196,448	-	-
Capital Projects	-	-	-
Unrestricted	4,065	170,107	2,398,715
Total Net Position	$ 202,554	$ 205,313	$ 2,398,715

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
147,212	53,862	257,702	41,834
46,840	34,816	154,379	53,240
-	25,022	166,897	14,730
-	89	4,210	-
134,783	2,596	141,841	17,974
-	194	194	-
51,208	7,979	61,449	11,083
4,000	14,492	18,492	27,988
-	-	32,413	-
3	9	12	-
44,326	8,798	53,299	1,784
20,015	2,411	22,740	722
66,526	29,575	179,081	11,099
25	-	25	1,950
147	-	147	-
515,085	179,843	1,092,881	182,404
8,380	3,996	13,542	5,709
7,643	-	7,643	185,870
-	-	126,670	-
-	21,063	21,063	-
10,327	-	12,221	3,272
99,368	31,139	137,368	19,409
2,010,218	583,655	3,681,751	84,837
44	-	44	1,077
119,975	-	119,975	131
20,715	4,540	26,066	2,352
-	1,895	19,171	-
2,276,670	646,288	4,165,514	302,657
2,791,755	826,131	5,258,395	485,061
-	-	5,905	-
-	-	5,905	-
983,811	424,097	1,443,136	171,358
17,561	-	17,561	-
-	484	484	-
175,321	-	175,321	-
-	-	2,019	-
86,150	4,466	287,064	-
93,832	2,459	96,291	-
203,816	806,021	3,582,724	388,636
$ 1,560,491	$ 1,237,527	$ 5,604,600	$ 559,994

Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are included within the business-type activities.	$ 30,968
Net position of business-type activities	$ 5,635,568

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
OPERATING REVENUES:			
Assessments	$ -	$ -	$ 1,047,160
Licenses and Fees	2,019	-	-
Federal	-	-	194,078
Rebates and Recoveries	5	-	-
Charges for Services	380	-	-
Fines, Forfeitures, and Penalties	-	-	1,189
Rents and Royalties	-	-	-
Sales	-	1,052,810	-
Loan Interest Income	52,542	-	-
Gifts, Grants, and Contracts	-	-	-
Other	11	178	15,885
Gain (Loss) on Foreclosed Property	549	-	-
Total Operating Revenues	55,506	1,052,988	1,258,312
OPERATING EXPENSES:			
Salaries and Wages	4,251	39,443	-
Services and Supplies	8,823	240,787	-
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	-	-
Special Payments	647	201,395	815,535
Loan Interest Expense	25	-	-
Bond and COP Interest	43,280	-	-
Other Debt Service	-	-	-
Depreciation and Amortization	2	13,543	-
Bad Debt Expense	-	-	19,079
Total Operating Expenses	57,028	495,168	834,614
Operating Income (Loss)	(1,522)	557,820	423,698
NONOPERATING REVENUES (EXPENSES):			
Bond and COP Interest	-	-	-
Investment Income (Loss)	4,845	6,331	44,399
Other Grants	-	-	-
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	(257)	-
Insurance Recovery	-	3	-
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Other Interest Expense	(39)	(315)	-
Other Nonoperating Items	(14)	(48)	(1)
Total Nonoperating Revenues (Expenses)	4,792	5,714	44,398
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	3,270	563,534	468,096
Capital Contributions	-	-	-
Additions to Permanent Endowments	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(185)	(514,119)	(8,051)
Change in Net Position	3,085	49,415	460,045
Net Position - Beginning	214,936	155,898	1,938,670
Prior Period Adjustments	(6,448)	-	-
Cumulative Effect of Change in Accounting Principles	(9,019)	-	-
Net Position - Beginning - As Restated	199,469	155,898	1,938,670
Net Position - Ending	$ 202,554	$ 205,313	$ 2,398,715

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ -	$ -	$ 1,047,160	$ -
-	7,926	9,945	-
309,784	8,018	511,880	-
-	107	112	-
903,230	301,096	1,204,706	1,119,271
-	671	1,860	714
-	869	869	46,753
467,312	542,442	2,062,564	2,861
-	35,586	88,128	-
63,593	-	63,593	-
38,513	8,094	62,681	9,237
-	263	812	-
1,782,432	905,072	5,054,310	1,178,836
1,573,424	248,794	1,865,912	243,341
559,846	169,514	978,970	789,359
-	278,071	278,071	9,769
-	61,088	61,088	-
152,086	178,212	1,347,875	3,983
-	-	25	-
-	19,350	62,630	5,142
-	8	8	-
145,268	11,802	170,615	25,685
-	788	19,867	-
2,430,624	967,627	4,785,061	1,077,279
(648,192)	(62,555)	269,249	101,557
(89,880)	-	(89,880)	-
45,128	3,657	104,360	4,880
171,367	-	171,367	-
-	17,584	17,584	-
(2,642)	(8)	(2,907)	(200)
44	47	94	1,193
-	-	-	38
-	(106)	(106)	(158)
(6,255)	(1,934)	(8,543)	(1,292)
118,737	(86)	118,588	(34)
236,499	19,154	310,557	4,427
(411,693)	(43,401)	579,806	105,984
138,610	21,389	159,999	44
776	-	776	-
397,073	216,591	613,664	1,371
(41,537)	(183,799)	(747,691)	(36,754)
83,229	10,780	606,554	70,645
1,477,262	1,229,441	5,016,207	494,015
-	1,620	(4,828)	(4,060)
-	(4,314)	(13,333)	(606)
1,477,262	1,226,747	4,998,046	489,349
$ 1,560,491	$ 1,237,527	$ 5,604,600	$ 559,994

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with the business-type activities.	$ 29,563
Change in net position of business-type activitie	$ 636,117

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
Cash Flows from Operating Activities:			
Receipts from Customers	$ 2,595	$ 1,053,681	$ -
Receipts from Other Funds for Services	-	-	-
Loan Principal Repayments	120,323	-	-
Loan Interest Received	54,751	-	-
Grant Receipts	-	-	-
Taxes and Assessments Received	-	-	1,069,620
Payments to Employees for Services	(4,176)	(38,539)	-
Payments to Suppliers	(5,182)	(235,079)	(151)
Payments to Other Funds for Services	-	-	-
Payments to Prize Winners	-	(202,680)	-
Claims Paid	-	-	(839,838)
Loans Made	(61,117)	-	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	1,431	1,013	220,469
Net Cash Provided (Used) in Operating Activities	108,625	578,396	450,100
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	139,606	-	-
Loan Principal Repayments	-	-	-
Loan Interest Received	-	-	-
Principal Payments on Bonds/COPS	(249,975)	-	-
Principal Payments on Loans	(1,516)	(128)	-
Interest Payments on Bonds/COPS	(46,745)	-	-
Interest Payments on Loans	(76)	(315)	-
Bond/COP Issuance Costs	(1,409)	-	-
Advances Received	-	-	-
Taxes and Assessments Received	-	-	-
Other Gifts and Private Contracts	-	-	-
Grant Receipts	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(186)	(518,372)	(8,051)
Net Cash Provided (Used) in Noncapital Financing Activities	(160,301)	(518,815)	(8,051)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Principal Payments on Loans	-	(344)	-
Interest Payments on Loans	-	-	-
Other Interest Payments	-	-	-
Acquisition of Capital Assets	(15)	(12,415)	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	102	-
Insurance Recoveries for Capital Assets	-	3	-
Capital Contributions	-	-	-
Transfers from Other Funds	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(15)	(12,654)	-
Cash Flows from Investing Activities:			
Purchases of Investments	(390,462)	(15,485)	-
Proceeds from Sales and Maturities of Investments	440,623	13,369	-
Interest on Investments and Cash Balances	3,298	1,518	44,397
Interest Income from Securities Lending	38	217	4
Interest Expense from Securities Lending	(13)	(46)	(1)
Net Cash Provided (Used) in Investing Activities	53,484	(427)	44,400
Net Increase (Decrease) in Cash and Cash Equivalents	1,793	46,500	486,449
Cash and Cash Equivalents - Beginning	67,049	294,485	1,594,330
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 68,842	$ 340,985	$ 2,080,779

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ 1,363,046	$ 799,850	$ 3,219,172	$ 61,488
-	88,544	88,544	1,289,454
-	91,844	212,167	-
-	38,016	92,767	-
390,760	1,000	391,760	-
-	-	1,069,620	-
(1,563,586)	(253,054)	(1,859,355)	(245,049)
(545,284)	(412,685)	(1,198,381)	(880,399)
-	(10,926)	(10,926)	(55,892)
-	-	(202,680)	-
-	(175,011)	(1,014,849)	(13,761)
(140,894)	(121,212)	(323,223)	-
-	(60,971)	(60,971)	-
2,947	(28,784)	197,076	4,265
(493,011)	(43,389)	600,721	160,106
-	18,855	158,461	-
-	-	-	38
-	-	-	38
-	(41,758)	(291,733)	(7)
-	(822)	(2,466)	(560)
-	(20,332)	(67,077)	(16)
-	(1,981)	(2,372)	(1,425)
-	(920)	(2,329)	-
-	-	-	19
-	17,554	17,554	-
117,566	-	117,566	-
169,738	-	169,738	-
16	47	63	-
341,856	245,313	587,169	(1,208)
(49,357)	(185,760)	(761,726)	(24,454)
579,819	30,196	(77,152)	(27,575)
226,243	-	226,243	-
(82,406)	(1,492)	(83,898)	(12,887)
(96,194)	(37)	(96,231)	(4,126)
-	-	(344)	-
-	-	-	(3)
-	(61)	(61)	-
(276,220)	(26,777)	(315,427)	(28,179)
-	(257)	(257)	(3,464)
8,999	22	9,123	1,224
28	-	31	1,199
51,177	17,827	69,004	-
52,712	-	52,712	-
(115,661)	(10,775)	(139,105)	(46,236)
(38,760)	(20,000)	(464,707)	(6,690)
120,189	7,000	581,181	21,887
37,641	3,299	90,153	4,689
127	93	479	97
(41)	(37)	(138)	(34)
119,156	(9,645)	206,968	19,949
90,303	(33,613)	591,432	106,244
543,849	631,420	3,131,133	453,992
-	453	453	41
$ 634,152	$ 598,260	$ 3,723,018	$ 560,277

(continued on next page)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Lottery Operations	Unemployment Compensation
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,522)	$ 557,820	$ 423,698
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	2	13,543	-
Amortization of Bond/COP Premium and Discount	(469)	-	-
Amortization of Other Bond/COP Related Costs	(1,048)	-	-
Bad Debt Expense	-	-	19,079
Interest Payments Reported as Operating Expense	43,528	-	-
Bond/COP Issuance Costs Reported as Operating Expense	1,303	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	490	(795)	23,132
Due from Other Funds	-	-	-
Due from Other Governments	-	-	2,684
Inventories	-	(209)	-
Prepaid Items	6	(155)	-
Foreclosed and Deeded Property	(3,327)	-	-
Advances to Other Funds	-	-	-
Net Contracts, Notes, and Other Receivables	-	(310)	(8,949)
Loans Receivable	70,323	-	-
Accounts and Interest Payable	(28)	6,787	(8,181)
Due to Other Funds	-	-	344
Due to Other Governments	-	-	(1,807)
Unearned Revenue	(127)	2,502	-
Compensated Absences Payable	32	145	-
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	(975)	-
Custodial Liabilities	-	8	100
Contracts, Mortgages, and Notes Payable	-	-	-
Net OPEB Obligation	4	35	-
Increase/(Decrease) in Deferred Inflows of Resources:			
Loan Origination	(542)	-	-
Total Adjustments	110,147	20,576	26,402
Net Cash Provided (Used) by Operating Activities	$ 108,625	$ 578,396	$ 450,100
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ 955	$ (4,596)	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Capital Assets Acquired Through Long-Term Contracts	-	645	-
Capital Assets Contributed	-	-	-
Foreclosed Property	14,544	-	-
Loan Modifications	(1,112)	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds			
University System	Other	Total	Governmental Activities Internal Service Funds
$ (648,192)	$ (62,555)	$ 269,249	$ 101,557
145,268	11,802	170,615	25,685
-	(638)	(1,107)	(665)
-	25	(1,023)	1,769
-	788	19,867	-
-	20,370	63,898	4,124
-	920	2,223	-
(34,197)	(11,717)	(23,087)	(10,827)
-	5,337	5,337	(1,183)
-	-	2,684	-
249	(331)	(291)	108
12,790	24	12,665	842
-	(344)	(3,671)	-
-	(11,733)	(11,733)	-
184	1,313	(7,762)	9
-	(14,159)	56,164	-
14,007	40,399	52,984	1,461
-	(27,482)	(27,138)	5,879
-	89	(1,718)	-
8,454	1,696	12,525	16,986
-	(240)	(63)	5,449
-	-	-	7,174
-	-	(975)	-
-	2,816	2,924	1,558
8,426	-	8,426	(4)
-	231	270	184
-	-	(542)	-
155,181	19,166	331,472	58,549
$ (493,011)	$ (43,389)	$ 600,721	$ 160,106
$ 8,430	$ 134	$ 4,923	$ -
-	1,072	1,072	44
-	-	645	-
87,432	-	87,432	-
-	681	15,225	-
-	-	(1,112)	-

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Short Term Investment Trust	Intermediate Term Investment Trust	Agency
ASSETS					
Cash and Cash Equivalents	$ 3,412,027	$ 22,194	$ 5,269,668	$ 865	$ -
Investments					
Fixed Income	15,540,686	314	-	30,075	-
Public Equity	30,015,605	642	-	-	-
Real Estate	7,721,840	-	-	-	-
Annuity Contract	-	536	-	-	-
Private Equity	15,432,635	-	-	-	-
Alternative Equity	1,016,746	-	-	-	-
Opportunity Portfolio	900,094	-	-	-	-
Total Investments	70,627,606	1,492	-	30,075	-
Custodial Assets	-	4,875	-	-	1,326,012
Securities Lending Collateral	2,190,071	1,448	246,385	2,707	-
Receivables:					
Employer Contributions	31,210	-	-	-	-
Plan Member Contributions	9,341	-	-	-	-
Interest and Dividends	311,076	-	8,521	123	-
Member Loans	9,915	-	-	-	-
Investment Sales	1,268,881	-	20,140	-	-
Transitional Liability	595,168	-	-	-	-
Accounts	-	596	2,583	-	4,826
From Other Funds	6,834	-	-	-	-
Loans	-	-	8,040	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	-	70,574
Total Receivables	2,232,425	596	39,284	123	75,400
Prepaid Items	1,006	-	-	-	-
Receivership Assets	-	-	-	-	68,878
Capital Assets (net of $17,585 accumulated depreciation):					
Land	944	14	-	-	-
Buildings, Property, and Equipment	35,350	-	-	-	-
Total Assets	78,499,429	30,619	5,555,337	33,770	1,470,290
LIABILITIES					
Accounts and Interest Payable	2,448,307	181	93,990	-	4
Obligations Under Securities Lending	2,192,217	1,448	246,385	2,707	-
Due to Other Funds	6,788	-	-	-	-
Due to Other Governments	-	-	-	-	6,345
Unearned Revenue	965	-	-	-	-
Custodial Liabilities	120,480	387	-	-	1,463,941
Contracts, Mortgages, and Notes Payable	-	1,762	-	-	-
Bonds/COPs Payable	1,943	-	-	-	-
Net OPEB Obligation	544	-	-	-	-
Total Liabilities	4,771,244	3,778	340,375	2,707	1,470,290
NET POSITION					
Restricted - Held in Trust for:					
Pension Benefits	71,858,610	-	-	-	-
Other Postemployment Benefits	392,905	-	-	-	-
Other Employee Benefits	1,476,670	-	-	-	-
External Investment Pool Participants	-	-	5,214,962	31,063	-
Individuals, Organizations and Other Governments	-	26,841	-	-	-
Total Net Position	$ 73,728,185	$ 26,841	$ 5,214,962	$ 31,063	$ -

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Short Term Investment Trust	Intermediate Term Investment Trust
ADDITIONS				
Contributions:				
Employer	$ 969,640	$ -	$ -	$ -
Plan Members	634,796	-	-	-
Total Contributions	1,604,436	-	-	-
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	9,955,647	11	7,158	207
Interest, Dividends and Other Investment Income	1,669,454	121	41,001	615
Total Investment Income	11,625,101	132	48,159	822
Less Investment Expense	507,170	1	2,440	13
Net Investment Income	11,117,931	131	45,719	809
Gifts, Grants, and Contracts	-	6	-	-
Veterans' Income	-	8,147	-	-
Unclaimed and Escheat Property Revenue	-	1,115	-	-
Other Income	6,324	521	-	-
Share Transactions:				
Participant Contributions	-	-	14,608,091	-
Participant Withdrawals	-	-	14,174,899	-
Net Share Transactions	-	-	433,192	-
Total Additions	12,728,691	9,920	478,911	809
DEDUCTIONS				
Benefits	4,252,256	-	-	-
Death Benefits	5,803	-	-	-
Contributions Refunded	25,560	-	-	-
Healthcare Premium Subsidies	39,039	-	-	-
Special Payments to State Agencies	-	2,294	-	-
Distribution to Participants	-	-	32,547	-
Administrative Expenses	40,393	7,699	-	-
Payments in Accordance with Trust Agreements	-	275	-	-
Total Deductions	4,363,051	10,268	32,547	-
Change in Net Position Held in Trust For:				
Pension Benefits	8,089,852	-	-	-
Other Postemployment Benefits	71,081	-	-	-
Other Employee Benefits	204,707	-	-	-
External Investment Pool Participants	-	-	446,364	809
Individuals, Organizations and Other Governments	-	(348)	-	-
Net Position - Beginning	65,362,545	27,549	4,768,598	-
Prior Period Adjustments	-	(360)	-	30,254
Net Position - Beginning - As Restated	65,362,545	27,189	4,768,598	30,254
Net Position - Ending	$ 73,728,185	$ 26,841	$ 5,214,962	$ 31,063

The notes to the financial statements are an integral part of this statement.

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Statement of Net Position
Discretely Presented Component Units
June 30, 2014
(In Thousands)

	SAIF Corporation	Other	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 59,615	$ 160,047	$ 219,662
Cash and Cash Equivalents - Restricted	-	19,277	19,277
Investments	4,323,985	206,070	4,530,055
Securities Lending Collateral	172,668	-	172,668
Accounts and Interest Receivable (net)	384,264	354,258	738,522
Pledges, Contributions, and Grants Receivable (net)	-	177,470	177,470
Due from Other Governments	-	2,504	2,504
Due from Primary Government	111	15,031	15,142
Inventories	80	18,073	18,153
Prepaid Items	-	72,203	72,203
Total Current Assets	4,940,723	1,024,933	5,965,656
Noncurrent Assets:			
Investments	-	691,830	691,830
Investments - Restricted	-	2,037,943	2,037,943
Net Contracts, Notes and Other Receivables	-	2,156	2,156
Pledges, Contributions, and Grants Receivable (net)	-	84,934	84,934
Capital Assets:			
Land	3,029	78,546	81,575
Buildings, Property, and Equipment	41,438	2,453,981	2,495,419
Construction in Progress	-	291,852	291,852
Less Accumulated Depreciation and Amortization	(29,391)	(1,248,831)	(1,278,222)
Total Noncurrent Assets	15,076	4,392,411	4,407,487
Total Assets	4,955,799	5,417,344	10,373,143
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivitives	-	13,586	13,586
Loss on Refunding	-	3,048	3,048
Total Deferred Outflows of Resources	-	16,634	16,634
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	84,611	218,142	302,753
Obligations Under Securities Lending	172,633	-	172,633
Due to Other Governments	1,863	16,955	18,818
Due to Primary Government	24,833	8,179	33,012
Unearned Revenue	217,434	66,700	284,134
Compensated Absences Payable	4,226	65,273	69,499
Reserve for Loss and Loss Adjustment Expense	251,185	-	251,185
Claims and Judgments Payable	-	20,303	20,303
Custodial Liabilities	12,573	-	12,573
Contracts, Mortgages, and Notes Payable	-	1,960	1,960
Bonds/COPS Payable	-	14,006	14,006
Obligations Under Capital Lease	-	1,036	1,036
Total Current Liabilities	769,358	412,554	1,181,912
Noncurrent Liabilities:			
Obligations Under Life Income Agreements	-	111,584	111,584
Reserve for Loss and Loss Adjustment Expense	2,790,190	-	2,790,190
Claims and Judgments Payable	-	39,992	39,992
Contracts, Mortgages, and Notes Payable	-	58,098	58,098
Bonds/COPS Payable	-	715,399	715,399
Obligations Under Capital Lease	-	6,057	6,057
Advances from Primary Government	-	38,438	38,438
Net OPEB Obligation	3,029	7,769	10,798
Derivative Instrument Liabilities	-	14,968	14,968
Total Noncurrent Liabilities	2,793,219	992,305	3,785,524
Total Liabilities	3,562,577	1,404,859	4,967,436
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	-	3,885	3,885
Total Deferred Inflows of Resources	-	3,885	3,885
Net Position			
Net Investment in Capital Assets	15,075	803,428	818,503
Restricted-Nonexpendable	-	1,020,667	1,020,667
Restricted for:			
Education	-	1,184,495	1,184,495
Workers' Compensation	1,378,147	-	1,378,147
Unrestricted	-	1,016,644	1,016,644
Total Net Position	$ 1,393,222	$ 4,025,234	$ 5,418,456

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2014
(In Thousands)

	SAIF Corporation	Other	Total
Operating Revenues:			
Federal Revenue	$ -	$ 40,006	$ 40,006
Charges for Services	-	1,708,000	1,708,000
Premiums Earned (net)	435,671	-	435,671
Investment Income (net)	-	182,911	182,911
Gifts, Grants, and Contracts	-	652,047	652,047
Other Revenues	27,210	133,703	160,913
Total Operating Revenues	462,881	2,716,667	3,179,548
Operating Expenses:			
Salaries and Wages	-	1,355,040	1,355,040
Services and Supplies	-	875,104	875,104
Loss and Loss Adjustment Expense	316,818	-	316,818
Policyholders' Dividends	129,145	-	129,145
Underwriting Expenses	112,157	-	112,157
Mortgage Assistance Payments	-	40,551	40,551
Bond and COP Interest	-	22,829	22,829
Depreciation and Amortization	-	115,428	115,428
Other Expenses	925	74,261	75,186
Total Operating Expenses	559,045	2,483,213	3,042,258
Operating Income (Loss)	(96,164)	233,454	137,290
Nonoperating Revenues (Expenses):			
Investment Income	85,801	93,355	179,156
Other	-	359	359
State Appropriations	-	35,415	35,415
Total Nonoperating Revenues (Expenses)	85,801	129,129	214,930
Income (Loss) Before Capital Contributions	(10,363)	362,583	352,220
Capital Contributions	-	5,135	5,135
Change in Net Position	(10,363)	367,718	357,355
Net Position - Beginning	1,412,654	3,666,867	5,079,521
Prior Period Adjustments	-	14	14
Cumulative Effect of Change in Accounting	(9,069)	(9,365)	(18,434)
Net Position - Beginning - As Restated	1,403,585	3,657,516	5,061,101
Net Position - Ending	$ 1,393,222	$ 4,025,234	$ 5,418,456

The notes to the financial statements are an integral part of this statement.

Adjustments to Recast	Statement of Activities
$ (40,006)	$ -
596,943	2,304,943
(435,671)	-
(182,911)	-
437,488	1,089,535
(160,913)	-
214,930	3,394,478
-	1,355,040
-	875,104
-	316,818
-	129,145
-	112,157
-	40,551
-	22,829
-	115,428
-	75,186
-	3,042,258
214,930	352,220
(179,156)	-
(359)	-
(35,415)	-
(214,930)	-
-	352,220
-	5,135
-	357,355
-	5,079,521
-	14
-	(18,434)
-	5,061,101
$ -	$ 5,418,456

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of Oregon (State) was admitted to the Union in 1859 and is governed by an elected governor and a ninety-member elected legislative body. The accompanying financial statements present the State, including all agencies, boards, commissions, courts, and colleges and universities that are legally part of the State (primary government), and the State's component units. Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government.

Discretely Presented Component Units

The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State. The component unit column in the government-wide financial statements includes the data of the State's four discretely presented component units.

SAIF Corporation (SAIF) is a public corporation created by an act of the Legislature. SAIF is authorized to write workers' compensation insurance coverage in Oregon and certain other jurisdictions as required by the Oregon Department of Consumer and Business Services and to service accounts in the assigned risk pool. SAIF is governed by a board of directors appointed by the Governor and is financed solely through policyholder premiums and investment income. The term of office for a board member is four years, but a member serves at the pleasure of the Governor. SAIF reports on a fiscal year ended December 31 and uses proprietary fund accounting principles. The December 31, 2013, financial information of SAIF is included in this report.

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. As an academic health center, OHSU provides education and training to healthcare professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives General Fund moneys from the State. OHSU uses proprietary fund accounting principles.

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCSD) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCSD.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and has adopted ASC 958. The December 31, 2013, financial information of OAHAC is included in this report.

SAIF is reported as a major component unit due to the significant transactions between SAIF and the primary government. The remaining component units are reported as nonmajor. Readers may obtain complete financial statements for SAIF, OHSU, the OUS Foundations, and OAHAC from their respective administrative offices or

from the Oregon Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Related Organizations

The following professional and occupational licensing boards are semi-independent: the Board of Architect Examiners, the Board of Examiners for Engineering and Land Surveying, the Landscape Architect Board, the Board of Geologist Examiners, the Board of Optometry, the Board of Massage Therapists, the Physical Therapists Licensing Board, the Appraiser Certification and Licensure Board, the Landscape Contractors Board, the Wine Board, and the Patient Safety Commission. Although the Governor appoints the administrators of these boards, the boards are all self-supporting and the State's accountability for these organizations does not extend beyond making the appointments. The State has no financial accountability for these related organizations.

The Oregon Utility Notification Center (OUNC) is an independent not-for-profit public corporation. Although the Governor appoints members to OUNC's board of directors, OUNC is funded through fees paid by operators of underground utilities who subscribe to OUNC. The OUNC receives no General Fund moneys, and the State has no financial accountability for OUNC.

The Oregon Health Insurance Exchange Corporation, dba Cover Oregon, is an independent public corporation established under the federal Affordable Care Act of 2010 that offers health insurance and coverage options to individuals, families, and small employers. It is governed by a nine-member board of directors, appointed by the Governor. The Exchange operates at no cost to the state. It is funded by federal grant dollars through 2014 and after that, it will be self-sustaining through an administrative fee charged to insurance carriers.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been eliminated from these statements through consolidation, except for interfund activity that represents a true exchange of goods and services between funds. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund activity within governmental and within business-type activities has been eliminated through consolidation; however, balances due and resource flows between governmental and business-type activities have not been eliminated. The *primary government* is reported separately from its *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Direct expenses include administrative overhead charges for centralized services charged to functions through internal service funds. *Program revenues* include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and (3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The State uses the economic resources measurement focus and the accrual basis of accounting in preparing the government-wide financial statements, as well the financial statements of the proprietary funds, internal service funds, and fiduciary funds (except for agency funds, which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Income taxes are recognized as revenue, net of estimated refunds, in the year when the underlying exchange (earning of income) has occurred, to the extent such amounts are measurable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The State uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the governmental fund financial statements. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, the State considers revenues as available, if they are collected within 90 days of the end of the current fiscal year. Primary revenue sources susceptible to accrual are income taxes, excise taxes, fines, forfeitures, and federal revenues. Income tax revenue, net of estimated refunds, is recognized in the fiscal year in which the underlying exchange has occurred and it becomes measurable and available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant eligibility requirements have been met. Revenue items not susceptible to accrual, such as licenses, fees, and the cash sales of goods and services, are considered measurable and available only when cash is received.

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

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund. Beginning in fiscal year 2011, the General Fund includes some activity previously accounted for in special revenue funds. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 necessitated this change. Statement No. 54 clarifies that one or more specific restricted or committed revenues must comprise a substantial portion of the "inflows" reported in a special revenue fund. The state considers 30 percent as "substantial" for financial reporting purposes. In special revenue funds where a substantial portion of the inflows will not derive from specific restricted or committed revenue sources, the funds' activities are accounted for in the General Fund. The *Oregon Rainy Day Fund*, for example, was previously reported as an individual major special revenue fund but is now reported in the General Fund. The Rainy Day Fund relies on resources that are "transferred" from the General Fund in accordance with state law and which, along with investment income generated, can be appropriated by the Legislature only when certain specific criteria related to economic or revenue conditions have been met. The funding source for the Rainy Day Fund is not a specific restricted or committed revenue.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *Health and Social Services Fund* accounts for programs that provide assistance, services, training, and healthcare to individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of funding for these programs come from federal grants, tobacco taxes, healthcare provider taxes, and charges for services.

The *Public Transportation Fund* accounts for the planning, design, construction, and maintenance of highways, roads, bridges, and public systems relating to air, water, rail, and highway transportation. Funding is provided from dedicated highway user taxes and vehicle registration taxes, in addition to various federal highway administration funds.

The *Environmental Management Fund* accounts for programs that promote, protect, and preserve the State's forests, parks, wildlife, fish, and waterways. The main funding sources for these programs are user fees, federal grants, and sales revenue.

The *Common School Fund* accounts for programs to manage state-owned land, including a leasing program that generates annual revenues, for the benefit of the public school system. Estate funds that become the property of the State, unclaimed property, and income derived from unclaimed property are also accounted for in this fund. Statutory and constitutional provisions stipulate that the assets of the fund, including investment income, must be used for common school purposes. The primary funding sources for these programs include investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.

The State reports the following major proprietary (enterprise) funds:

The *Housing and Community Services Fund* accounts for activities that finance multi-family rental housing and single-family mortgages for low to moderate-income families. Mortgage loans related to these activities are financed with the proceeds of bonds issued under various bond indentures of trust. Mortgage loan payments and interest earnings on invested bond proceeds are used to pay debt service on the bonds.

The *Lottery Operations Fund* accounts for the operation of the Oregon State Lottery which markets and sells Lottery products to the public. The primary objective of the Oregon State Lottery is to produce the maximum amount of net revenues to be used for creating jobs, furthering economic development, financing public education, and restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats.

The *Unemployment Compensation Fund* accounts for federal moneys and unemployment taxes collected from employers to provide payment of benefits to the unemployed.

The *University System Fund* accounts for the operations of Oregon's seven public universities, including the Chancellor's Office. Funding is from General Fund appropriations, tuition and fees, and auxiliary enterprise revenues, in addition to funds from external donors and federal agencies.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Additionally, the State reports the following fund types:

Governmental Fund Types (reported as nonmajor funds)

Like major special revenue funds, nonmajor *special revenue funds* also account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligations.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities.

The *Permanent Fund* accounts for and reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State and its citizenry.

Proprietary Fund Types (reported as nonmajor funds)

Nonmajor *enterprise funds* account for and report business-type activities for which fees are charged to external users for goods and services.

Internal service funds account for goods and services provided by state agencies to other state agencies and to other governmental units on a cost-reimbursement basis. These goods and services include central services such as accounting, budgeting, personnel, mail, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund. Legal, banking, and audit services, as well as state employee health benefits programs, are also accounted for and reported in the internal service funds.

Fiduciary Fund Types

The *Pension and Other Employee Benefit Trust Fund* accounts for activities of the Public Employees Retirement System (PERS), which administers resources for the payment of retirement, disability, postemployment healthcare, and death benefits to members and beneficiaries of the retirement system.

The *Private Purpose Trust Fund* accounts for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

The *Short Term Investment Trust Fund* is an investment trust fund, accounting for the portion of the Oregon Short-Term Fund (OSTF) belonging to entities other than the State. The OSTF is a cash and investment

pool, managed by the Oregon State Treasury, which is available for use by all funds and local governments. Oregon reports the State's portion of this pool within the funds of the State.

The *Intermediate Term Trust Fund* is an investment trust fund, accounting for the portions of the Oregon Intermediate Term Pool (OITP) belonging to entities other than the State. The OITP is an intermediate term fixed income investment vehicle managed by the Oregon State Treasury, and participants include several state agencies and one non-agency entity. State agencies have the opportunity to participate in the OITP subject to application requiring evidence of statutory authority to invest in the OITP and subsequent approval by the Oregon State Treasury. Oregon reports the State's portion of this pool within the funds of the State.

The *Agency Fund* accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

D. Deposits and Investments

Deposits

Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents include: cash on hand, cash and investments held by the Oregon State Treasury in the OSTF, cash deposits held in demand deposit accounts with custodial banks, and cash deposits of debt proceeds in investment funds held by a trustee.

Investments – Excluding Oregon Public Employees Retirement Fund

Investments are reported at fair value with the following exceptions, which are reported using cost-based measures:

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.
- Investments in the OSTF with remaining maturities of up to 90 days are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet or statement of net position, but as investments in Note 2.

Changes in the fair value of investments are recognized as investment income (loss) in the current year.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price and generally values debt securities by using evaluated bid prices. The fair value of publicly traded real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services. For securities that do not have an active market, such as private placements or commingled investment vehicles, the value is stated at cost. The benchmark used to value a debt security, for example, typically has a coupon rate and maturity date comparable to the debt security being valued, as well as similar market risk. Real estate and restricted stock investments outside of external investment pools are stated at cost.

Investments – Oregon Public Employees Retirement Fund

Investments in private equities are recorded at fair value, as of June 30, 2014, as determined by PERS management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments

typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITs, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2014, as determined by PERS management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years and, between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the PERS Opportunity and Alternatives portfolios are recorded at fair value as of June 30, 2014, as determined by the respective general partner or account manager. (The Opportunity portfolio is an investment portfolio within the PERS Fund that utilizes investment approaches across a wide range of investment opportunities, while investments in the Alternatives portfolio represent alternative investment strategies, including infrastructure, natural resources, natural resource commodities, and hedge fund strategies.) Investments in these portfolios are reported at the net asset value of the general partner. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Due to the inherent uncertainty and the degree of judgment involved in determining certain private equity, Opportunity, Alternatives, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material. In addition, these investments are generally considered illiquid long-term investments, and the recorded fair values may differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

Derivatives

In accordance with State investment policies, the Oregon State Treasury participates in contracts that have derivative characteristics. Derivative instruments are used to lower the cost of borrowing, to hedge against fluctuations in foreign currency rates quickly and cost effectively replicate certain asset class exposures (e.g. stocks, bonds), and manage overall fund risk.

The fair value of *effective* hedging derivative instruments are reported on the proprietary funds statement of net position and the statement of fiduciary net position as assets and liabilities as applicable, with offsetting balances reported as deferred inflows of resources or deferred outflows of resources. The changes in fair value of effective hedging derivative instruments are also reflected on the proprietary funds statement of net position and the statement of fiduciary net position; such changes are not reported on the statement of revenues, expenses, and changes in proprietary fund net position and the statement of changes in fiduciary net position.

Ineffective hedging derivative instruments and derivatives purchased as investments are reported at fair value on the proprietary funds statement of net position and the statement of fiduciary net position. The related changes in fair value are reported on the statement of revenues, expenses, and changes in proprietary fund net position and the statement of changes in fiduciary net position.

E. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other

outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Trade receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectible amounts. Income tax receivables deemed reasonably estimable are reported, net of estimated uncollectible amounts, in the fiscal year when the underlying exchange has occurred. Income tax receivables that may arise in the future from audits of prior years and discovery of non-filers are not included in receivables or revenues in the financial statements because these transactions are not measurable.

F. Intrafund Transactions

Intrafund balances (due to/from other funds and advances to/from other funds) and intrafund activity (transfers to/from other funds) within each fund in the financial statements have been eliminated.

G. Inventories

Inventories, which consist primarily of operating supplies, are stated at cost utilizing the first-in, first-out cost valuation method. In governmental funds, inventories are recorded as expenditures when purchased. Reported inventories in governmental funds are offset by nonspendable fund balance since the fund balance associated with inventory is not in spendable form. However, in the case of inventory held for resale, if the proceeds from the sale of the inventory are restricted, committed, or assigned to a specific purpose, the related fund balance is classified as restricted, committed, or assigned, as appropriate, rather than as nonspendable. In proprietary funds, inventories are expended when consumed rather than when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items. In governmental funds and proprietary funds, prepaid items are accounted for using the consumption method. In governmental funds, a portion of fund balance equal to the prepaid items is classified as nonspendable to indicate that it is not in spendable form.

I. Restricted Assets

Certain proceeds of the State’s bond and certificate of participation (COP) issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or COP financing agreements. Other restrictions on asset use may change the nature and availability of an asset. Various grant moneys, loan acquisition funds, customer deposits, and insurance funds, are also classified as restricted assets.

J. Foreclosed and Deeded Properties

Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or market.

K. Receivership Assets

Net assets of insurance companies that have been placed into receivership under the control of the Department of Consumer and Business Services in accordance with Oregon Revised Statutes are recorded as receivership assets in the agency fund.

L. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., highways, tunnels, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of $5,000 or more and an estimated useful life of more than one year. Such assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to fiscal years ended after June

30, 1980, is reported. The costs of normal maintenance and repairs that do not add to the value of assets or significantly extend asset lives are expensed rather than capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as its component units, are depreciated over their estimated useful lives using the straight-line method, unless they are considered inexhaustible. Useful lives for buildings and related assets range from 10 to 75 years, while useful lives of equipment and machinery range from 3 to 50 years. For infrastructure assets, useful lives range from 5 to 75 years, with docks, dikes and dams having useful lives between 30 to 50 years. Useful lives for depreciable works of art and historical treasures range from 10 to 30 years, and useful lives for motor vehicles range from 3 to 30 years. Data processing software and hardware have useful lives ranging from 3 to 10 years.

M. Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from state service. A liability for vacation leave (compensated absences) is accrued when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for compensated absences is reported in governmental funds only if the liabilities have matured, for example, as the result of employee resignations and retirements.

N. Long-term Obligations

In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities for governmental activities or business-type activities, as applicable. In proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond or certificate of participation (COP) premiums and discounts are reported as a direct addition to or deduction from the applicable bond/COP payable and amortized over the term of the debt. Bond/COP issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as a prepaid item and are amortized over the duration of the related bond/COP.

In the fund financial statements, governmental funds recognize bond/COP premiums and discounts, as well as bond/COP issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issues are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other debt service expenditures.

O. Fund Equity

The difference between assets and liabilities is labeled “Net position” on the government-wide, proprietary fund, and fiduciary fund financial statements and “Fund Balance” on the governmental fund financial statements.

In governmental funds, fund balance is reported in five components: (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned.

Nonspendable fund balances include amounts that cannot be spent because they are either not in *spendable* form or they are legally or contractually required to be maintained intact.

*Restricted fund balance*s are the result of constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation. The restricted fund balance category has been further broken down on the face of the governmental fund financial statements to indicate the various sources of those constraints.

Committed fund balance results from constraints imposed by bills (passed by the Legislature and signed into law by the Governor) that are separate from the authorization to raise the underlying revenue.

Assigned fund balance represents amounts that are constrained by the State's intent to use them for specific purposes, which are neither restricted nor committed. Intent is expressed by the Legislature via the budget process when there is no legislation other than a budget bill imposing constraints.

Unassigned fund balance is the residual amount in the General Fund not included in the previous four categories. Deficit fund balances in other governmental funds are reported as unassigned. See Note 21 for additional information on fund equity.

In the government-wide statement of net position and the proprietary fund statement of net position, net position is reported in three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Restricted net position results from restrictions imposed on a portion of net position by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments.

For fund balance classification purposes, state agencies determine the appropriate classification of each of their detail-level funds based on the resources accounted for in those funds and the constraints on spending those resources. Agencies expend resources from the appropriate funds based on each fund's specific spending constraints. Ending fund balances, therefore, are the result of that spending. In the event that an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available for use, the individual state agencies determine the order in which those resources are spent, as there is no statewide flow assumption policy. The same is true of an expenditure incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available.

The state maintains two stabilization funds: the Oregon Rainy Day Fund within the General Fund and the Education Stability Fund within the Educational Support Fund, a nonmajor special revenue fund. The resources in both funds may be expended only when specific non-routine budget shortfalls occur. See Note 21 for additional information about the stabilization funds.

P. Changes in Accounting Principle

For the fiscal year ended June 30, 2014, the State implemented three new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, identifies the specific items previously reported as assets and liabilities that should be reclassified and reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The reclassifications are necessary to report financial statement elements in accordance with the definitions in GASB Concepts Statement No. 4. Implementation of this standard is reflected in the State's presentation of governmental fund, proprietary fund, and government-wide financial statements as well as in the notes to the financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans* (an amendment to GASB Statement No. 25) builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This standard did not materially affect the State's financial statements because the scope of the standard included only defined benefit and defined contribution pension plans and not employers contributing to the plans.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, provides guidance on the recognition, measurement, and disclosure for state and local governments that extend or receive nonexchange financial guarantees in connection with other governments, organizations, or individuals. The State extends nonexchange financial guarantees to school districts, education service districts, and community college districts. See Note 22 for additional information.

Q. Pending Changes in Accounting Principle

Three new accounting standards are effective for the fiscal year ending June 30, 2015.

The purpose of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27) is to improve the information provided by state and local governmental employers about the financial support for pension plans administered through certain trusts. For defined

benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The State is currently evaluating the impact of this standard on future financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards for government combinations and disposals of government operations. The State is currently evaluating the impact of this standard on future financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (an amendment of GASB Statement No. 68) addresses an issue regarding application of the transition provisions of GASB Statement No. 68, which relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The State is currently evaluating the impact of this standard on its June 30, 2015, financial statements.

2. DEPOSITS AND INVESTMENTS

The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit with the Oregon State Treasury (Treasury). In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. The Treasurer is authorized to use demand deposit accounts, fixed income investments, and direct equity investments, although the majority of equity investments are currently directed by external investment managers under contract with the Council. Furthermore, common stock investments are limited to not more than 50 percent of the moneys contributed to the Oregon Public Employees Retirement Fund (OPERF) and the Industrial Accident Fund (SAIF Corporation) and not more than 65 percent of the other trust and endowment funds managed by the Council or the Treasury. The Deferred Compensation Fund, the Education Stability Fund, the State Board of Higher Education, and Common School Fund may also invest in common stock.

The Treasurer maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in an investment trust fund. Because the pool operates as a demand deposit account, each fund's portion of the pool is classified on the financial statements as cash and cash equivalents. A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:

http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx

The Treasurer also maintains the Oregon Intermediate-Term Pool (OITP), an investment pool that is available for use by state agencies with statutory authority, and limited external participants. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in an investment trust fund. A separate financial report for the OITP is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, 350 Winter St NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:

http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Intermediate-Term-Pool-(OITP)-.aspx

The Treasurer also makes short-term and long-term investments, which are held separately by several of the State's funds. The Treasury's direct investments in short-term securities are limited by portfolio rules established by the OSTF Board and the Council. Other investments are made directly by state agencies with the approval of the Treasurer.

A. Custodial Credit Risk

Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the State will not be able to recover deposits or collateral securities that are in the possession of an outside party. The State does not have a formal policy regarding custodial credit risk for deposits. However, banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

Oregon Revised Statutes (ORS), Chapter 295, governs the collateralization of public funds. Depositories are required to pledge collateral against any public fund deposits in excess of deposit insurance amounts. This requirement provides additional protection for public funds in the event of a depository failure or loss. ORS Chapter 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable.

ORS Chapter 295 provides the statutory authority for the Public Funds Collateralization Program (PFCP). The Treasury uses an internally-developed web application to administer the PFCP and facilitate depository, custodian, and public official compliance with ORS Chapter 295. Under the PFCP, depositories are required to report quarterly to the Treasury, providing quarter-end public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limits. Depositories are also required to report their net worth and capitalization information. The FDIC or NCUA assigns each bank or credit union a capitalization category quarterly: well capitalized, adequately capitalized, or undercapitalized. Based on this information, the depository's minimum collateral required to be pledged with the custodian and the maximum liability in the pool of all depositories are calculated for the next quarter. The maximum liability is reported to the depository, the Treasury, and the custodian.

Barring any exceptions, a depository is required to pledge collateral valued at no less than 10 percent of its last reported uninsured public fund deposits if the depository is well capitalized and as much as 110 percent if the depository is adequately capitalized, undercapitalized, or assigned to pledge 110 percent by Treasury.

There are three exceptions to this calculation, and any exceptions are required to be collateralized at 100 percent.

1. A depository may not accept public fund deposits from one depositor in excess of the depository's net worth. If the depository has a drop in net worth that takes it out of compliance, the depository is required to post 100 percent collateral on any amount the depositor has in excess of the depository's net worth while working to eliminate that excess.
2. A depository may not hold aggregate public funds in excess of a percentage of the depository's net worth based on its capitalization category (100 percent for undercapitalized, 150 percent for adequately capitalized, 200 percent for well capitalized) unless approved for a period of 90 days or less by the Treasury.
3. A depository may hold in excess of 30 percent of all aggregate public funds reported by all depository's holding Oregon public funds, only if the excess is collateralized at 100 percent.

Where interest-bearing balances within the OSTF exceed the FDIC or NCUA amount of $250 thousand, the balances are covered by collateral held in the PFCP.

As of June 30, 2014, $1.9 billion in other depository balances were exposed to custodial credit risk as the balances were uninsured and uncollateralized.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of securities by a custodian or counterparty. For the year ended June 30, 2014, the State had $295 million of investments exposed to custodial credit risk. Investments with the trustee of Oregon Housing and Community Services Department (OHCSD) consisted of $1.7 million in U.S. Treasury obligations, $288.1 million in U.S. Agency securities, and $5.2 million in municipal bonds. They are held at the Federal Reserve under the name of OHCSD's bond trustee for the benefit of OHCSD.

B. Investments – Primary Government (Excluding the OPERF)

Investments Managed by Treasury

Investments of the primary government (excluding the OPERF) held by the Treasurer require the exercise of prudent and reasonable care in the context of a fund's investment portfolio and as part of an overall investment strategy. The Treasurer is required to diversify investments unless it is not prudent to do so. In addition, the Treasurer must exercise reasonable care to incorporate risk and return objectives suitable to the particular investment fund. Each Treasury fund has a policy and procedure that addresses objectives and strategies.

Interest Rate Risk

Investment policy for fixed income investments under the direct management of the Treasurer generally limits the time horizon of the portfolio to an average maturity of 1 to 5 years. In addition, externally managed fixed income investment funds are required by policy to maintain an average bond duration level within 20 percent of the benchmark bond index. For investments not under the management of the Treasurer, there are no formal policies on interest rate risk. Investment objectives and strategies of the primary government (excluding the OPERF) are based on credit quality, asset diversification, staggered maturities, and in some portfolios duration. For variable rate securities, the next interest rate reset date is used instead of the maturity date.

Credit Risk

Investment policies for fixed income investments under the management of the Treasurer require that the portfolio maintain an average Standard and Poor's (S&P) credit quality of AA or A, as determined for each investment fund. For investments not under management of the Treasurer, there are no formal policies on credit risk.

The credit rating for the investments at Treasury held within the governmental funds, excluding the Common School Fund, and using the segmented time distribution method at June 30, 2014 (in thousands):

			Investment Maturities (in years)				
Reporting Fund[1]	Investment Type	Credit Rating[2]	Less than 1	1 to 5	6 to 10	More than 10 or none	Balance at June 30, 2014
Public Transportation	Asset Backed	AAA	$ -	$ 1,124	$ -	$ -	$ 1,124
			-	1,124	-	-	1,124
	U.S. Federal agency debt	AA	-	17,806	-	-	17,806
			-	17,806	-	-	17,806
	Corporate bonds	AA	-	1,014	-	-	1,014
		A	3,750	13,182	-	-	16,932
		BBB	21,804	20,077	-	-	41,881
			25,554	34,273	-	-	59,827
			25,554	53,203	-	-	78,757
Employment Services	U.S. Treasury securities[2]	Exempt	-	-	4,736	-	4,736
			-	-	4,736	-	4,736
	U.S. Federal agency debt	AA	-	17,488	1,931	-	19,419
			-	17,488	1,931	-	19,419
	U.S. Federal agency mortgages	Not rated	-	-	-	3,542	3,542
			-	-	-	3,542	3,542
	Asset backed securities	AAA	-	1,527	-	-	1,527
			-	1,527	-	-	1,527
	Collateralized mortgage obligations	AAA	3,536	-	-	-	3,536
			3,536	-	-	-	3,536
	Municipal bonds	AA	-	498	4,284	-	4,782
		B	-	-	230	-	230
			-	498	4,514	-	5,012
	Corporate bonds	AA	-	3,176	-	-	3,176
		A	4,010	9,276	3,756	-	17,042
		BBB	7,821	18,773	11,112	-	37,706
		B	-	7,829	-	-	7,829
			11,831	39,054	14,868	-	65,753
	Oregon Intermediate Term Pool[3]	Not rated	17,413	-	-	-	17,413
			17,413	-	-	-	17,413
	International debt securities	AAA	-	-	4,479	-	4,479
			-	-	4,479	-	4,479
			32,780	58,567	30,528	3,542	125,417
Residential Assistance	U.S. Federal agency debt	AA	-	5,055	-	-	5,055
	U.S. Treasury securities[2]	Exempt	-	10,273	-	-	10,273
			-	15,328	-	-	15,328
Business Development	Oregon Intermediate Term Pool[3]	Not rated	23,074	-	-	-	23,074
			23,074	-	-	-	23,074
			$ 81,408	$ 127,098	$ 30,528	$ 3,542	242,576
General	Alternative Equities	N/A					12,220
Educational Support	Alternative Equities	N/A					44,099
							56,319
Total							$ 298,895

[1] See separate Common School Fund schedule.

[2] Investments of $15,009 of U.S. Treasury obligations are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[3] See separate Oregon Intermediate Term Pool schedule.

The credit rating for the Common School Fund's investments held at Treasury and using the segmented time distribution method at June 30, 2014 (in thousands):

		Investment Maturities (in years)				
Investment Type	**Credit Rating[1]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at June 30, 2014**
U.S. Treasury obligations	Exempt	$ -	$ 3,419	$ 437	$ 5,949	$ 9,805
U.S. Treasury strips	Exempt	-	-	203	-	203
U.S. Treasury TIPS	Exempt	-	-	1,974	1,967	3,941
U.S. Federal agency debt	AA	-	-	-	121	121
	Not rated	3,000	-	-	-	3,000
U.S. Federal agency mortgages	AAA	18	-	-	-	18
	Not rated	3,399	119	29	42,170	45,717
		6,417	3,538	2,643	50,207	62,805
Non-U.S. government debt	A	-	-	448	-	448
	BBB	-	-	-	687	687
		-	-	448	687	1,135
Corporate bonds	AA	-	250	-	62	312
	A	311	3,275	4,817	2,414	10,817
	BBB	578	5,133	9,213	7,928	22,852
	BB	51	71	836	1,589	2,547
	B	-	79	128	77	284
	CCC	-	30	-	-	30
		940	8,838	14,994	12,070	36,842
International debt securities	AA	-	211	21	264	496
	A	-	891	2,070	2,140	5,101
	BBB	-	1,365	3,012	3,164	7,541
	BB	-	106	2,127	-	2,233
	B	-	-	10	143	153
	Not rated	-	61	-	789	850
		-	2,634	7,240	6,500	16,374
Asset backed securities	AAA	1,297	-	-	-	1,297
	AA	1,495	-	-	-	1,495
	A	1,901	-	-	43	1,944
	BBB	475	5	-	-	480
	BB	438	-	-	-	438
	B	332	-	-	-	332
	CCC	294	-	-	-	294
	CC	2,296	-	-	-	2,296
		8,528	5	-	43	8,576
Collateralized mortgage obligations	AAA	518	-	-	305	823
	AA	236	-	-	-	236
	A	1,438	-	-	292	1,730
	BBB	2,248	-	-	506	2,754
	BB	652	-	-	323	975
	B	4,234	-	-	309	4,543
	CCC	2,657	-	-	254	2,911
	CC	1,860	-	-	-	1,860
	Not rated	229	-	-	232	461
		14,072	-	-	2,221	16,293
Domestic mutual funds - debt	Not rated	-	-	-	223,382	223,382
International mutual funds - debt	Not rated	-	-	-	8,265	8,265
		$ 29,957	$ 15,015	$ 25,325	$ 303,375	373,672
Domestic equity securities	N/A					290,832
International equity securities	N/A					319,416
Domestic mutual funds - equity	N/A					229,490
Domestic real estate	N/A					6,647
International real estate	N/A					3,260
International rights and warrants	N/A					89
Lehman Brothers	N/A					22
Private equity holdings	N/A					117,646
						967,402
Total[2]						$ 1,341,074

[1] Investments of $9,805 in U.S. Treasury obligations, $203 in U.S. Treasury Strips, $3,941 in U.S. Treasury Inflation-Protected Securities (TIPS), and $8,351 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[2] $1,101 in real estate investments are held outside Treasury. See separate schedule.

The Oregon Intermediate Term Pool (OITP) is an external investment pool managed by the Treasurer. It is expected to provide a total return consistent with an investment grade quality, short duration diversified fixed income portfolio. The credit rating for the investments held within the OITP using the average modified duration method at June 30, 2014 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2014	Average Modified Duration (in years)
U.S. Federal agency debt	AA	$ 7,747	
		7,747	0.89
U.S. agency mortgage-backed securites	Not rated	5,465	
		5,465	2.27
Asset-backed securities	AAA	8,130	
		8,130	2.38
Corporate bonds	AA	3,577	
	A	29,082	
	BBB	52,696	
		85,355	1.73
Commercial mortgage-backed securites	AAA	13,772	
		13,772	2.34
Municipal debt	AA	3,602	
	A	4,522	
		8,124	3.37
Total		$ 128,593	

The credit rating for the investments at Treasury held within the proprietary funds, excluding the University System Fund, and using the segmented time distribution method at June 30, 2014 (in thousands):

			Investment Maturities (in years)				
Reporting Fund	**Investment Type**	**Credit Rating[2]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at June 30, 2014**
Housing and Community Services[1]	U.S. Treasury obligations	Exempt	$ -	$ -	$ 1,086	$ 3,411	$ 4,497
	U.S. Federal agency debt	AA	-	-	-	10,545	10,545
			-	-	1,086	13,956	15,042
Lottery Operations	U.S. Treasury strips	Exempt	8,065	33,566	33,698	44,704	120,033
	U.S. Federal agency strips	Not rated	4,180	7,361	2,393	53	13,987
			12,245	40,927	36,091	44,757	134,020
Veterans' Loan	Oregon Intermediate Term Pool[3]	Not rated	10,145	-	-	-	10,145
			10,145	-	-	-	10,145
Central Services	U.S. Treasury obligations	Exempt	-	-	7,361	-	7,361
			-	-	7,361	-	7,361
	U.S. Federal agency debt	AA	-	17,886	-	-	17,886
			-	17,886	-	-	17,886
	U.S. Federal agency mortgages	Not rated	-	-	1,958	-	1,958
			-	-	1,958	-	1,958
	Asset backed securities	AAA	-	1,527	-	-	1,527
			-	1,527	-	-	1,527
	Corporate bonds	AA	2,510	7,940	1,561	-	12,011
		A	7,008	6,979	1,107	-	15,094
		BBB	1,891	1,427	2,625	-	5,943
			11,409	16,346	5,293	-	33,048
	Non-U.S. government debt	AAA	-	-	2,544	-	2,544
		AA	-	5,100	-	-	5,100
			-	5,100	2,544	-	7,644
			11,409	40,859	17,156	-	69,424
Special Public Works	Oregon Intermediate Term Pool[3]	Not rated	10,253	-	-	-	10,253
			10,253	-	-	-	10,253
Total			$ 44,052	$ 81,786	$ 54,333	$ 58,713	$ 238,884

[1] $295,015 in investments are held outside of Treasury. See separate schedule.

[2] Investments of $11,858 in U.S. Treasury obligations and $120,033 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

[3] See separate Oregon Intermediate Term Pool schedule.

The credit rating and average effective duration for the University System Fund's investments held at Treasury at June 30, 2014 (in thousands):

Investment Type	Credit Rating[1]	Balance at June 30, 2014	Average Effective Duration (in years)
U.S. Treasury securities	Exempt	$ 3,713	
		3,713	6.43
U.S. Federal agency debt	AA	31,643	
	Not rated	18,073	
		49,716	3.32
Corporate bonds	AA	9,528	
	A	36,305	
	BBB	20,784	
		66,617	3.05
Municipal bonds	AAA	3,940	
	AA	4,800	
		8,740	2.88
Mutual funds - Domestic fixed income	Not rated	61,793	
		61,793	3.24
Non-U.S. government securities	AAA	2,544	
	A	5,047	
		7,591	6.59
International corporate debt securities	AA	2,510	
	A	4,147	
	BBB	2,011	
		8,668	0.92
Collateralized mortgage obligations	AAA	17,034	
	AA	415	
		17,449	1.75
Asset backed securities	AAA	13,777	2.63
Money market fund	N/A	7,776	0.50
Equity investments	N/A	41,760	N/A
Real estate and real estate mortgages	N/A	2,693	N/A
Alternative equities	N/A	13,648	N/A
Less: University System amounts recorded as cash		(4,781)	
Total		$ 299,160	

[1] Investments of $3,713 in U.S. Treasury securities are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

Investments not Managed by Treasury

For investments held outside of the Treasury, statutes govern the placement of funds with outside parties as part of trust agreements or mandatory asset holdings by regulatory agencies. The credit rating and segmented time distribution for investments held outside Treasury as of June 30, 2014 (in thousands):

			Investment Maturities (in years)				
Reporting Fund	**Investment Type**	**Credit Rating[3]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at June 30, 2014**
Common School	U.S. Treasury strips[1]	Exempt	$ 2	$ 2	$ 3	$ -	$ 7
	U.S. Federal agency strips[1]	AAA	-	-	1	-	1
	Municipal bonds[1]	AAA	5	14	-	-	19
	Domestic mutual funds - debt[1]	Not rated	3,120	-	-	-	3,120
			3,127	16	4	-	3,147
Revenue Bond	GICs[4]	N/A	-	18,433	-	2,524	20,957
			-	18,433	-	2,524	20,957
Housing and Community Services	U.S. Treasury obligations	Exempt	-	-	1,652	-	1,652
	U.S. Federal agency debt	AA	11,677	1,034	10,305	38,775	61,791
		A	225,156	1,201	-	-	226,357
			236,833	2,235	11,957	38,775	289,800
	Municipal bonds	AAA	-	-	-	1,200	1,200
		AA	-	-	-	4,015	4,015
			-	-	-	5,215	5,215
			236,833	2,235	11,957	43,990	295,015
Private Purpose Trust	U.S. Treasury obligations	Exempt	36	210	1	67	314
	Domestic mutual funds - debt	N/A	7	-	-	528	535
	Annuity contracts	N/A	-	-	-	536	536
			43	210	1	1,131	1,385
Agency	U.S. Treasury obligations[2]	Exempt	14,491	45,692	881	-	61,064
	Municipal bonds[2]	Not rated	2,019	3,489	-	-	5,508
			16,510	49,181	881	-	66,572
			$ 256,513	$ 70,075	$ 12,843	$ 47,645	387,076
Common School	Real estate	N/A					1,101
	Alternative equities[1]	N/A					13
	Domestic equity securities[1]	N/A					6,426
Private Purpose Trust	Domestic equity securities	N/A					107
Total							$ 394,723

[1] Some investments (along with certain cash deposits) are reported as part of custodial assets on the balance sheet.

[2] Some investments (along with certain cash deposits) are reported as receivership assets on the statement of fiduciary net position.

[3] Investments of $63,030 in U.S. Treasury obligations and $7 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and therefore exempt from credit risk disclosure requirements.

[4] Guaranteed investment contracts.

Investments of the Oregon Short-Term Fund (OSTF)

The OSTF is a short-term investment vehicle. A number of local governments in Oregon as well as all state agencies participate in the OSTF. Because the OSTF acts as a demand deposit account, both the cash and investments within the OSTF are shown as cash and cash equivalents on the balance sheet and statement of net position. The external portion of the OSTF is reported within the Investment Trust Fund. The OSTF staff manages interest rate risk by limiting the maturity of the investments. The portfolio rules require that at least 50 percent of the portfolio mature or reset within 93 days; not more than 25 percent of the portfolio may mature or

reset in over a year; and no investments may mature or reset over three years from settlement date. For variable rate securities, the next interest rate reset date is used instead of the maturity date. For variable rate securities in a fixed rate period that will switch to variable rate at a later date, the maturity is based on the final maturity of the security, not the next variable reset date. For fixed rate securities with a put option, the date upon which the put option is fully exercisable for at least 100% of the face value is used instead of the maturity date, and for variable rate securities with a put option, the earlier of the next variable reset date or the put date is used instead of maturity date.

Interest rate and credit risk for the OSTF investments as of June 30, 2014 (in thousands):

		Investment Maturities				
Investment Type	**Credit Rating**	**Up to 93 Days**	**94 to 366 Days**	**One to Three Years**	**Greater Than Three Years**	**Balance at June 30, 2014**
U.S. Treasury notes	Exempt[3]	$ 606,297	$ 688,544	$ 940,806	$ -	$ 2,235,647
Federal agency debt	AA	772,545	277,631	624,815	-	1,674,991
	Not rated[3]	45,755	174,908	-	-	220,663
Federal agency discount notes	Not rated[3]	1,020,981	38,187	-	-	1,059,168
Commercial paper	A	130,000	-	-	-	130,000
Corporate bonds	AAA	50,024	-	-	-	50,024
	AA	776,779	-	335,638	-	1,112,417
	A	2,903,714	188,563	710,455	49,971	3,852,703
	BBB[1]	692,403	90,337	525,723	-	1,308,463
Municipal commercial paper	A	494,969	60,000	-	-	554,969
Municipals	AA	100,063	20,026	7,022	-	127,111
	A	-	25,062	15,000	-	40,062
Non-U.S. government commercial paper	A	64,995	-	-	-	64,995
Non-U.S. government debt	AAA	-	43,544	5,870	-	49,414
	AA	211,819	50,330	163,646	-	425,795
	A	12,081	-	46,900	-	58,981
Time certificates of deposit	Not rated[2]	87,700	-	-	-	87,700
Total		$ 7,970,125	$ 1,657,132	$ 3,375,875	$ 49,971	$ 13,053,103

[1] Securities rated BBB continue to meet the investment quality rules of the OSTF because they have at least one rating of S&P A-, Moody's A3 or Fitch A-.

[2] Time certificates of deposit are considered deposits for purposes of credit quality and are fully covered by FDIC and state PFCP programs.

[3] GASB Statement 40 states that U.S. federal debt is considered to be without risk. For credit quality rules, federal debt is considered to be the highest quality, except when rated differently, as shown above.

OSTF investment policies provide for a minimum composite weighted average credit quality rating for the fund's holdings to be the equivalent of an AA Standard and Poor's (S&P) rating. The current minimums for corporate notes are an S&P rating of A-, Moody's of A3, or Fitch of A-. Commercial paper is required to have a minimum short-term credit rating at the time of purchase from two of three ratings services with current minimum ratings from S&P of A-1, Moody's of P-1, and Fitch of F-1. Foreign government securities are required to have minimum credit ratings from S&P of AA-, Moody's of Aa3, or Fitch of AA-. Occasionally, securities are downgraded but OSTF policies allow them to be retained at the Senior Investment Officer's discretion. Rating groups were determined using the lowest actual rating from S&P, Moody's, or Fitch.

Interest Rate Sensitive Investments

As of June 30, 2014, the primary government held approximately $128.8 million in debt instruments backed by pooled mortgages, to-be-announced federal agency-issued mortgage pools, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage

holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. In addition, the primary government held approximately $31.4 million of asset-backed securities collateralized primarily by automobile, equipment lease, and student loan receivables.

Concentration of Credit Risk

Investment policies for fixed income investments under the management of the Treasurer generally limit investments in a single issuer to 5 percent of the portfolio, with the exception of securities of the U.S. government and U.S. agencies. For investments not under the management of the Treasurer, there are no formal policies on concentration of credit risk. At June 30, 2014, there was one issuer that exceeded 5 percent of the primary government's holdings (excluding the OPERF): $1.6 billion (9.6 percent) in Federal Home Loan Bank (FHLB).

The Oregon Housing and Community Services Department also carried concentration of credit risk with 79.6 percent of the department's total investments in FHLB, and 6.4 percent in Federal National Mortgage Association (FNMA) securities.

The Oregon State Lottery's investments included $14 million (10.4 percent) in the Resolution Funding Corporation (RFC), a U.S. government agency. The U.S. government does not explicitly guarantee these investments. However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

None of the investments held by Oregon University System, other than securities of the U.S. government and U.S. agencies, exceeded 5 percent for any single issuer or individual issue.

The aggregated nonmajor enterprise fund total investments were $20.4 million (100 percent) invested in the Oregon Intermediate-term Pool.

Within the major governmental funds, the Public Transportation Fund's investments included $10.3 million (13.1 percent) in FNMA, $5.7 million (7.2 percent) in Caisse Centrale, $5.1 million (6.4 percent) in Tate & Lyle International Finance, $5 million (6.4 percent) in Goldman Sachs, and $5 million (6.3 percent) in the Federal Home Loan Mortgage Company (FHLMC).

The aggregated nonmajor governmental funds' total investments included $15 million (6.6 percent) in FHLMC. These funds also held nonparticipating guaranteed investment contracts with the following concentrations: $14.8 million (6.5 percent) in Bank of America and $6.2 million (2.7 percent) in American International Group.

The Central Services Fund held $17.9 million (25.8 percent) of its investments in FHLMC, $7.9 million (11.4 percent) in NCUA Guaranteed Notes, $5.1 million (7.4 percent) in Province of Ontario bonds, and $3.5 million (5.1 percent) in General Electric Capital.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Oregon state agencies are required to deposit moneys in state-qualified depositories under Oregon law. Exceptions due to foreign field offices and related circumstances are approved by the Treasurer. International debt securities denominated in U.S. dollars are not subject to currency risk if the investment's obligations will be paid in U.S. dollars. Investment policies for fixed income investments under the management of the Treasurer generally prohibit investments in non-dollar denominated securities. The Common School Fund is allowed to invest in non-dollar denominated securities. For investments not under the management of the Treasurer, there are no formal policies on foreign currency risk.

Deposits and investments exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2014 (in thousands):

	Deposits and Investments (U.S. Dollars)						
Foreign Currency Denomination	**Deposits**	**International Equity Securities**	**International Debt Securities**	**Real Estate Investment Trust**	**Repos**	**Rights and Warrants**	**Total**
Australian dollar	$ 80	$ 12,336	$ -	$ 907	$ -	$ -	$ 13,323
Brazilian real	-	-	230	-	-	-	230
British sterling pound	40	36,488	-	298	-	-	36,826
Canadian dollar	87	27,607	-	-	-	-	27,694
Swiss franc	48	19,997	-	-	-	-	20,045
Danish krone	29	6,005	-	-	-	-	6,034
Euro	804	102,292	-	1,143	-	82	104,321
Hong Kong dollar	71	5,258	-	313	-	10	5,652
Israel new shekel	4	4,499	-	56	-	-	4,559
Japanese yen	449	57,766	-	542	-	-	58,757
Mexican peso	88	-	2,444	-	-	-	2,532
Norwegian krone	50	2,808	-	204	-	-	3,062
New Zealand dollar	21	-	-	-	-	-	21
Singapore dollar	59	1,738	-	174	266	-	2,237
Swedish krona	27	15,285	-	-	-	-	15,312
Total	$ 1,857	$ 292,079	$ 2,674	$ 3,637	$ 266	$ 92	$ 300,605

C. Investments – Primary Government – Oregon Public Employees Retirement Fund

The Council establishes policies for the investment of moneys in the OPERF. Policies are based on the primary investment class of each investment manager and do not reflect the classifications of individual holdings as presented in the financial statements. Contracts with individual investment managers provide additional guidelines that vary from manager to manager.

Investments in the OPERF as of June 30, 2014 (in thousands):

Investment Type	Fair Value
Repurchase agreements	$ 958
U.S. Treasury securities	2,222,263
U.S. Treasury strips	28,656
U.S. Treasury TIPS	200,249
U.S. Agency debt	205,389
U.S. Agency mortgages	905,027
U.S. Agency mortgage TBAs	622,483
U.S. Agency strips	54,496
International debt securities	2,181,351
Non-government debt securities	335,785
Corporate bonds	3,343,075
Bank loans	2,354,312
Municipal bonds	46,478
Collateralized mortgage obligations	1,088,247
Asset-backed securities	1,073,242
Guaranteed investment contracts	159,757
Mutual funds - domestic fixed income	646,450
Mutual funds - international fixed income	72,468
Total debt securities	15,540,686
Derivatives	33,999
Domestic equity securities	10,039,388
International equity securities	12,305,082
Mutual funds - domestic equity	2,987,680
Mutual funds - global equity	805,295
Mutual funds - international equity	3,429,200
Mutual funds - target date	410,146
Oregon Savings Growth Plan - self directed	4,816
Limited partnerships and leveraged buyouts	15,432,634
Real estate and real estate investment trusts	7,721,840
Alternative equity	1,016,745
Opportunity portfolio	900,095
Total investments	$ 70,627,606

Interest Rate Risk

Interest rate risk is managed within the OPERF using the effective duration methodology. Investment policies require that the fixed income manager positions will maintain a weighted average effective duration within a range of 20 percent of the benchmark's effective duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2014, the weighted average duration of the fixed income portfolio was 4.27 years and no individual fixed income investment manager portfolios were outside the policy guidelines.

At June 30, 2014, the OPERF held approximately $2 billion in debt instruments backed by pooled mortgages, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal

and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. The OPERF also held approximately $622.5 million in to-be-announced federal agency-issued mortgage pools. An additional $1.1 billion of debt instruments are asset-backed securities backed primarily by automobile, consumer credit receivables, heavy equipment leases, and student loan receivables.

Debt investments of the OPERF as of June 30, 2014 (in thousands):

Investment Type	Balance at June 30, 2014	Weighted Average Duration (in years)
U.S. Treasury securities	$ 2,202,764	4.12
U.S. Treasury strips	9,034	3.70
U.S. Treasury TIPS	200,249	7.08
U.S. Agency debt	190,391	4.33
U.S. Agency mortgages	853,341	3.79
U.S. Agency mortgage TBAs	622,483	4.28
U.S. Agency strips	54,496	3.74
International debt securities	295,473	6.26
Non-U.S. government debt securities	13,284	10.32
Corporate bonds	3,193,134	4.37
Bank loans	1,701,721	5.47
Municipal bonds	41,262	10.00
Collateralized mortgage obligations	745,327	3.32
Asset-backed securities	965,471	1.80
No effective duration:		
U.S. Treasury securities	19,500	
U.S. Treasury strips	19,622	
U.S. Agency debt	14,998	
U.S. Agency mortgages	51,686	
International debt securities	1,885,878	
Non-U.S. debt securities	322,501	
Corporate bonds	149,941	
Bank loans	652,590	
Municipal bonds	5,216	
Collateralized mortgage obligations	342,920	
Asset-backed securities	107,771	
Guaranteed investment contract	159,757	
Mutual funds - domestic fixed income	646,450	
Mutual funds - international fixed income	72,468	
Repurchase agreements	958	
Total debt securities	15,540,686	
Cash equivalent - U.S. government short-term funds	1,632,677	40 days[1]
Cash Equivalent - Oregon Short-Term Funds	1,306,752	234 Days[1]
Total subject to interest rate risk	$ 18,480,115	

[1] Weighted average maturity

Credit Risk

Investment policy requires that no more than 30 percent of the OPERF fixed income positions be below investment grade. Securities with a quality rating below BBB- (S&P) are considered below investment grade. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2014, the fair value of below grade investments, excluding unrated securities, is $3.4 billion, or 26.8 percent, of total securities subject to credit risk, and the weighted quality rating average is BBB. Overall credit quality deteriorated due to downgrades in both corporate bonds and non-agency mortgages. Unrated securities include $969.8 million in bank loans, $878.7 million in mutual funds, and $920.1 million in other debt securities.

Credit ratings for debt securities within the OPERF as of June 30, 2014 (in thousands):

Credit Rating	Balance at June 30, 2014
AAA	$ 1,230,470
AA	577,412
A	1,142,960
BBB	2,370,131
BB	748,313
B	2,019,042
CCC	582,690
CC	13,517
C	18,588
D	34,710
Not rated	2,768,558
Not rated[1]	1,223,664
Total subject to credit risk	12,730,055
U.S. government guaranteed securities	2,810,631
Total	$ 15,540,686

[1] Federal agency securities, which are not rated by the credit agencies as they carry an implicit guarantee of the U.S. Government

Concentrations of Credit Risk

The Council's investment policy pertaining to OPERF investments requires that investment managers maintain diversified portfolios. There is no limit on single issuer investments for domestic, global, and international equity fund managers. Policy requires that the asset classes be diversified across their respective markets. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management. Policy provides the following limitations for fixed income investment manager positions:

- There are no restrictions on obligations issued or guaranteed by the U.S. government, U.S. agencies, or government-sponsored enterprises.
- No more than 10 percent of the debt investment portfolio per issuer may be invested in obligations of other national governments.
- No more than 10 percent of the debt investment portfolio per issuer or 25 percent in a single issuer, after meeting additional collateral requirements, can be invested in private mortgage-backed and asset-backed securities. The collateral must be credit-independent of the issuer and the security's credit enhancement generated internally.
- No more than 3 percent of the debt investment portfolio may be invested in other issuers, excluding investments in commingled investments.

At June 30, 2014, no single issuer debt investments exceeded the above guidelines, nor were there investments in any one issuer that represented 5 percent or more of total investments.

Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. Foreign currency risk within the OPERF is controlled via contractual agreements with the investment managers. Investment policies require that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of the OPERF are silent regarding this risk. As of June 30, 2014, approximately 3.5 percent of the debt investment portfolio was invested in non-dollar denominated securities.

The OPERF's exposure to foreign currency risk as of June 30, 2014 (in thousands):

	Deposits and Investments (U.S. Dollars)						
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Public Equity**	**Derivatives**	**Real Estate**	**Private Equity**	**Total**
Argentine peso	$ 41	$ -	$ -	$ -	$ -	$ -	$ 41
Australian dollar	1,076	25,590	394,796	-	79,800	-	501,262
Bolivar fuerte	3	-	-	-	-	-	3
Brazilian real	1,524	6,853	235,533	-	2,346	-	246,256
British sterling pound	22,054	76,451	1,935,490	-	82,808	-	2,116,803
Canadian dollar	3,393	16,869	716,809	38	27,400	-	764,509
Chilean peso	-	-	4,357	-	-	-	4,357
Chinese yuan	290	-	5,632	-	-	-	5,922
Colombian peso	-	-	4,148	-	-	-	4,148
Czech koruna	30	-	13,040	-	-	-	13,070
Danish krone	676	6	136,780	-	-	-	137,462
Egyptian pound	143	-	8,807	-	-	-	8,950
Euro	111,656	289,196	2,673,460	712	85,062	407,496	3,567,582
Hong Kong dollar	1,807	-	586,753	335	108,998	-	697,893
Hungarian forint	4	-	2,025	-	-	-	2,029
Indian rupee	427	-	159,500	-	-	-	159,927
Indonesian rupiah	59	-	51,033	-	-	-	51,092
Israeli shekel	244	-	47,834	1	-	-	48,079
Japanese yen	11,279	41,002	1,946,247	-	142,675	-	2,141,203
Kenya shilling	12	-	2,044	-	-	-	2,056
Malaysian ringgit	45	-	45,676	-	-	-	45,721
Mexican peso	1,497	68,685	49,655	-	8,946	-	128,783
New Zealand dollar	493	14,142	8,032	-	-	-	22,667
Nigerian naira	62	-	12,776	-	-	-	12,838
Norwegian krone	124	-	102,245	-	1,378	-	103,747
Pakistani rupee	-	-	2,854	-	-	-	2,854
Peruvian nuevo sol	-	-	1,369	-	-	-	1,369
Philippine peso	35	-	17,321	-	-	-	17,356
Polish zloty	5	-	26,122	-	-	-	26,127
Qatar riyal	-	-	3,162	-	-	-	3,162
Russian ruble	173	-	-	-	-	-	173
Singapore dollar	1,346	-	92,858	-	31,718	-	125,922
South African rand	67	-	196,728	-	-	-	196,795
South Korean won	202	-	337,398	176	-	-	337,776
Swedish krona	679	-	266,988	-	7,649	-	275,316
Swiss franc	1,181	-	625,094	-	7,413	-	633,688
Taiwan dollar	1,293	-	389,268	-	-	-	390,561
Thai baht	64	-	52,893	81	1,569	-	54,607
Turkish lira	347	-	69,649	-	5,103	-	75,099
United Arab Emirates dirham	9	-	10,549	-	-	-	10,558
Total	$ 162,340	$ 538,794	$ 11,234,925	$ 1,343	$ 592,865	$ 407,496	$ 12,937,763

D. Investments – Discretely Presented Component Units

SAIF Corporation (SAIF)

SAIF's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. In accordance with ORS 293.726, the investment funds are to be invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. While the Treasurer is authorized to use demand deposit accounts and fixed income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Common stock investments are limited to not more than 50 percent of the moneys contributed to the Industrial Accident Fund (SAIF Corporation). However, SAIF's adopted investment policy as approved by the Council limits equity holdings to a range of 7 to 13 percent of the market value of invested assets with a target allocation of 10 percent.

Bond, mortgage-backed, asset-backed, and equity security transactions are recorded on a trade-date basis, generally three business days prior to the settlement date. However, the number of days between trade and settlement dates for mortgage-backed securities can be up to 30 days or longer, depending on the security.

Interest Rate Risk: SAIF's policy for fixed income investments effective September 25, 2013, provides that a duration target be used to manage interest rate risk. The policy calls for the portfolio duration to be within 20 percent of the benchmark duration. The benchmark duration as of December 31, 2013, was 5.97 years, with an acceptable range of 4.78 to 7.16 years. As of that date, the fixed income portfolio's duration was 5.91 years.

The following 2013 maturity distribution schedule includes $1.2 billion in interest-rate sensitive securities. As of December 31, 2013, SAIF held $539 million of U.S. federal agency mortgage-backed securities and $333.6 million of collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. As of December 31, 2013, SAIF held $312.9 million of asset-backed securities, which consisted primarily of automobile loan and student loans. The value of these securities can be volatile as interest rates fluctuate. Additional risk inherent with these securities is the unpredictability of default on loans that are the collateral for the debt.

The following schedule presents SAIF's investments by maturity date as of December 31, 2013, using the segmented time distribution method (in thousands):

	Investment Maturities				
Investment Type	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Balance at December 31, 2013**
U.S. Treasury securities	$ 7,510	$ 72,083	$ 63,556	$ 38,347	$ 181,496
U.S. Agency debt	-	8,123	3,182	1,420	12,725
U.S. Agency mortgages	79,055	154,390	80,516	225,053	539,014
Corporate bonds	41,870	630,263	595,177	702,500	1,969,810
Municipal bonds	13,248	15,794	8,189	66,469	103,700
Collateralized mortgage obligations	64,861	166,805	74,700	27,223	333,589
Asset-backed securities	68,537	136,841	57,611	49,889	312,878
International debt securities	10,185	133,898	135,941	105,036	385,060
	$ 285,266	$ 1,318,197	$ 1,018,872	$ 1,215,937	3,838,272
BlackRock MSCI ACWI IMI index fund					485,713
Total					$ 4,323,985

Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Credit Risk: SAIF's credit risk policy is to maintain a well-diversified investment portfolio. Fixed income holdings shall be the largest component of the portfolio. The policy seeks to maintain an overall fixed income portfolio

quality of at least A or higher. The majority of SAIF's debt securities as of December 31, 2013, were rated by Moody's and Standard & Poor's, which are nationally recognized statistical rating organizations.

The following schedule represents the ratings of debt securities by investment type as of December 31, 2013, using Moody's or Standard & Poor's rating scale (in thousands):

Investment Type	Exempt	AAA	AA	A	BBB	BB	B or below	Not rated	Balance at December 31, 2013
U.S. Treasury securities[1]	$ 181,496	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 181,496
U.S. Agency debt[1]	8,515	-	1,028	-	-	-	-	3,182	12,725
U.S. Agency mortgages[1]	143,062	-	395,952	-	-	-	-	-	539,014
Corporate bonds	-	19,963	167,258	630,373	938,727	157,503	29,258	26,728	1,969,810
Municipal bonds	-	-	44,642	50,799	-	-	-	8,259	103,700
Collateralized mortgages	-	107,630	63,058	32,344	8,304	518	10,621	111,114	333,589
Asset-backed securities	-	152,042	88,369	-	-	-	378	72,089	312,878
International debt securities	-	7,955	8,392	116,778	215,802	19,791	15,425	917	385,060
Total	$ 333,073	$ 287,590	$ 768,699	$ 830,294	$1,162,833	$ 177,812	$ 55,682	$ 222,289	$ 3,838,272

[1] Investments of $181,496 in U.S. Treasury securities, $392 in U.S. Agency securities invested in Small Business Administration (SBA), $129,998 in U.S. Agency mortgages invested in GNMA, $13,064 in U.S. Agency mortgages invested in NCUA Guaranteed Notes, and $8,123 invested in PEFCO securities are explicitly guaranteed by the U.S. government and therefore exempt from credit risk disclosure requirements.

E. Repurchase Agreements

Investments in repurchase agreements made with cash collateral from securities lending transactions had the following fair values at June 30, 2014:

- $222 million, or 25.2 percent of the Oregon Short-Term Investment Fund, the cash collateral pool for all agencies, excluding OPERF.
- $165 million, or 7.6 percent of the OPERF cash collateral pool.

F. Securities Lending

The State participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014.

During the year, State Street had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned U.S. securities, international fixed income securities, or 105 percent in the case of international equity. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the fiscal year the State did impose restrictions on the amount of loans the custodian made on its behalf. The State is fully indemnified against losses due to borrower default by its custodian. There were no losses during the year from the failure of borrowers to return loaned securities and no recoveries of amounts from prior losses.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF and Oregon state agencies other than PERS. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the balance sheet and statement of net position.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. No income from the funds was assigned to any other funds.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2014, is effectively one day. On June 30, 2014, the State had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State.

Securities lending balances on loan, collateral received, and investments of cash collateral as of June 30, 2014, of the primary government, including the OPERF (in thousands):

Investment Type	Cash and Securities Collateral Received	Securities on Loan at Fair Value	Investments of Cash Collateral at Fair Value
U.S. Treasury and agency securities	$ 1,793,019	$ 1,757,297	$ 1,043,027
Domestic equity securities	1,054,164	1,031,265	991,450
International equity securities	752,935	718,435	474,060
Domestic fixed income securities	379,240	371,488	380,480
International fixed income securities	27,140	26,379	27,113
Total	$ 4,006,498	$ 3,904,864	$ 2,916,130

State Street, as lending agent, has also created a fund, solely owned by OPERF, to reinvest cash collateral received. OPERF bears the entire risk of loss and the reinvested cash collateral is stated at fair value in the Pension and Other Employee Benefit Trust Funds in the statement of fiduciary net position.

The credit risk of OPERF securities lending invested cash collateral as of June 30, 2014 (in thousands):

Quality Rating	Fair Value
AAA	$ 203,797
AA	342,138
A[1]	1,566,974
BBB	2,819
CCC	4,400
CC	13,405
Total subject to credit risk	2,133,533
Allocation from the Oregon Short-Term Fund	17,439
Cash	43,917
Total securities lending invested cash collateral	$ 2,194,889

[1] Commercial paper ratings of A-1+/A-1/P-1 as A.

The interest rate risk of OPERF securities lending invested cash collateral as of June 30, 2014 (in thousands):

Security Type	Fair Value	Effective Weighted Duration Rate (in days)[1]
Asset backed securities	$ 454,881	33
Certificates of deposit	150,025	28
Collateralized mortgage obligations	115,993	28
Commercial paper	446,927	44
Corporate bonds	217,731	38
International debt securities	165,000	1
Repurchase agreement	582,976	35
Total subject to interest rate risk	2,133,533	33
Allocation from the Oregon Short-Term Fund	17,439	
Cash	43,917	
Total securities lending invested cash collateral	$ 2,194,889	

[1] Weighted average days to maturity or next reset date.

As of December 31, 2013, the fair values of securities on loan and collateral held for SAIF Corporation were $168.8 million and $172.7 million, respectively.

G. Restricted Assets

Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2014, the primary government had restricted assets of $1.6 billion in deposits and $778 million in investments. The discretely presented component units had restricted assets of $2 billion in investments.

3. DERIVATIVES

Derivatives are financial instruments whose value is derived from underlying assets, reference rates, or indexes. A derivative generally takes the form of a contract in which two parties agree to make payments at some later date based on the value of the underlying assets, reference rates, or indexes. The main types of derivatives are futures, forwards, options, and swaps. The State uses derivative instruments as hedges against certain risks, for example, to counter increases in interest costs, and as investments. For investment derivatives, the Office of the State Treasurer (Treasury) policy allows, with some restrictions, for the use of derivative instruments in the prudent management of the State's investments. Certain external management firms are allowed, through contract, to invest in derivative instruments in order to carry out their investment management activities.

A. Hedging Derivatives (Excluding the Oregon Public Employees Retirement Fund)

Housing and Community Services Department

The Oregon Housing and Community Services Department (OHCSD) has entered into pay-fixed, receive-variable interest rate swaps to hedge against changes in variable rate interest and to lower borrowing costs compared to fixed rate bonds. OHCSD had twelve swaps at the end of the fiscal year. The fair value of the swaps on June 30, 2014, totaled negative $17.3 million and the notional amount totaled $262.7 million.

The fair value of the hedging derivative instruments at the end of the fiscal year totaled negative $17.3 million. It is shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows of resources and derivative instrument liabilities. During the fiscal year the fair value increased by $9.5 million.

The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

The terms, fair values, counterparties, and credit ratings of OHCSD's outstanding swaps as of June 30, 2014 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty	S&P
Multifamily housing revenue bonds								
2004 B	$ 13,725	12/16/04	3.89%	64% of 1-mo LIBOR[1] + .27%	$ (471)	7/1/46	Merrill Lynch	A-
Mortgage revenue bonds								
2004 L	15,000	5/27/10	3.43%	64.8% of 3-mo LIBOR + .22%	(407)	7/1/35	Royal Bank of Canada	AA-
2005 C	10,500	5/27/10	3.35%	64.8% of 3-mo LIBOR + .22%	(278)	7/1/35	Royal Bank of Canada	AA-
2006 C	17,650	2/28/06	4.18%	64% of 1-mo LIBOR + .29%	(1,107)	7/1/36	Morgan Stanley	A-
2006 F	17,200	7/18/06	4.43%	64% of 1-mo LIBOR + .29%	(984)	7/1/37	Bank of America	A
2006 G	16,105	7/18/06	3.83%	64% of 1-mo LIBOR + .19%	(1,067)	7/1/16	Merrill Lynch	A-
2007 E	30,000	7/31/07	4.39%	64% of 1-mo LIBOR + .29%	(2,677)	7/1/38	JP Morgan Chase	A+
2007 H	30,000	11/20/07	4.06%	64% of 1-mo LIBOR + .30%	(2,629)	7/1/38	Merrill Lynch	A-
2008 C	35,000	2/26/08	3.75%	64% of 1-mo LIBOR + .30%	(2,569)	7/1/38	Bank of America	A
2008 F	30,500	5/13/08	3.74%	64% of 1-mo LIBOR + .31%	(2,096)	7/1/39	Bank of America	A
2008 I	34,650	8/26/08	3.72%	64% of 1-mo LIBOR + .31%	(2,991)	7/1/37	Bank of America	A
Total	$250,330				$(17,276)			

[1] London Interbank Offered Rate

The multifamily housing revenue bonds (MF) 2004 B swap has a call option where OHCSD has the right to "call" (cancel) the swap in whole or in part semiannually beginning on July 1, 2015. The mortgage revenue bonds (MRB) swaps include options giving OHCSD the right to call the swaps in whole or in part, depending on the exercise date, semiannually beginning on July 1, 2012 (2004 I), January 1, 2013 (2006 C), July 1, 2013 (2006 F and 2008 F), July 1, 2014 (2007 E), January 1, 2015 (2007 H and 2008 C), July 1, 2015 (2004 L and 2005 C), or January 1, 2016 (2008 I). These options provide flexibility to manage the prepayments of loans and the related bonds.

Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCSD's tax-exempt bonds are determined weekly by a remarketing agent. OHCSD is exposed to basis risk when the variable rates received, which are based on the one or three-month London Interbank Offered Rate (LIBOR) rates, do not offset the variable rates paid on the bonds. As of June 30, 2014, the one-month LIBOR was 0.15 percent and the three-month LIBOR rate was 0.23 percent. OHCSD's variable rates as of June 30, 2014, can be found in Note 9.

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. OHCSD or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the swap agreement. If any of the swaps are terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates and OHCSD would then be exposed to interest rate risk. In addition, if any of the swaps had a negative value at termination, OHCSD would be liable to the counterparty for a payment equal to the fair value of the swap.

Rollover risk is the risk that occurs when the swap termination date does not extend to the maturity date of the associated debt. OHCSD is exposed to rollover risk for the MRB 2006 G swap, which has a swap termination date of July 1, 2016. The associated bonds do not mature until 2028.

Debt service requirements of the variable rate debt and net swap payments of OHCSD, using interest rates as of June 30, 2014 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2015	$ 25,705	$ 199	$ 8,809	$ 34,713
2016	215	187	8,421	8,823
2017	220	187	7,741	8,148
2018	235	187	7,450	7,872
2019	240	187	7,442	7,869
2020-2024	8,210	921	36,797	45,928
2025-2029	51,100	835	33,967	85,902
2030-2034	78,530	562	24,324	103,416
2035-2039	87,075	212	8,880	96,167
2040-2044	6,630	20	683	7,333
2045-2049	1,820	3	97	1,920
Total	$ 259,980	$ 3,500	$ 144,611	$ 408,091

OHCSD's swaps, except for the MF 2004 B and the MRB 2007 E swaps, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (MRB) is not above either Baa1 (Moody's) or BBB+ (S&P). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest $10 thousand) must be posted. The minimum transfer amount is $100 thousand or $0 if neither rating agency rates the bonds. The total fair value on June 30, 2014, of the swaps that include these provisions is negative $14.1 million. At June 30, 2014, the bonds subject to these provisions are rated Aa2 by Moody's; the bonds are not rated by S&P.

Oregon University System

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. In the course of providing students and faculty opportunities for international studies and research abroad, the Oregon University System (OUS) has established foreign bank accounts in several countries. To mitigate foreign currency risk for these activities, OUS periodically enters into forward foreign currency contracts.

The terms of the OUS forward contracts outstanding at June 30, 2014 (in thousands):

Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value
British pound sterling	$ 152	$ 256	4/2/2014	3/31/2015	$ 1.71	$ 3
Euro	158	221	4/2/2014	3/31/2015	1.37	(5)
	437	615	4/30/2014	3/31/2015	1.37	(17)
Japanese yen	12,203	123	5/13/2014	3/31/2015	0.01	(2)
Total	$ 12,950	$ 1,215				$ (21)

Department of Veterans' Affairs

The Veterans' Loan Fund, a nonmajor enterprise fund managed by the Department of Veterans' Affairs (DVA), has an interest rate swap in connection with a portion of its Loan Program General Obligation Veterans' Welfare Bonds, Series 84. The swap and underlying floating rate bonds together create synthetic fixed rate debt. During fiscal year 2014, DVA did not enter into, terminate, or have any maturities of derivatives. The fair value balance of interest rate swap is reported on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows of resources and derivative instrument liabilities.

Changes to the fair value balance during the year ending June 30, 2014 (dollars in thousands):

Description	Notional Amount	Fair Value June 30, 2013	Fair Value Increase/ (Decrease)	Fair Value June 30, 2014
Series 84	$ 25,000	$ (2,250)	$ 355	$ (1,895)

Because of interest rate decreases after the swap was executed, the fair value as of June 30, 2014, is negative. The fair value of the interest rate swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap by assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap.

The terms and objectives of DVA outstanding derivative instruments as of June 30, 2014 (in thousands):

Type	Objective	Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 84 bonds, specifically related to changes in municipal tax-exempt interest rates	$25,000	3/1/2008	6/1/2040	3.67%	62.6% of 1-month LIBOR + .265%	$(1,895)

The Series 84 swap was structured with an option that gives the DVA the right to cancel or terminate the swap at par on any payment date, in whole or in part, commencing June 1, 2017. This option enhances asset/liability matching and provides flexibility to adjust the outstanding notional amount of the swap over time.

Credit risk is the risk that a counterparty will not fulfill its obligations. The DVA interest rate swap is with Morgan Stanley Capital Services (counterparty), which is rated A- and Baa2 by S&P and Moody's, respectively. If the counterparty's credit rating falls below certain levels, the counterparty is required to post collateral to the lower of the following ratings (in thousands):

S & P Rating	Moody's Rating	Threshold	Minimum Transfer Amount
AA- or higher	Aa3 or higher	Infinite	N/A
A+	A1	$ 10,000	$ 1,000
A	A2	5,000	1,000
A-	A3	2,500	1,000
BBB+ or below or not rated	Baa1 or below or not rated	-	100[1]

[1] Minimum transfer amount shall be $0 if, and for as long as, neither Moody's nor S&P rate the long-term unsecured, unsubordinated debt, securities of Morgan Stanley.

Since the fair value of the swap as of June 30, 2014, is negative, the counterparty is not required to post collateral. The State may require collateralization or other credit enhancements to secure any or all swap payment obligations where the Office of the State Treasurer determines such security is necessary to limit the credit risk or otherwise protect the interests of the State.

The DVA is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap. As the one-month LIBOR rate decreases, the net payment on the swap increases.

The DVA is exposed to basis risk because the variable rate bonds, which are hedged by the interest rate swap, are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The DVA becomes exposed to basis risk because the variable rate payments received by the DVA are based on a rate other than the interest rate paid on the VRDO bonds. At June 30, 2014, the interest rate on the variable rate hedged debt is 0.05 percent, while the 62.6 percent of one-month LIBOR plus 0.265 percent is 0.36 percent.

The DVA or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the contract thereby exposing the DVA to termination risk.

As interest rates fluctuate, variable rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to the DVA. Using interest rates as of June 30, 2014, the following table presents the debt service requirements of the variable rate debt (on the notional amount of the swap) and net swap payments (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swap (Net)	Total
2015	$ -	$ 12	$ 828	$ 840
2016	410	12	818	1,240
2017	445	12	803	1,260
2018	480	12	787	1,279
2019	505	12	771	1,288
2020-2024	3,085	55	3,566	6,706
2025-2029	4,245	46	2,955	7,246
2030-2034	5,850	33	2,113	7,996
2035-2039	8,035	16	956	9,007
2040	1,945	1	16	1,962
Total	$ 25,000	$ 211	$ 13,613	$ 38,824

If the State's unsecured, unenhanced, general obligation debt rating reaches certain levels, the DVA is required to post collateral to the lower of the following ratings (in thousands):

S&P Rating	Moody's Rating	Threshold	Minimum Transfer Amount
A- or higher	A3 or higher	Infinite	N/A
BBB+ or below	Baa1 or below	$ -	$ 100 [1]

[1] Minimum transfer amount shall be $0 if, and for so long as, neither Moody's nor S&P rate the applicable department's debt.

B. Investment Derivatives (Excluding the Oregon Public Employees Retirement Fund)

Housing and Community Services Department

During the fiscal year the mortgage revenue bonds (MRB) 2003 L, MRB 2004 C, and MRB 2004 I swaps were reclassified from the hedging derivative instruments to investment derivative instruments when the associated bonds were refunded. A total of $766 thousand was reclassified from Hedging Derivatives to Loss on Debt Refundings. The MRB 2003 L and MRB 2004 C swaps were optionally terminated at the next optional termination date after the refunding. They were terminated pursuant to optional par terminations in each swap agreement. The fair value of the investment derivative instruments at the end of the fiscal year was negative $1 thousand. The fair value increased by $765 thousand during the fiscal year and is included in investment income.

The terms, fair values, counterparties, and credit ratings of OHCSD's outstanding swaps as of June 30, 2014 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Term Date	Counterparty	S&P
Mortgage Revenue Bond								
2004 I	$ 12,365	1/24/06	4.01%	64% of 1-mo LIBOR + .29%	$ (1)	7/1/34	Morgan Stanley	A-

Oregon University System

OUS has entered into foreign currency exchange contracts to offset the foreign currency risk associated with its investments in international debt and equity securities. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

The following schedule presents the OUS foreign currency exchange contracts as of June 30, 2014 (in thousands):

Description	Delivery Dates	Notional Value	Fair Market Value
Foreign currency exchange contracts purchased:			
Australian dollar	9/17/2014	$ 39	$ 39
British pound sterling	9/17/2014	1,654	1,684
Canadian dollar	9/17/2014	1,895	1,948
Danish krone	9/17/2014	960	967
Hong Kong dollar	9/17/2014	25	25
Israeli shekel	9/17/2014	5	5
Japanese yen	9/17/2014	367	370
New Zealand dollar	9/17/2014	1,072	1,110
Norwegian krone	9/17/2014	31	31
Singapore dollar	9/17/2014	33	32
Swedish krona	9/17/2014	113	113
Swiss franc	9/17/2014	7	7
Total contracts purchased		6,201	6,331
Foreign currency exchange contracts sold:			
Australian dollar	9/17/2014	259	262
British pound sterling	9/17/2014	112	113
Canadian dollar	9/17/2014	162	163
Euro	9/17/2014	1,882	1,893
Hong Kong dollar	9/17/2014	205	205
Israeli shekel	9/17/2014	715	721
Japanese yen	9/17/2014	834	843
Norwegian krone	9/17/2014	342	335
Singapore dollar	9/17/2014	199	200
Swedish krona	9/17/2014	944	945
Swiss franc	9/17/2014	804	812
Total contracts sold		6,458	6,492
Total foreign currency exchange contracts		$ 12,659	$ 12,823

The fair value of all derivatives held by OUS is reported as investments on the proprietary funds statement of net position. The change in fair value for all OUS derivatives is reported with investment income on the proprietary funds statement of revenues, expenses, and changes in fund net position.

Common School Fund

In the Common School Fund (CSF) portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations in foreign currency exchange rates. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes movement in the value of foreign currencies and the failure of the counterparty to perform.

The following schedule shows the foreign currency exchange contracts within the Common School Fund as of June 30, 2014 (in thousands):

		Currency Forward Contracts		
Currency	**Options**	**Net Receivables**	**Net Payables**	**Total Exposure**
Australian dollar	$ -	$ -	$ (44)	$ (44)
British pound sterling	-	358	(5)	353
Canadian dollar	-	477	-	477
Danish krone	-	67	-	67
Euro	79	-	(142)	(63)
Hong Kong dollar	10	-	-	10
Israeli shekel	-	-	(45)	(45)
Japanese yen	-	15	(95)	(80)
New Zealand dollar	-	353	-	353
Norwegian krone	-	-	34	34
Singapore dollar	-	-	(3)	(3)
Swedish krona	-	(2)	(3)	(5)
Swiss franc	-	-	(77)	(77)
Total	$ 89	$ 1,268	$ (380)	$ 977

In the CSF portfolio, rights and warrants are often obtained and held due to existing investments. Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain period. Rights and warrants are privately transacted in over-the-counter markets. Both are subject to general market risk and liquidity risk. The change in fair value for the CSF's rights and warrants for the year ended June 30, 2014, was $2.4 million.

The fair value of rights and warrants within the CSF portfolio as of June 30, 2014 (in thousands):

	Changes in Fair Value[1]		Fair Value at June 30, 2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional[2]**
Rights	Investment Revenue	$ 137	Common Stock	$ 89	$ 121
Warrants	Investment Revenue	2,228	Long Term Instruments	888	124,940
Total fair value		$ 2,365	Total	$ 977	

[1] Excludes future margin payments

[2] Notional may be a dollar amount or size of underlying for futures and options

The fair value of all derivative instruments is reported on the balance sheet as investments, accounts and interest receivable, and accounts and interest payable, and the changes in fair value derivative instruments are reported on the statement of revenues, expenditures, and changes in fund balances as investment income.

C. Investment Derivatives - Oregon Public Employees Retirement Fund (OPERF)

Oregon Investment Council policy allows, with some restrictions, for the use of derivative instruments in the prudent management of the Public Employees Retirement System (PERS) investments. Certain internally and externally managed accounts are allowed, through contract and policy, to invest in derivative instruments in

order to carry out their investment management activities. Risks inherent with derivatives are managed through investment management's adherence to contractual and policy prescribed terms that are consistent with the OPERF's investing objectives. All derivatives instruments held by OPERF are considered investments. The fair value of the derivative investments is reported in equity investments, investment sales receivable, and accounts and interest payable on the statement of fiduciary net position. Changes in fair value during the fiscal year are reported in the net appreciation (depreciation) in fair value of investments line on the statement of changes in fiduciary net position.

The following schedule presents the related appreciation/(depreciation) in fair value amounts and the notional amounts of derivative instruments outstanding as of June 30, 2014 (in thousands):

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value of Investments[1, 4]	Classification	Fair Value[2]	Notional Value[3]
Credit Default Swaps Bought	$ (9,282)	Public Equity	$ (883)	$ 88,102
Credit Default Swaps Written	5,138	Public Equity	1,157	31,221
Fixed Income Futures Long	28,217	Public Equity	-	2,504,000
Fixed Income Futures Short	(15,169)	Public Equity	-	(735,301)
Fixed Income Options Bought	(3,847)	Public Equity	1,800	195,035
Fixed Income Options Written	4,888	Public Equity	(1,538)	(225,223)
Foreign Currency Options Bought	(295)	Public Equity	-	-
Foreign Currency Options Written	477	Public Equity	(12)	(300)
Futures Options Bought	(2,371)	Public Equity	178	4,186
Futures Options Written	4,293	Public Equity	(284)	(2,627)
Foreign Exchange Forwards	14,565	Public Equity	(997)	4,454,534
Index Futures Long	152,236	Public Equity	-	519
Index Futures Short	(35,415)	Public Equity	-	(2,033)
Index Options Written	697	Public Equity	-	-
Pay Fixed Interest Rate Swaps	1,361	Public Equity	(1,143)	293,080
Receive Fixed Interest Rate Swaps	476	Public Equity	(775)	159,885
Rights	4,072	Public Equity	809	1,422
Total Return Swaps Bond	13	Public Equity	-	-
Total Return Swaps Equity	138,982	Public Equity	21,630	(417,596)
Warrants	(4,741)	Public Equity	8,264	4,860
Total	$ 284,295		$ 28,206	$ 6,353,764

[1] Negative values (in brackets) refer to losses

[2] Negative values refer to liabilities

[3] Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

[4] Excludes futures margin payments

A forward foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The fair value of a foreign currency forward is determined by the difference between the contract exchange rate and the closing exchange rate, at the end of reporting period. Risks associated with such contracts include movement in the value of foreign currencies and the ability of the counterparty to perform.

A futures contract represents a commitment to purchase or sell an underlying asset at a future date and at a specified price. Futures contracts have standardized terms and are traded on exchanges. The counterparty credit risk for futures is generally less than for privately negotiated forward contracts, since the clearinghouse, which is the issuer or counterparty to each exchange-trade future, settles daily the net change in the futures contract's value in cash with the broker and results in the contract itself having no fair value at the end of any trading day.

A swap is an agreement that obligates two parties to exchange a series of cash flows or the net value of cash flows at specified intervals based upon, or calculated by, reference to changes in specified prices or rates for a

specified amount of an underlying asset. Swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. OPERF held various types of swaps including credit default, interest rate, and total return swaps. The payment flows are usually netted against each other, with the difference being paid by one party or another. In addition, collateral may be pledged or received by OPERF in accordance with the terms of the respective swap agreements to provide value and recourse to OPERF or its counterparties. Swaps are subject to general market risk, liquidity risk, credit risk, interest rate risk and the risk that the counterparty may fail to perform.

An option is an instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specified period of time. In writing an option, OPERF bears the market risk of an unfavorable change in the price of the underlying investment of the written option. Exercise of an option written by OPERF could result in OPERF selling or buying an asset at a price different from the current market value. Options may be subject to interest rate risk, general market risk, liquidity risk, credit risk, foreign currency risk, and, for non-exchange traded options, the risk of the counterparty's ability to perform.

Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specified company, at a pre-established price on or within a pre-determined date. A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain time period. In the OPERF portfolio, rights and warrants are often obtained and held due to existing investments and are subject to general market risk and liquidity risk.

Counterparty Credit Risk

The following schedule presents a summary of counterparty credit rating relating to derivative instruments as of June 30, 2014:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	43.16%	A	A	A2
Credit Suisse International	18.96%	A	A	A1
State Street Bank and Trust Company	9.49%	AA-	A+	Aa3
UBS AG	8.49%	A	A	A2
Royal Bank of Scotland PLC	8.32%	A-	A	Baa1
Deutsche Bank AG London	5.39%	A	A+	A2
Royal Bank of Canada (U.K.)	1.31%	AA-	AA	Aa3
HSBC Bank	1.20%	A+	AA-	Aa3
Barclay's Bank PLC Wholesale	0.63%	A	A	A2
BNP Paribas SA	0.60%	A+	A+	A1
Goldman Sachs Capital Markets LP	0.41%	A-	A	Baa1
JP Morgan CME	0.32%	A	A+	A3
Citibank N.A.	0.30%	A	A	A2
JP Morgan Chase Bank N.A.	0.24%	A+	A+	Aa3
Bank of America N.A.	0.20%	A	A	A2
Standard Chartered Bank	0.20%	AA-	AA-	A1
Morgan Stanley and Co Inc.	0.13%	A-	A	Baa2
Bank of New York	0.11%	A+	AA-	A1
Morgan Stanley and Co. International PLC	0.11%	A-	A	Baa2
HSBC Bank U.S.A.	0.09%	AA-	AA-	A1
Deutsche Bank AG New York	0.08%	A	A+	A2
Barclays de Zoete Wedd Limited	0.07%	A	A	A2
Deutsche Bank Securities Inc.	0.05%	A	A+	A2
Goldman Sachs and Co.	0.04%	A-	A	Baa1
JP Morgan Chase Bank	0.04%	A+	A+	Aa3
Bank of Montreal	0.03%	A+	AA-	Aa3
Morgan Stanley Bank, N.A.	0.03%	A	A	A3
Brown Brothers Harriman and Co.[1]	0.00%	NR	A+	NR
Morgan Stanley Capital Services Inc.[1]	0.00%	A-	A	Baa2
	100.00%			

[1] The Percentage of Net Exposure is less than 0.01%

Interest Rate Risk

As of June 30, 2014, OPERF is exposed to interest rate risk on its various swap arrangements and options.

The following schedule presents a segmented time schedule of those instruments as of June 30, 2014 (in thousands):

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Credit Default Swaps Bought	$ (883)	$ -	$ (883)	$ -	$ -
Credit Default Swaps Written	1,156	24	1,012	120	-
Fixed Income Options Bought	1,800	235	1,565	-	-
Fixed Income Options Written	(1,537)	(12)	(1,525)	-	-
Pay Fixed Interest Rate Swaps	(1,143)	-	(607)	(125)	(411)
Receive Fixed Interest Rate Swaps	(775)	(394)	(381)	-	-
Total Return Swaps Equity	21,630	21,630	-	-	-
Total	$ 20,248	$ 21,483	$ (819)	$ (5)	$ (411)

The following schedule presents derivative instruments that were highly sensitive to interest rate changes as of June 30, 2014 (in thousands):

Investment Type	**Reference Rate**	**Fair Value**	**Notional Value**
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.0425%	$ -	$ 24,730
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.565%	(560)	76,900
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.4825%	(104)	30,800
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8885%	-	14,340
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.5825%	(202)	3,700
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.58375%	(209)	3,800
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.088%	(19)	7,790
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.817%	-	10,200
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.738%	(18)	7,200
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.575%	94	91,600
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.247%	-	6,020
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.7%	(125)	16,000
Receive Fixed Interest Rate Swaps	Receive Fixed 8.64%, Pay Variable Brazilian CDI	(189)	3,720
Receive Fixed Interest Rate Swaps	Receive Fixed 8.16%, Pay Variable Brazilian CDI	(394)	17,831
Receive Fixed Interest Rate Swaps	Receive Fixed 8.94%, Pay Variable Brazilian CDI	(257)	5,263
Receive Fixed Interest Rate Swaps	Receive Fixed 1.5525%, Pay Variable 3-month LIBOR	65	70,000
Receive Fixed Interest Rate Swaps	Receive Fixed 3.245%, Pay Variable 3-month LIBOR	-	24,073
Receive Fixed Interest Rate Swaps	Receive Fixed 4.274%, Pay Variable 3-month LIBOR	-	33,148
Receive Fixed Interest Rate Swaps	Receive Fixed 2.6275%, Pay Variable 3-month LIBOR	-	5,850
Total Return Swaps Equity	Pay Variable 3-month LIBOR, Receive Russell 1000 Index	21,630	(417,596)
		$ 19,712	$ 35,369

Foreign Currency Risk

OPERF is exposed to foreign currency risk on derivative instruments. The following schedule presents a summary of derivative instruments subject to foreign currency risk as of June 30, 2014 (in thousands):

Currency Name	Net Receivables	Net Payables	Options	Swaps	Total Exposure
Australian dollar	$ 1,206	$ (1,899)	$ -	$ -	$ (693)
Brazilian real	213	(493)	-	(840)	(1,120)
British pound sterling	3,882	(5,615)	-	-	(1,733)
Canadian dollar	6,635	(3,014)	38	-	3,659
Chinese yuan	(126)	(65)	-	-	(191)
Danish krone	467	(43)	-	-	424
Euro	1,753	(4,105)	711	(628)	(2,269)
Hong Kong dollar	(7)	8	335	-	336
Indonesian rupiah	(30)	-	-	-	(30)
Israeli shekel	52	(122)	1	-	(69)
Japanese yen	705	(2,636)	-	-	(1,931)
Malaysian ringgit	28	-	-	-	28
Mexican peso	34	(1,483)	-	-	(1,449)
New Zealand dollar	9,626	(276)	-	-	9,350
Norwegian krone	(4,723)	460	-	-	(4,263)
Peruvian nouveau sol	63	-	-	-	63
Polish zloty	40	(103)	-	-	(63)
Russian ruble	135	(182)	-	-	(47)
Singapore dollar	(61)	(2)	-	-	(63)
South Korean won	99	-	176	-	275
Swedish krona	(1,321)	216	-	-	(1,105)
Swiss franc	1	(314)	-	-	(313)
Thailand baht	-	-	81	-	81
Total subject to foreign currency risk	$ 18,671	$ (19,668)	$ 1,342	$ (1,468)	$ (1,123)

4. RECEIVABLES AND PAYABLES

A. Receivables

The following tables disaggregate receivable balances reported in the fund financial statements as accounts and interest receivable (net) and net contracts, notes, and other receivables. Contracts, notes, and other receivables are not expected to be collected within one year of the date of the financial statements.

Receivables reported for governmental activities at June 30, 2014 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	$ 7,940	$ 173,784	$ 10,656	$ 27,077	$ 5,031	$ 124,254	$ 348,742	$ 83,787
Due from federal government	17	450,046	68,368	28,070	350	138,231	685,082	-
Interest	-	-	548	1,075	1,712	26,392	29,727	307
Health-care Provider Tax	-	120,407	-	-	-	-	120,407	-
Broker receivable	-	-	-	-	11,189	-	11,189	-
Notes	-	-	-	100	-	-	100	-
Contracts	-	-	290	242	1,134	-	1,666	-
Mortgages	-	7,418	-	6	-	-	7,424	-
Benefit recoveries	-	41,776	-	-	-	-	41,776	-
Medicaid drug rebate	-	18,198	-	-	-	-	18,198	-
FEMA Claims - Forest Fires	-	-	-	64,912	-	-	64,912	-
Fines, forfeitures, and penalties	17,037	-	-	-	-	98,175	115,212	-
Court fines and fees	-	-	-	-	-	1,024,204	1,024,204	-
Child support recoveries	-	-	-	-	-	294,952	294,952	-
Workers' compensation assessment	-	-	-	-	-	745	745	-
Other	6,621	4,802	3,757	7,470	-	48,490	71,140	15
Gross receivables	31,615	816,431	83,619	128,952	19,416	1,755,443	2,835,476	84,109
Allowance for doubtful accounts	(16,843)	(35,553)	(323)	(7,615)	(51)	(1,230,979)	(1,291,364)	(492)
Total receivables, net	$ 14,772	$ 780,878	$ 83,296	$ 121,337	$ 19,365	$ 524,464	$ 1,544,112	$ 83,617

Receivables reported for business-type activities at June 30, 2014 (in thousands):

	Housing and Community Services	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities						
General accounts	$ 189	$ 23,921	$ 280,224	$ 165,059	$ 27,132	$ 496,525
Due from federal government	-	-	2,037	44,577	3,115	49,729
Interest	5,444	-	-	-	11,789	17,233
Broker receivable	-	-	-	103	-	103
Mortgages	46	-	-	-	-	46
Loans	-	-	-	16,593	-	16,593
Loans - long-term	-	-	-	60,137	-	60,137
Benefit recoveries	-	-	65,275	-	-	65,275
Other	-	3,338	6,335	51,546	4,346	65,565
Gross receivables	5,679	27,259	353,871	338,015	46,382	771,206
Allowance for doubtful accounts	(46)	(143)	(22,260)	(53,182)	(9,821)	(85,452)
Total receivables, net	$ 5,633	$ 27,116	$ 331,611	$ 284,833	$ 36,561	$ 685,754

Receivables reported for fiduciary funds at June 30, 2014 (in thousands):

	Agency
Fiduciary fund activities	
Restitution	$ 515,126
Gross receivables	515,126
Allowance for doubtful accounts	(444,552)
Total receivables, net	$ 70,574

B. Payables

The following tables disaggregate payables reported in the fund financial statements as accounts and interest payable and contracts, mortgages, and notes payable.

Payables reported for governmental activities at June 30, 2014 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	$ 304,199	$ 272,409	$ 128,638	$ 28,187	$ 4,108	$ 153,198	$ 890,739	$ 41,202
Interest	-	-	-	-	-	-	-	631
Broker payable	-	-	-	-	31,174	-	31,174	-
Pension-related debt	-	-	-	-	-	-	-	19,937
Contracts - retainage	-	-	-	-	-	-	-	195
Loans	-	-	-	20,000	-	-	20,000	-
Total payables	$ 304,199	$ 272,409	$ 128,638	$ 48,187	$35,282	$ 153,198	$ 941,913	$ 61,965

Payables reported for business-type activities at June 30, 2014 (in thousands):

	Housing and Community Services	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities						
General accounts	$ 798	$ 21,285	$ 13,844	$ 115,547	$ 48,675	$ 200,149
Interest	20,701	-	-	31,597	5,187	57,485
Broker payable	-	-	-	68	-	68
Pension-related debt	601	4,870	-	96,620	31,397	133,488
Contracts - retainage	-	-	-	16,070	-	16,070
Contracts - other	-	1,704	-	6,693	2,153	10,550
Total payables	$ 22,100	$ 27,859	$ 13,844	$ 266,595	$ 87,412	$ 417,810

Payables reported for fiduciary funds at June 30, 2014 (in thousands):

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
Fiduciary fund activities				
General accounts	$ 6,134	$ 181	$ 93,990	$ 4
Benefits payable	324,096	-	-	-
Broker payable	2,079,816	-	-	-
Investment fees	36,583	-	-	-
Compensated absences payable	1,664	-	-	-
Interest	14	-	-	-
Mortgages	-	1,762	-	-
Total payables	$ 2,448,307	$ 1,943	$ 93,990	$ 4

5. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and fees for services of MUSL. For fiscal years ended June 30, 2014 and 2013, the Oregon Lottery's share of MUSL's fees was $39.3 thousand and $255.7 thousand, respectively.

MUSL is a non-profit, government-benefit association owned and operated by its member lotteries. It is governed by a board on which each member lottery is represented. Each member lottery has one vote. The board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties, and qualifications. MUSL is subject to annual audits conducted by independent auditors retained by the board. Upon termination of the MUSL's existence, if such termination should occur, the member lotteries would receive any proceeds determined available for distribution by the board.

Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. government securities. The following schedule presents the summarized financial activity of MUSL as of June 30, 2014 and 2013 (in thousands).

	2014	2013
Assets	$ 706,151	$ 554,028
Liabilities	$ 695,948	$ 542,004
Net assets - unrestricted	10,203	12,024
Total liabilitites and net assets	$ 706,151	$ 554,028
Unrestricted revenues	$ 3,170	$ 17,259
Unrestricted expenses	4,991	5,390
Total change in unrestricted net assets	$ (1,821)	$ 11,869

Separate financial statements for MUSL may be obtained from the Multi-State Lottery Association, Attention: Chuck Strutt, 4400 NW Urbandale Drive, Urbandale, Iowa, 50322.

6. CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the primary government for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 1,844,447	$ 33,287	$ 10,608	$ 1,867,126
Construction in progress	1,285,577	427,145	267,230	1,445,492
Works of art and other nondepreciable assets	1,924	-	5	1,919
Total capital assets not being depreciated	3,131,948	460,432	277,843	3,314,537
Capital assets being depreciated:				
Buildings, property, and equipment	3,412,619	166,006	64,405	3,514,220
Infrastructure[1]	16,577,384	326,355	4,529,112	12,374,627
Total capital assets being depreciated	19,990,003	492,361	4,593,517	15,888,847
Less accumulated depreciation for:				
Buildings, property, and equipment	1,512,771	126,501	47,042	1,592,230
Infrastructure[1]	9,029,258	256,850	4,541,179	4,744,929
Total accumulated depreciation	10,542,029	383,351	4,588,221	6,337,159
Total capital assets being depreciated, net	9,447,974	109,010	5,296	9,551,688
Total capital assets, net	$ 12,579,922	$ 569,442	$ 283,139	$ 12,866,225

[1] During the year, the methodology used to estimate the value of the State's highway infrastructure was changed. The value had originally been estimated using a deflated cost approach but is now derived using actual costs from historical records. As a result, both the infrastructure asset account and the associated accumulated depreciation account decreased by approximately $4.5 billion.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 142,219	$ 9,640	$ 4,591	$ 147,268
Construction in progress	148,524	348,304	176,519	320,309
Works of art and other nondepreciable assets	74,630	1,347	1,950	74,027
Total capital assets not being depreciated	365,373	359,291	183,060	541,604
Capital assets being depreciated:				
Buildings, property, and equipment	4,662,133	231,455	37,071	4,856,517
Infrastructure	123,647	4,587	-	128,234
Total capital assets being depreciated	4,785,780	236,042	37,071	4,984,751
Less accumulated depreciation for:				
Buildings, property, and equipment	1,902,352	165,698	24,578	2,043,472
Infrastructure	57,530	4,917	-	62,447
Total accumulated depreciation	1,959,882	170,615	24,578	2,105,919
Total capital assets being depreciated, net	2,825,898	65,427	12,493	2,878,832
Total capital assets, net	$ 3,191,271	$ 424,718	$ 195,553	$ 3,420,436

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary fund activities				
Capital assets not being depreciated:				
Land	$ 958	$ -	$ -	$ 958
Total capital assets not being depreciated	958	-	-	958
Capital assets being depreciated:				
Buildings, property, and equipment	52,190	754	9	52,935
Total capital assets being depreciated	52,190	754	9	52,935
Less accumulated depreciation for:				
Buildings, property, and equipment	15,091	2,503	9	17,585
Total accumulated depreciation	15,091	2,503	9	17,585
Total capital assets being depreciated, net	37,099	(1,749)	-	35,350
Total capital assets, net	$ 38,057	$ (1,749)	$ -	$ 36,308

Depreciation Expense

Depreciation expense charged to functions of the primary government (in thousands):

Governmental activities	Amount
Education	$ 903
Human services	10,287
Public safety	36,526
Economic and community development	945
Natural resources	18,710
Transportation	281,291
Consumer and business services	799
Administration	3,228
Legislative	1,681
Judicial	3,296
Subtotal	357,666
Internal service funds	25,685
Total depreciation expense	$ 383,351

Business-type activities	Amount
Housing and Community Services	$ 2
Lottery Operations	13,543
University System	145,268
Other business-type activities	11,802
Total depreciation expense	$ 170,615

Fiduciary fund activities:	Amount
Pension and Other Employee Benefit Trust	$ 2,503
Total depreciation expense	$ 2,503

Construction Commitments

The State has active construction projects, which will be funded through either general fund appropriations, federal grants, lottery resources, or other funding sources as noted in the schedule below. The State's construction commitments with contractors as of June 30, 2014 (in thousands):

			Remaining Commitment Source of Funds			
Project	**Spent-to-Date**	**Remaining Commitment**	**General**	**Federal**	**Lottery**	**Other**
Military facilities	$ 46,593	$ 4,305	$ 28	$ 4,042	$ -	$ 235
Oregon State Hospital facility	443,540	39,881	-	-	-	39,881
Veterans' Home facility	29,180	7,874	-	7,682	-	192
Prison construction and upgrades	59,751	3,174	777	-	-	2,397
University building construction and upgrades	822,473	338,529	36,308	751	26,979	274,491
Road and bridge construction	925,951	722,120	-	466,235	-	255,885
State park facilities	4,008	6,391	-	322	5,673	396
Upgrade and maintenance of various facilities	85,933	120,784	12	2,592	-	118,180
Total construction commitments	$ 2,417,429	$ 1,243,058	$ 37,125	$ 481,624	$ 32,652	$ 691,657

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets include highway maintenance equipment displayed at various district and regional offices; printing equipment displayed at the Salem print plant; historic documents displayed at the Oregon State Archives; a museum of military artifacts at Camp Withycombe in Clackamas, Oregon; a collection of historic buildings, furniture, paintings, and ancestral artifacts displayed at various state parks; a collection of wildlife mounts displayed at various Department of Fish and Wildlife locations; and a collection of photographs portraying various Oregon locales displayed at the Oregon Liquor Control Commission headquarters. These assets have not been capitalized because they meet the conditions to qualify as collections that are not subject to capitalization. These conditions are:

1. The collections are held for public exhibition or education in the furtherance of public service, not held for financial gain;
2. The collections are protected, kept unencumbered, cared for, and preserved; and
3. The collections are subject to state agency policy that requires the proceeds from sales of collection items to be used to acquire other items for the collections.

Insurance Recoveries

In the government-wide statement of activities, program revenues include insurance recoveries of the applicable functions (in thousands):

Governmental activities	**Amount**
Public safety	$ 181
Natural resources	1,033
Transportation	639
Administration	1,179
Total insurance recoveries	$ 3,032

Business-type activities	**Amount**
Lottery Operations	$ 15
University System	1,528
Other business-type activities	47
Total insurance recoveries	$ 1,590

Idle Impaired Capital Assets

At fiscal year end, the Department of Corrections' Deer Ridge Correctional Institution, a medium security facility with a carrying value of $108.4 million, and the Oregon State Penitentiary minimum security facility with a carrying value of $1.9 million were temporarily idle due to budget constraints and a delay in the implementation of Ballot Measure 57, the Mandatory Prison Sentences for Three or More Felonies Act.

The Columbia River Crossing (CRC) I-5 Bridge Replacement project was a long-term, comprehensive solution to address seismic risk, safety and congestion problems on I-5 between Portland, Oregon and Vancouver, Washington. Permitting and engineering work, as well as a legal and financial reviews, were completed. This work was to be used to evaluate an Oregon-led, phased I-5 bridge replacement project. On March 7, 2014, the Oregon Legislature adjourned without reinstating construction funds for this project. Without the necessary funding in place to move the project to construction, the CRC project was closed in May 2014. A total of $84.9 million was spent when construction was permanently stopped.

7. LEASES

A. Operating Leases

The State has entered into various non-cancelable rental agreements that are accounted for as operating leases because the agreements do not meet the criteria to be classified as capital leases. Operating lease payments are chargeable as rent expense and reported in services and supplies. Rental costs for operating leases for the year ended June 30, 2014, were $98.1 million for the primary government.

Future minimum rental payments for operating leases in effect as of June 30, 2014 (in thousands):

Year Ending June 30,	Amount
2015	$ 83,244
2016	68,190
2017	55,738
2018	41,286
2019	33,912
2020-2024	102,325
2025-2029	10,217
2030-2034	2,731
2035-2039	1,962
2040-2044	1,398
2045-2049	1,258
2050-2054	1,258
2055-2059	5,381
Total future minimum rental payments	$ 408,900

B. Capital Leases

A capital lease is accounted for similar to a purchase on a long-term contract. The underlying property is capitalized at an amount equal to the present value of the minimum lease payments and a corresponding liability is recorded. The liability for capital leases is reported as obligations under capital lease on the government-wide statement of net position. The expense resulting from the amortization of assets recorded under capital leases is included in depreciation expense.

Carrying value of assets subject to an outstanding capital lease or lease purchase contract as of June 30, 2014 (in thousands):

Asset Class	Governmental Activities	Business-type Activities
Buildings, property, and equipment	$ 14,345	$ 109
Less accumulated depreciation	(10,936)	(31)
Total carrying value	$ 3,409	$ 78

Future minimum lease payments for capital leases and the related net present value as of June 30, 2014 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities
2015	$ 2,155	$ 32
2016	656	29
2017	238	18
2018	232	1
Total future minimum lease payments	3,281	80
Less amounts representing interest	(254)	(11)
Present value of minimum lease payments	$ 3,027	$ 69

C. Lease Receivables

The State receives rental income from land, property, and equipment leased to non-state entities. For the year ended June 30, 2014, the State received rental income of $12.9 million on leased assets with a carrying value of $53.1 million, net of $14.2 million in accumulated depreciation.

Future minimum lease revenues for non-cancelable operating leases as of June 30, 2014 (in thousands):

Year Ending June 30,	Amount
2015	$ 9,266
2016	7,036
2017	6,203
2018	5,240
2019	4,388
2020-2024	14,933
2025-2029	16,239
2030-2034	17,229
2035-2039	19,808
2040-2044	11,331
2045-2049	3,913
2050-2054	3,326
2055-2059	3,318
Total future minimum lease revenues	$ 122,230

8. DONOR-RESTRICTED ENDOWMENTS

Oregon University System

Oregon Revised Statute 351.130 gives the Oregon University System (OUS) authority to use the interest, income, dividends, or profits from donor-restricted endowments for the benefit of the designated institution. The OUS board's current spending policy calls for the annual distribution of 4 percent of the preceding 20-quarter

moving average of the market value of the endowment funds. For the year ended June 30, 2014, the amount of net appreciation available for authorization for expenditure was $23.8 million. The amount available for distribution during fiscal year 2015 is estimated to be $2.7 million. The corpus of the endowment funds is reported as nonexpendable net position on the proprietary funds balance sheet and the government-wide statement of net position. Expendable endowment funds are reported as part of expendable net position restricted for education.

9. SHORT AND LONG-TERM DEBT

A. Short-Term Debt

During the year, the Oregon Department of Forestry made a loan from the Oregon Short-Term Fund (OSTF) to cover cash flow needs related to a heavy wild fire season. Also, the State issued tax anticipation notes (TANS) on August 7, 2013, to meet seasonal cash management needs within fiscal year 2014. The TANS were repaid on July 31, 2014. In addition, the Oregon Health Authority and the Oregon Military Department repaid loans from the OSTF made to cover end of biennium cash flow needs.

Short-term debt activity for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Human Services treasury loan	$ -	$ 6,000	$ 6,000	$ -
Military treasury loan	3,000	-	3,000	-
Health Authority treasury loan	111,000	-	111,000	-
Forestry treasury loan	-	20,000	-	20,000
Tax anticipation notes	-	650,744	-	650,744
Total short-term debt activity	$ 114,000	$ 676,744	$ 120,000	$ 670,744

B. General Obligation Bonds

The State issues general obligation bonds to provide funds for a variety of projects as authorized by the Oregon Constitution. General obligation bonds are secured by a pledge of the full faith, credit, and taxing power of the State.

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Obligations issued for highway construction pursuant to Article XI, Section 7, are fully self-supporting. Article XI-H authorizes the financing of pollution abatement and control facilities, as well as pollution control and disposal activities. Facilities acquired under the pollution control program are required to conservatively appear to be at least 70 percent self-supporting and self-liquidating from revenues, gifts, federal grants, assessments, user charges, and other fees. Article XI-O provides authorization to finance pension liabilities through the issuance of general obligation bonds. Article XI-M provides authorization to finance seismic rehabilitation projects for public education buildings and XI-N for emergency services buildings. Article XI-Q provides authorization to finance real or personal property projects to be owned or operated by the State.

The Oregon Constitution also authorizes general obligation debt to be used for business-type activities. Article XI-A authorizes the creation of the Oregon War Veterans' Fund to finance farm and home loans for eligible veterans. Financing of multi-family housing for elderly and disabled persons is authorized in Article XI-I (2). Article XI-J provides authorization to finance loans for the development of small-scale local energy projects. Issuance of general obligation bonds to finance higher education building projects is authorized in Article XI-F (1). The preceding bonds of business-type activities are fully self-supporting. Article XI-G authorizes financing of higher education facilities and institution activities. Debt service requirements for these higher education obligations are financed through an appropriation from the General Fund.

Debt service requirements for general obligation bonds as of June 30, 2014 (in thousands):

	Governmental Activities		Business-type Activities		Fiduciary Fund Activities	
Year ending June 30,	**Principal[1]**	**Interest**	**Principal[2]**	**Interest**	**Principal**	**Interest**
2015	$ 124,985	$ 162,426	$ 85,256	$ 99,940	$ 565	$ 88
2016	144,652	156,489	90,350	99,240	585	60
2017	154,501	149,549	87,875	97,663	615	31
2018	168,067	141,607	89,617	92,408	-	-
2019	181,230	132,615	94,372	86,305	-	-
2020-2024	1,100,045	505,263	477,785	356,772	-	-
2025-2029	938,262	173,468	487,434	243,191	-	-
2030-2034	171,166	38,329	413,520	142,178	-	-
2035-2039	77,245	7,590	333,335	61,905	-	-
2040-2044	-	-	128,415	9,569	-	-
2045-2049	-	-	5,025	88	-	-
Total	$ 3,060,153	$ 1,467,336	$ 2,292,984	$ 1,289,259	$ 1,765	$ 179

[1] Includes $1,894 million in pension bond debt.

[2] Includes a total of $165.4 million of bonds with variable interest rates adjusted daily or weekly based on the rates determined by the remarketing agent. The interest rates at the end of the fiscal year were 0.04 percent for $96.5 million of these bonds and 0.05 percent for $68.9 million.

C. Revenue Bonds

Oregon Revised Statutes (ORS) authorize the State to issue revenue bonds. Revenue bonds are secured by a pledge of revenues derived from the operation of the programs funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

ORS 286A.560 through 286A.585, 327.700 through 327.711, and 348.716 authorize the State to issue revenue bonds that are supported by unobligated net lottery proceeds. To date, lottery revenue bonds have been issued for infrastructure improvements, state parks, expansion and refurbishment of school facilities, light rail transportation, improvements to state fair facilities, acquisition of state forestland, watershed project grants, and economic development in rural and distressed communities. Lottery revenue bonds have been issued for both governmental and business-type activities.

ORS 367.605 through 367.665 authorize the Oregon Department of Transportation to issue highway user tax bonds for governmental activities to build and maintain public roads. Debt service payments for these bonds are funded by highway user taxes and vehicle registration fees.

ORS 456.645 authorizes the Oregon Housing and Community Services Department to issue revenue bonds for financing single-family mortgage loans and multi-family housing projects. Mortgage payments and fees and rental revenues support these bonds. ORS 285B.467 through 285B.482 authorize the Oregon Business Development Department to issue revenue bonds for financing infrastructure improvement projects through the Special Public Works Fund, while ORS 285B.572 through 285B.599 authorize the issuance of revenue bonds for financing water projects through the Water Fund. Loan repayments support the bonds associated with these business-type activities.

Debt service requirements for revenue bonds as of June 30, 2014 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal[1]	Interest	Principal[2,3]	Interest
2015	$ 137,403	$ 148,520	$ 88,292	$ 39,904
2016	125,583	143,116	38,292	39,570
2017	129,568	138,016	39,787	38,620
2018	122,838	133,069	40,487	37,535
2019	126,272	128,027	40,518	36,336
2020-2024	634,703	557,564	245,192	158,143
2025-2029	771,149	388,496	296,136	104,293
2030-2034	793,598	183,080	268,102	55,940
2035-2039	535,335	21,953	198,295	25,692
2040-2044	-	-	71,420	7,618
2045-2049	-	-	7,150	874
2050-2054	-	-	1,725	172
Total	$ 3,376,449	$ 1,841,841	$ 1,335,396	$ 544,697

[1] Includes a total of $265.5 million of bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent. The interest rate at the end of the fiscal year was 0.37 percent.

[2] Includes bonds with variable interest rates adjusted monthly based on the London Interbank Offered Rate (LIBOR) plus 0.4 percent not to exceed 11 percent for $765 thousand of the bonds and LIBOR plus 0.4 percent not to exceed 11.5 percent for $1.3 million. The interest rate at the end of the fiscal year for these bonds was 0.56 percent.

[3] Includes bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent, not to exceed 12 percent. The interest rates at the end of the fiscal year were 0.06 percent for $26.6 million of these bonds, 0.07 percent for $164.9 million, 0.09 percent for $8.3 million, and 0.10 percent for $83.4 million.

D. Certificates of Participation

ORS 283.085 through 283.092 authorize the State to enter into financing agreements through the issuance of certificates of participation. The State has issued certificates of participation to provide funds for the acquisition of computer and telecommunication systems, and the acquisition, construction, or remodeling of State facilities. Certificates of participation have been issued for governmental and business-type activities.

Debt service requirements for certificates of participation as of June 30, 2014 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal	Interest
2015	$ 65,222	$ 28,355	$ 5,533	$ 3,704
2016	51,217	25,579	4,938	3,460
2017	44,546	23,441	4,774	3,236
2018	36,341	21,612	4,594	3,041
2019	31,025	20,095	3,875	2,857
2020-2024	157,720	79,080	19,785	11,680
2025-2029	84,030	48,951	23,785	6,390
2030-2034	99,315	24,302	6,725	1,746
2035-2039	30,615	3,342	1,510	93
Total	$ 600,031	$ 274,757	$ 75,519	$ 36,207

E. Changes in Long-Term Debt

Changes in long-term debt for governmental activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds/certificates payable:					
General obligation bonds	$ 3,048,203	$ 130,190	$ 118,240	$ 3,060,153	$ 124,986
Revenue bonds	3,092,860	675,290	391,701	3,376,449	137,403
Certificates of participation	671,938	-	71,907	600,031	65,222
General appropriation bonds	28,195	-	28,195	-	-
Less amounts[1]:					
For issuance discounts	(2,423)	-	(140)	(2,283)	-
For issuance premiums	258,649	57,610	27,409	288,850	-
Total bonds/certificates payable	$ 7,097,422	$ 863,090	$ 637,312	$ 7,323,200	$ 327,611

Changes in long-term debt for business-type activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,182,978	$ 200,885	$ 90,879	$ 2,292,984	$ 85,256
Revenue bonds	1,454,065	135,590	254,259	1,335,396	88,292
Certificates of participation	82,267	-	6,748	75,519	5,533
Less amounts[1]:					
For issuance discounts	(791)	-	(105)	(686)	-
For issuance premiums	100,993	25,214	8,218	117,989	-
Accreted interest	46,159	3,671	10,200	39,630	-
Total bonds/certificates payable	$ 3,865,671	$ 365,360	$ 370,199	$ 3,860,832	$ 179,081

Changes in long-term debt for fiduciary fund activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Bonds/certificates payable:					
General obligation bonds	$ 2,310	$ -	$ 545	$ 1,765	$ 565
Less amounts[1]:					
For issuance premiums	241	-	63	178	-
Total bonds/certificates payable	$ 2,551	$ -	$ 608	$ 1,943	$ 565

[1] Gains and losses on refunding are reported as deferred inflows of resources and deferred outflows of resources, respectively, in accordance with GASB Statement 65 and are recognized as a component of interest expense in a systematic and rational manner.

F. Demand Bonds

Oregon Department of Veterans' Affairs

Included in long-term debt are the following State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, along with selected terms of their standby bond purchase agreements (SBPAs) at June 30, 2014 (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
83	$ 10,965	Bank of Tokyo-Mitsubishi UFJ, Ltd.	12/30/2016	0.4250%	JP Morgan Securities Inc.	0.05%
84	30,000	Bank of Tokyo-Mitsubishi UFJ, Ltd.	12/30/2016	0.4250%	JP Morgan Securities Inc.	0.05%
85	15,140	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
86	31,320	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
87C	9,045	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
88B	30,000	U.S Bank National Association	5/31/2016	0.3300%	JP Morgan Securities Inc.	0.07%
90B	38,885	Bank of Tokyo-Mitsubishi UFJ, Ltd.	12/30/2016	0.4250%	JP Morgan Securities Inc.	0.07%

These bonds are general obligations of the State and are payable from revenues and reserves of the Veterans' Loan program. The bondholders may tender these bonds on specified dates at a price equal to principal plus accrued interest.

The Oregon Department of Veterans' Affairs (DVA) remarketing agent is authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a daily or weekly basis based on the applicable mode. The designated remarketing agent for such bonds will determine the interest rate borne by each series of bonds. DVA pays its designated remarketing agent a fee for this service.

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPA for Series 83, 84, and 90B, the Bank of Tokyo-Mitsubishi UFJ, Ltd. will commit to purchase any Series 83, 84, or 90B unremarketed bonds, subject to certain conditions. Under the SBPA for Series 85, 86, 87C, and 88B, U.S. Bank National Association, will commit to purchase any Series 85, 86, 87C, or 88B unremarketed bonds, subject to certain conditions.

If a tender advance does occur under the Series 83, 84, and 90B SBPA, it will accrue interest at the bank's base rate (either a prime lending rate plus 1 percent, or the federal funds rate plus 2 percent, or 7.5 percent, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 0.5 percent for the time period covering 31 days up to 60 days; and at the bank's base rate plus 1 percent for the time period thereafter. If the tender advance is in default, interest will accrue at the bank's base rate plus 2 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate, or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advances must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 83, 84, and 90B SBPA, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 83, 84, and 90B SBPA for fiscal year 2014. Therefore, no tender advances or draws were outstanding as of June 30, 2014.

If a tender advance does occur under the Series 85-88B SBPA, it will accrue interest at the bank's base rate (either a prime lending rate plus 1 percent, the federal funds rate plus 2 percent, the Securities Industry and Financial Markets Association (SIFMA) rate plus 1 percent or 7 percent for the time period 31 days after the purchase date and thereafter, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 1 percent for the time period covering 31 days up to 90 days; and at the bank's base rate plus 1.5 percent for the time period thereafter. If the tender advance is in default, interest will accrue at the bank's base rate plus 3 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate; or (c) the effective date of delivery of a substitute alternative

liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advance must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 85-88B SBPAs, a default has occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 85-88B SBPA for fiscal year 2014. Therefore, no tender advances or draws were outstanding as of June 30, 2014.

Oregon Housing and Community Services Department

Included in Oregon Housing and Community Services Department's (OHCSD) long-term debt is $283.2 million in variable rate demand bonds. OHCSD's variable rate demand bonds are remarketed weekly by a remarketing agent. Bondholders may elect to tender their bonds by providing written notice to the remarketing agent as specified in the official statement for the series. On the date that bonds are tendered, the remarketing agent will use its best effort to sell the bonds or may purchase the bonds for its own account.

OHCSD has entered into standby bond purchase agreements (SBPAs) to provide liquidity in the event that the remarketing agent is unable to sell the tendered bonds and does not choose to buy the bonds for its own account. The SBPAs require the liquidity provider to provide funds for the purchase of the tendered bonds. On the purchase date, the bonds become known as liquidity provider bonds or bank bonds and bear interest at the bank rate in accordance with the SBPAs. The maximum rate is 12 percent (Bank of America, N.A., State Street Bank and Trust Company, and JPMorgan Chase Bank, N.A.). The bonds remain bank bonds until they are sold by the remarketing agent or the remarketing agent purchases them for its own account. If the bonds are not remarketed or purchased by the remarketing agent for its own account, mandatory redemption in ten equal installments are to be paid on the first business day of January and July, commencing on the first such date to occur after the bonds become liquidity provider bonds (State Street Bank and Trust Company) or at least ninety days after the related purchase date (Bank of America, N.A. and JPMorgan Chase Bank, N.A.). There were no bank bonds on June 30, 2014.

Certain terms of the standby purchase agreements and remarketing agreements are listed below (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
MF 2004 B	$ 13,725	Bank of America, N.A.	8/25/2017	0.5000%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.08%
MRB 2004 L	15,000	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2005 C	10,500	State Street Bank and Trust Company	11/20/2016	0.5200%	J.P. Morgan Securities, Inc.	0.07%
MRB 2005 F	14,885	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 C	20,000	State Street Bank and Trust Company	11/20/2016	0.5200%	J.P. Morgan Securities, Inc.	0.07%
MRB 2006 F	20,000	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2006 G	16,105	State Street Bank and Trust Company	11/20/2016	0.5200%	CitiGroup Global Markets, Inc.	0.07%
MRB 2007 E	30,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	J.P. Morgan Securities, LLC	0.07%
MRB 2007 H	30,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 C	35,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 F	35,000	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2008 I	34,650	JPMorgan Chase Bank, NA	12/31/2017	0.5100%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2013 F	8,335	State Street Bank and Trust Company	11/20/2016	0.5200%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%

G. No-Commitment Debt

No-commitment debt refers to debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State. The State has no obligation for payment of this debt. Accordingly, this debt is not reported in the accompanying financial statements.

No-commitment debt as of June 30, 2014 (in thousands):

Primary Government	Amount
Oregon Business Development Department	$ 380,658
Oregon Facilities Authority	1,877,848
Housing and Community Services Department	214,057
Total no-commitment debt	$ 2,472,563

H. Debt Refundings

Occasionally, the State issues new long-term debt to extinguish the obligation of previously issued bonds or certificates of participation in order to take advantage of lower interest rates. In instances of advanced refunding, the money from the sale of new debt is placed in an irrevocable trust to provide for all future debt service payments on the old debt. The amount of these issuances has provided funds to pay the interest and principal when due on the refunded debt to and including the dates irrevocably fixed for redemption. The trust account assets and liabilities for the defeased debt are not included in the accompanying financial statements.

Current/advance refunding issues that occurred between July 1, 2013, and June 30, 2014:

On November 5, 2013, the Oregon Department of Transportation issued $265.5 million in 2013 Series B Revenue Bonds with an average interest rate of 4 percent. The bonds were issued to refund $265.3 million of outstanding 2011 Series A Revenue Bonds with an average interest rate of 4 percent. The current refunding was undertaken to reduce the total debt service payments over the next 24 years by $245 thousand and resulted in no economic gain or loss.

On November 20, 2013, the Oregon Housing and Community Services Department issued $47.9 million in Mortgage Revenue Bonds, of which $17.2 million was used to refund previously issued Revenue Bonds. The current refunding of these bonds decreases the total debt service over the next 20.6 years by approximately $7.2 million and results in an economic gain of approximately $2.8 million. Both the old refunding debt and the new debt included variable rate bonds ($14.7 million in old debt and $8.3 million in new debt). The old variable rate debt was hedged and the new variable rate debt is not. Increases in interest rates would result in larger interest payments which would reduce the economic gain.

On May 7, 2014, the Oregon Department of Administrative Services issued $1.1 million in 2014 Series A General Obligation Bonds with an average interest rate of 3 percent. These bonds refunded $1.2 million of 2004 Series A Certificates of Participation with an average interest rate of 4.3 percent. The current refunding was undertaken to reduce the total debt service payments over the next 2 years by $54 thousand and resulted in an economic gain of $53.4 thousand.

On May 29, 2014, the Oregon Housing and Community Services Department issued Revenue Bonds in an aggregate principal amount of $87.7 million of which $39 million refunded previously issued Revenue Bonds on July 1, 2014, and July 2, 2014. The current refunding of these bonds decreases the total debt service over the next 30 years by $8.3 million and results in an economic gain of $4.9 million.

I. Defeased Debt

The State has defeased certain general obligation and revenue bonds, as well as certificates of participations, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for defeased bonds is not included in the State's financial statements. On June 30, 2014, $923.2 million of bonds outstanding are considered defeased.

10. OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for governmental activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	$ 178,256	$ 7,531	$ 9,140	$ 176,647	$ 116,587
Claims and judgments payable	1,187,437	135,190	141,218	1,181,409	118,268
Arbitrage rebate payable	1,275	740	1,275	740	-
Custodial liabilities	253,328	660,759	637,244	276,843	273,466
Contracts, mortgages, and notes payable	485,003	61,694	134,137	412,560	37,200
Obligations under capital lease	2,789	3,715	3,477	3,027	1,950
Pollution remediation obligation	12,535	4,475	109	16,901	7,080
Net OPEB obligation	49,838	2,447	-	52,285	-
Total other long-term liabilities	$ 2,170,461	$ 876,551	$ 926,600	$ 2,120,412	$ 554,551

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included as part of the totals for governmental activities. The compensated absences liability is mainly liquidated through the General Fund, Health and Social Services Fund, and the Public Transportation Fund. The claims and judgments liability is generally liquidated through the Employment Services Fund and the Central Services Fund, an internal service fund. The arbitrage rebate liability is generally liquidated through the Revenue Bond Fund. The custodial liabilities are expected to be liquidated by the Common School Fund and the Health and Social Services Fund. The liability for contracts, mortgages, and notes is generally liquidated through the General Fund, the Environmental Management Fund, the Health and Social Services Fund and the Public Transportation Fund. The capital lease obligations are generally liquidated through the Central Services Fund. The pollution remediation obligation will be mainly liquidated through the Environmental Management Fund and the Public Transportation Fund. The net OPEB obligation is the result of the State's pay-as-you-go funding policy for other postemployment benefits offered through the Public Employees Benefit Board, and is liquidated by each governmental fund, excluding the debt service funds.

Changes in other long-term liabilities for business-type activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences payable	$ 68,883	$ 11,246	$ 5,138	$ 74,991	$ 61,449
Claims and judgments payable	28,767	1,184	3,816	26,135	18,492
Lottery prize awards payable	160,058	254,580	255,555	159,083	32,413
Arbitrage rebate payable	18,727	2,715	367	21,075	12
Custodial liabilities	70,836	70,086	75,402	65,520	53,299
Contracts, mortgages, and notes payable	154,135	125,834	119,861	160,108	22,740
Obligations under capital lease	560	-	491	69	25
Net OPEB obligation	24,726	1,340	-	26,066	-
Derivative instruments liability	29,801	-	10,630	19,171	-
Total other long-term liabilities	$ 556,493	$ 466,985	$ 471,260	$ 552,218	$ 188,430

Changes in other long-term liabilities for fiduciary fund activities for the year ended June 30, 2014 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Custodial liabilities	$ 2,003,133	$ 9,235,868	$ 9,654,193	$ 1,584,808	$ 1,582,496
Contracts, mortgages, and notes payable	5,546	-	3,784	1,762	90
Net OPEB obligation	517	27	-	544	-
Total other long-term liabilities	$ 2,009,196	$ 9,235,895	$ 9,657,977	$ 1,587,114	$ 1,582,586

11. POLLUTION REMEDIATION OBLIGATION

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and postremediation monitoring. Excluded from pollution remediation obligations are obligations for pollution prevention and control activities, fines and penalties, landfill closure and postclosure care, and other future remediation activities required upon retirement of an asset.

The State recognizes a pollution remediation obligation when it can reasonably estimate the range of expected cash outlays. At June 30, 2014, the State recognized an estimated liability of $17.0 million for pollution remediation activities. The liability, which is reported in the government-wide statement of net position, was recorded at the current value of the costs the State expects to incur to perform the work.

For many projects, the State can reasonably estimate the range of expected outlays early in the process, using the State's remediation history for similar sites as the basis for the calculations. In other cases, the estimated liability is based on the amount specified in a contract for remediation services or the estimate of the cleanup costs provided by an environmental consulting firm. Expected recoveries from responsible parties or potentially responsible parties and insurance recoveries are included in the estimates and reduce the State's expense. No material expected recoveries were included in the measurement of the State's pollution remediation obligation at June 30, 2014.

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

Currently, the Oregon Department of Environmental Quality (DEQ), as a government responsible for sharing costs under federal law, is obligated to clean up three Superfund sites. Two sites are contaminated with chemicals used in the wood-treatment industry. Contamination was found in the soil, groundwater, and sediments of adjacent rivers. The third site is contaminated with asbestos in the soil resulting from demolition of approximately eighty 1940s era military barracks buildings. The Oregon Department of Transportation (ODOT) also performs ongoing pollution remediation. For example, to facilitate the agency's transportation goals, ODOT voluntarily conducts the cleanup of contaminated soil and ground water found within the footprint of a construction project and removes lead-based paint when performing bridge repairs. In other cases, DEQ has named ODOT as a responsible party or potentially responsible party, or ODOT has entered the contaminated site into the DEQ's Voluntary Cleanup Program as the responsible party.

As of June 30, 2014, the State is involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of contamination in the Portland Harbor Superfund site. There are over 200 parties, private and public, that may eventually bear a share of the costs. It is too early in the Environmental Protection Agency's remedial action process to estimate the total cleanup costs that may be shared by the liable parties and what portion of that, if any, will be assessed against the State. The Portland Harbor Superfund site is discussed in more detail in Note 24.

12. PLEDGED REVENUES

A. Unobligated Net Lottery Proceeds

The State has pledged future unobligated net lottery proceeds to repay $1.1 billion of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for revenues used for payment of prizes and expenses of the Lottery. Proceeds from lottery revenue bonds provide financing for economic development within the state, as well as for the improvement and expansion of state parks and school facilities. The bonds are payable solely from the pledged revenues and are payable through 2033. Total principal and interest remaining to be paid on the bonds is $1.6 billion. In fiscal year 2015, principal and interest payments on the bonds are expected to require approximately 23.5 percent of unobligated net lottery proceeds. Principal and interest paid for the current year and total unobligated net lottery proceeds recognized were $126.6 million and $512.4 million, respectively.

B. Highway User Taxes and Vehicle Registration Fees

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers, and statutory transfers to counties, to repay $2.4 billion of highway user tax revenue bonds. Proceeds from the bonds provide financing for the construction, reconstruction, improvement, repair, maintenance and operation, and use of public highways, roads, streets, and roadside rest areas for the State. The bonds are payable solely from the pledged revenues and are payable through November 2038. Total principal and interest remaining to be paid on the bonds is $3.9 billion. Fiscal year 2015 principal and interest payments on the bonds are expected to require approximately 30.3 percent of pledged revenues. Principal and interest paid for the current year and total pledged revenues recognized were $158.7 million and $578 million, respectively.

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13. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2014 (in thousands):

	Due from Other Funds				
Due to Other Funds	**General**	**Health and Social Services**	**Public Transportation**	**Environmental Management**	**Common School**
General	$ -	$ 32,888	$ 32	$ 2,310	$ 37
Health and Social Services	555,191	-	-	156	-
Public Transportation	261	-	-	12,465	-
Environmental Management	2,315	-	3,598	-	89
Common School	25,390	-	-	770	-
Nonmajor Governmental Funds	8,141	21,325	-	3	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	140,644	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Nonmajor Enterprise Funds	22,706	748	-	1,345	-
Internal Service Funds	14,640	-	-	-	-
Fiduciary Funds	-	-	-	-	-
Total	$ 769,288	$ 54,961	$ 3,630	$ 17,049	$ 126

	Advances to Other Funds			
Advances from Other Funds	**Common School**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total**
General	$ -	$ -	$ 584	$ 584
Environmental Management	300	-	-	300
Nonmajor Governmental Funds	-	48	-	48
University System	-	119,975	-	119,975
Internal Service Funds	-	131	-	131
Total	$ 300	$ 120,154	$ 584	$ 121,038

Interfund balances result from the time lag between the date a transaction for interfund goods and services or reimbursable expenditures/expenses is recorded and the date the payment between funds is made. Advances to and from other funds are not expected to be repaid within one year.

Due from Other Funds (continued)

Nonmajor Governmental Funds	Housing and Community Services	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
$ 172,245	$ -	$ 14,942	$ 1,078	$ 1,097	$ -	$ 224,629
744	-	-	357	-	-	556,448
4,135	-	20	-	-	-	16,881
2,042	-	-	-	-	-	8,044
-	-	-	-	-	-	26,160
8,781	11	1,123	273	1,429	-	41,086
47	-	-	-	-	-	47
-	-	-	-	-	-	140,644
1,184	-	-	-	-	-	1,184
7	-	-	135	35	46	25,022
55	-	-	35	-	-	14,730
-	-	-	-	-	6,788	6,788
$ 189,240	$ 11	$ 16,085	$ 1,878	$ 2,561	$ 6,834	$ 1,061,663

Interfund transfers reported in the fund financial statements as of June 30, 2014 (in thousands):

	Transfers from Other Funds				
Transfers to Other Funds	**General**	**Health and Social Services**	**Public Transportation**	**Environmental Management**	**Common School**
General	$ -	$ 94,324	$ 1,230	$ 57,282	$ 98
Health and Social Services	34,856	-	-	612	-
Public Transportation	6,004	-	-	29,260	-
Environmental Management	46,230	72	399	-	3,559
Common School	50,779	-	-	4,835	-
Nonmajor Governmental Funds	152,941	67,345	23,736	191	-
Housing and Community Services	-	-	-	-	-
Lottery Operations	512,427	-	-	-	-
Unemployment Compensation	-	-	-	-	-
University System	4,454	-	-	-	-
Nonmajor Enterprise Funds	147,983	8,681	-	324	-
Internal Service Funds	15,574	2,632	-	577	-
Total	$ 971,248	$ 173,054	$ 25,365	$ 93,081	$ 3,657

Transfers are used to move (1) revenues collected by one fund to the fund authorized by statute or the State's budget to expend them, (2) receipts restricted to debt service or capital construction to the appropriate funds, and (3) unrestricted revenues collected by the General Fund for various programs accounted for in other funds according to State budget requirements.

Transfers from Other Funds (continued)

Nonmajor Governmental Funds	University System	Nonmajor Enterprise Funds	Internal Service Funds	Total
$ 431,400	$ 386,024	$ 195,371	$ 28	$ 1,165,757
81,853	-	5,463	-	122,784
251,032	134	-	-	286,430
25,770	672	-	6	76,708
323	-	-	-	55,937
91,913	9,357	598	809	346,890
185	-	-	-	185
1,692	-	-	-	514,119
8,051	-	-	-	8,051
37,083	-	-	-	41,537
11,220	-	15,064	527	183,799
16,989	886	95	1	36,754
$ 957,511	$ 397,073	$ 216,591	$ 1,371	$ 2,838,951

14. SEGMENT INFORMATION

Oregon Revised Statutes (ORS) 285B.410 through 285B.482 create the Special Public Works Fund and authorize the Oregon Business Development Department (OBDD) to issue revenue bonds to finance loans to municipalities for infrastructure projects. ORS 285B.560 through 285B.599 establish the Water/Wastewater Financing Fund and authorize OBDD to issue revenue bonds to finance loans to municipalities for safe drinking water projects and waste water system improvement projects. Loan repayments are pledged to repay the outstanding bonds.

ORS 456.645 authorizes the Oregon Housing and Community Services Department (OHCSD) to issue revenue bonds to finance single-family mortgage loans and multi-family housing projects. Article XI-I (2) of the Oregon Constitution authorizes OHCSD to finance multi-family housing for elderly and disabled persons. Mortgage payments and fees and rental revenues support these bonds.

Summary financial information for the Special Public Works Fund, the Water/Wastewater Financing Fund, and OHCSD's various bond funds for the year ended June 30, 2014 (in thousands):

Condensed statement of net position	**Special Public Works Fund**	**Water/ Wastewater Financing Fund**	**Mortgage Revenue Bonds**	**Housing Revenue Bonds**
Assets:				
Interfund receivables	$ -	$ -	$ 185	$ 120
Other current assets	83,408	26,998	90,402	9,597
Noncurrent assets	192,474	89,969	740,833	168,582
Total assets	275,882	116,967	831,420	178,299
Deferred outflows of resources	-	-	17,750	-
Liabilities:				
Interfund payables	5	-	-	-
Other current liabilities	9,014	3,603	80,879	8,633
Noncurrent liabilities	55,151	29,642	682,944	167,538
Total liabilities	64,170	33,245	763,823	176,171
Deferred inflows of resources	-	-	2,054	744
Net position:				
Restricted	1,497	893	83,293	1,384
Unrestricted	210,215	82,829	-	-
Total net position	$ 211,712	$ 83,722	$ 83,293	$ 1,384

Condensed statement of revenues, expenses, and changes in net position	**Special Public Works Fund**	**Water/ Wastewater Financing Fund**	**Mortgage Revenue Bonds**	**Housing Revenue Bonds**
Operating activities:				
Loan interest income	$ 7,837	$ 3,643	$ 29,690	$ 7,170
Other operating revenue	96	-	12	-
Other operating expenses	(6,196)	(4,054)	(28,445)	(6,616)
Operating income (loss)	1,737	(411)	1,257	554
Total nonoperating revenues (expenses)	614	116	2,051	466
Transfers from other funds	345	8,954	2,305	5
Transfers to other funds	(9,231)	(6,540)	(4,300)	-
Change in net position	(6,535)	2,119	1,313	1,025
Beginning net position (as restated)	218,247	81,603	81,980	359
Ending net position	$ 211,712	$ 83,722	$ 83,293	$ 1,384

Condensed statement of cash flows	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Net cash provided (used) by:				
Operating activities	$ 6,611	$ (2,231)	$ 92,187	$ (6,121)
Noncapital financing activities	(15,117)	(3,025)	(117,339)	(17,442)
Investing activities	(9,628)	120	28,486	21,407
Net increase (decrease)	(18,134)	(5,136)	3,334	(2,156)
Beginning cash and cash equivalents	84,029	30,116	21,772	3,831
Ending cash and cash equivalents	$ 65,895	$ 24,980	$ 25,106	$ 1,675

Condensed statement of net position	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Assets:			
Current assets	$ 8,033	$ 361	$ 11,358
Noncurrent assets	170,297	3,550	175,931
Total assets	178,330	3,911	187,289
Deferred outflows of resources	1,457	2	330
Liabilities:			
Current liabilities	7,513	361	10,052
Noncurrent liabilities	147,320	20	107,514
Total liabilities	154,833	381	117,566
Deferred inflows of resources	1,868	-	1,240
Net position:			
Restricted	23,086	3,532	68,813
Total net position	$ 23,086	$ 3,532	$ 68,813

Condensed statement of revenues, expenses, and changes in net position	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Operating activities:			
Loan interest income	$ 8,881	$ 102	$ 6,578
Other operating revenue	-	-	88
Other operating expenses	(6,849)	(46)	(7,729)
Operating income (loss)	2,032	56	(1,063)
Total nonoperating revenues (expenses)	972	(13)	998
Transfers from other funds	395	-	-
Transfers to other funds	(1,500)	(1,250)	(52)
Change in net position	1,899	(1,207)	(117)
Beginning net position (as restated)	21,187	4,739	68,930
Ending net position	$ 23,086	$ 3,532	$ 68,813

Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:			
Operating activities	$ 11,597	$ 102	$ 15,346
Noncapital financing activities	(11,697)	(2,777)	(13,677)
Investing activities	(282)	2,459	770
Net increase (decrease)	(382)	(216)	2,439
Beginning cash and cash equivalents	1,412	332	32,481
Ending cash and cash equivalents	$ 1,030	$ 116	$ 34,920

15. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions

Public Employees Retirement System

The Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for units of State government, school districts, community colleges, and political subdivisions. PERS is administered under the Oregon Revised Statutes (ORS) Chapters 238 and 238A and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board. Plan assets of the defined benefit, defined contribution, postemployment healthcare, and deferred compensation plans may legally be used to pay benefits only to the plan members or plan beneficiaries for whom the assets were accumulated. The PERS defined benefit plans provide pension benefits, death benefits, disability benefits, and postemployment healthcare benefits.

PERS features both a cost-sharing multiple-employer pension plan and an agent multiple-employer pension plan. Participation in the PERS cost-sharing multiple-employer plan is mandatory for state agencies that comprise the primary government, as well as community colleges and school districts. PERS is an agent multiple-employer plan for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by most political subdivisions is optional, but irrevocable if elected. The State has no obligation to contribute, and it does not contribute, to the agent multiple-employer pension plan. At June 30, 2014, PERS had 912 employer members consisting of:

State agencies	115
Community colleges	17
School districts	293
Political subdivisions	487

In 1995, the Oregon Legislature passed a bill that created a second tier of benefits for those employees who established membership on or after January 1, 1996. The second tier does not enjoy the Tier One assumed earnings rate guarantee and sets the normal retirement age at 60, compared to 58 for Tier One. As of June 30, 2014, there were 36,176 active and 135,109 inactive members for a total of 171,285 PERS Tier One plan members and 43,367 active and 25,836 inactive members for a total of 69,203 PERS Tier Two plan members.

In 2003, the Oregon Legislature enacted a bill that created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of a defined benefit pension program and the defined contribution Individual Account Program (IAP). OPSRP is part of PERS and is administered by the PERS Board. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2014, there were 85,431 active and 10,644 inactive members for a total of 96,075 OPSRP members.

Beginning January 1, 2004, active PERS Tier One and Tier Two plan members became members of the IAP. The Tier One and Tier Two plan members retain their existing PERS accounts; however, member contributions are now deposited into the members' IAP accounts.

The PERS defined benefit and defined contribution retirement plans are reported as pension trust funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the fiduciary funds basic financial statements. 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 Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx

Optional Plans

The 1995 Oregon Legislature enacted legislation that authorized the Oregon University System (OUS) to offer a defined contribution retirement plan as an alternative to PERS. Effective April 1, 1996, OUS established the Optional Retirement Plan (ORP), which was made available to OUS unclassified faculty and staff who are eligible for PERS membership. The ORP consists of three tiers. Membership in ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership in OPSRP.

In addition to PERS and ORP, eligible unclassified employees hired on or before September 9, 1995, may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund retirement program. This defined contribution plan was closed to new enrollment at the time the ORP became effective in 1996.

B. Summary of Significant Accounting Policies

The financial statements for the PERS retirement plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Expenses are recognized when incurred. Benefits and refunds are recognized when due and payable.

Plan investments are reported at fair value. See Note 1 for additional information about how the fair value of investments is determined.

C. Funding

Primary Government

To pay for PERS pension benefits, state agencies make required contributions based on a percentage of employee payrolls. The retirement contribution rates include an actuarially determined employer rate and a member contribution rate. The PERS Board updates the employer rates every two years, effective July 1 of each odd-numbered year. Currently, the member contribution, known as the 6 percent pick-up, is set by statute and is paid by state agencies. These two contributions are paid to the State's pension system and are invested at an acceptable level of investment risk as determined by the Oregon Investment Council.

The PERS employer contribution rates for state agencies for the biennium beginning July 1, 2013, and ending June 30, 2015, expressed as a percentage of covered payroll:

Tier One - Tier Two Employer Rates		**OPSRP Employer Rates**	
General Service	Police and Fire	General Service	Police and Fire
9.00%	16.27%	7.45%	10.18%

State agencies' employer contributions to PERS for fiscal years ended June 30, 2014, 2013, and 2012, totaled approximately $229.5 million, $216.3 million, and $214.4 million, respectively. Member contributions for the year ended June 30, 2014 were $150.5 million. The actual contribution equaled the contractually required contribution in each fiscal year.

In fiscal year 2004, the State issued $2 billion in pension obligation bonds to reduce the PERS pension liability. As a result, the actual contribution exceeded the annual required contribution in that fiscal year, creating a net pension asset that is being amortized using the level dollar closed method over 22 years and an assumed interest rate of 8 percent. The primary government's employer cost for the PERS pension plan for fiscal year 2014 was $301.5 million and included $72 million of amortization. State agencies pay an additional assessment to cover the annual debt service requirements attributable to the pension bonds.

Oregon University System's Optional Retirement Plan (ORP)

Under the ORP, the employee contribution rate is 6 percent and is paid by OUS. The employer contribution rates for fiscal year 2014 were 16.5 percent for ORP Tier One and ORP Tier Two and 6.4 percent for the OPSRP equivalent. Total OUS employer contributions to the ORP for the years ended June 30, 2014, 2013, and 2012, were approximately $30.1 million, $28.6 million, and $27.8 million, respectively. The OUS employee contributions to the ORP for the years ended June 30, 2014, 2013, and 2012, were approximately $16.8 million, $15.9 million, $15.0 million, respectively.

Discretely Presented Component Units

The SAIF Corporation's employer contributions to PERS for years ended December 31, 2013, 2012, and 2011, were approximately $5.5 million, $5.3 million, and $3.2 million, respectively. The actual contribution equaled the annual required contribution in each year.

16. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Public Employees Retirement System

Plan Descriptions

The Public Employees Retirement System (PERS) Board contracts for health insurance coverage on behalf of the members of PERS. Eligible retirees pay their own age-adjusted premiums. To help retirees defray the cost of these premiums, PERS also administers two separately defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA).

The RHIA is a cost-sharing multiple-employer OPEB plan in which 912 employers participate. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan. The number of RHIA plan members receiving benefits was 43,409 as of June 30, 2014.

The RHIPA is a single-employer OPEB plan established under ORS 238.415. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan. The number of RHIPA plan members receiving benefits was 1,288 as of June 30, 2014.

Both RHIA and RHIPA are closed to employees hired on or after August 29, 2003, who had not established membership prior to that date.

The RHIA and RHIPA defined benefit OPEB plans are reported separately under Other Employee Benefit Trust Funds in the fiduciary funds combining statements and as part of the Pension and Other Employee Benefit Trust in the fiduciary funds basic financial statements. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. The report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. The report may also be accessed online at:

http://oregon.gov/PERS/section/financial_reports/financials.shtml

Summary of Significant Accounting Policies

The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Expenses are recognized when incurred. Benefits are recognized in the month they are earned, and withdrawals are recognized in the month they are due and payable.

Plan investments are reported at fair value. See Note 1 for additional information about how the fair value of investments is determined.

Funding

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions. For the biennium ending June 30, 2015, state agencies contributed 0.10 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, state agencies contribute 0.49 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $13.7 million, $13 million, and $12.9 million for years ended June 30, 2014, 2013, and 2012, respectively. The actual contribution equaled the annual required contribution in each fiscal year. (See Note 15 for details concerning Tier One, Tier Two, and OPSRP membership in PERS.)

The funded status of the RHIA postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2013	$353.5	$473.6	$120.1	74.7%	$8,671.8	1.4%

For the biennium ending June 30, 2015, state agencies contribute 0.07 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, state agencies contribute 0.20 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately $6.2 million, $3.4 million, and $3.4 million for the years ended June 30, 2014, 2013, and 2012, respectively. The actual contribution equaled the annual required contribution in each fiscal year.

The funded status of the RHIPA postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2013	$5.2	$61.2	$56.0	8.5%	$2,531.5	2.2%

Actuarial Methods and Assumptions

The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 2013, using the entry age normal cost method. Significant assumptions used in the actuarial valuation include a 7.75 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.75 percent for both the RHIA and RHIPA plans. The RHIPA plan uses a healthcare cost inflation adjustment graded from 6.1 percent in 2014 to 4.7 percent in 2083. The RHIPA plan's inflation assumption is 2.75 percent, which is a subcomponent of the payroll growth rate. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The unfunded actuarial accrued liability is being amortized as a level percentage of combined valuation payroll over a closed period of 10 years. The actuarial value of plan assets for both the RHIA and the RHIPA is equal to the assets' fair market value on the valuation date. Restricted net position held in trust for other postemployment benefits for RHIA and RHIPA at June 30, 2014, was $386.9 million and $6 million, respectively.

B. Public Employees Benefit Board

Plan Description

The State participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes gives the Board the authority to establish and amend the benefit provisions of the PEBB Plan. Twelve employers participate in the PEBB Plan, which is considered an agent multiple-employer plan for financial reporting purposes. As of June 30, 2014, PEBB Plan members consisted of 49,965 active employees and 1,223 retired employees and beneficiaries receiving benefits. PEBB does not issue a separate, publicly available financial report.

The PEBB Plan allows qualifying retired employees to continue their "active" health insurance coverage on a self-pay basis until they are eligible for Medicare. Participating retirees pay their own monthly premiums. However, the premium amount is based on a blended rate that is determined by pooling the qualifying retirees with active employees, thus, creating an "implicit rate subsidy."

Summary of Significant Accounting Policies

The PEBB plan's implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The net OPEB obligation for the year ended June 30, 2014, is $78.9 million and is allocated to the participating funds based on each fund's proportionate share of annual health insurance premium costs. The portion of the net OPEB obligation related to governmental activities is reported in the internal service funds balance sheet and the government-wide statement of net position; the portion related to business-type activities is reported in the proprietary funds balance sheet and the government-wide statement of net position. The portion related to fiduciary activities is reported in the statement of fiduciary net position.

Funding

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy, on a pay-as-you-go basis. Administrative costs of the PEBB Plan are financed by up to 2 percent of employer and plan member contributions. For the year ended June 30, 2014, retired plan members contributed $19.7 million through their required contributions. The average monthly contribution was $1,343. Active employees do not contribute to the plan.

The funded status of the PEBB postemployment healthcare plan as of the most recent actuarial valuation date (in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2013	-	$105.1	$105.1	-	$2,485.8	4.2%

The schedule of funding progress, which is included in the required supplementary information that immediately follows the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2013, using the entry age normal cost method. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Significant assumptions used in the actuarial valuation include a 3.5 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.5 percent. The plan uses a medical healthcare cost inflation adjustment of 3.58 percent in fiscal year 2014, 5.9 percent in fiscal year 2015, 5.6 percent in fiscal year 2016, 6.9 percent in 2017, an average of 6.1 percent between fiscal years 2018 and 2042, and the rate grades down from 5.9 percent to 5.4 percent between fiscal years 2043 and 2063. The dental healthcare cost inflation adjustment was graded from 2.21 percent in fiscal year 2014 to 5 percent for all subsequent fiscal years. The plan's inflation assumption is 2.75 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll using an open 15-year period.

For fiscal years ended June 30, 2014, 2013, and 2012, the components of the PEBB Plan's annual OPEB cost, the amounts actually contributed, and changes to the net OPEB obligation (in millions):

	June 30, 2014	June 30, 2013	June 30, 2012
Annual required contribution	$ 12.8	$ 20.9	$ 20.0
Interest on net OPEB obligation	2.6	2.3	1.9
ARC adjustment	(5.0)	(4.3)	(3.7)
Annual OPEB cost (expense)	10.4	18.9	18.2
Contributions made	(6.6)	(8.4)	(9.0)
Increase in net OPEB obligation	3.8	10.5	9.2
Net OPEB obligation - beginning of year	75.1	64.6	55.4
Net OPEB obligation - end of year	$ 78.9	$ 75.1	$ 64.6
Percent of annual OPEB cost contributed	63.5%	44.4%	49.5%

C. Using Actuarial Valuations

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

17. DEFERRED COMPENSATION PLANS

The Oregon Savings Growth Plan (OSGP) is a deferred compensation plan available to eligible state employees. Employee contributions are deposited into the Deferred Compensation Fund established by Oregon Revised Statute 243.411. To participate, an employee enters into an individual agreement with the State to defer current earnings to be paid at a future date. The Public Employees Retirement System (PERS) administers the plan. As trustee of the assets, PERS contracts with ING to maintain OSGP participant records. The Office of the State Treasurer, as custodian of the assets, contracts with State Street Bank and Trust Company to provide financial services. PERS may assess a charge to participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. Actual charges to participants, including investment charges, for the year ended June 30, 2014, averaged 0.23 percent of amounts deferred.

Participants direct the selection of investment options and bear any market risk. Although the State has no liability for losses under the OSGP, the State does have the prudent investor responsibility of due care. Activity of the OSGP is reported under the Deferred Compensation Plan in the fiduciary funds combining financial statements. As of June 30, 2014, the fair value of the investments was $1.4 billion.

18. TERMINATION BENEFITS

A. Voluntary Early Retirement Plans

Oregon University System

Several individual universities within the Oregon University System (OUS) offer various retirement incentive or voluntary tenure relinquishment programs. The liability for early retirement benefits is reported in contracts, mortgages, and notes payable on the proprietary funds balance sheet under the University System Fund. The current and noncurrent portions of the liability are $339 thousand and $543 thousand, respectively.

B. Involuntary Early Termination

Oregon University System

The Oregon University System has severance agreements with two former employees related to early termination of their employment contracts. The future payout period under each severance agreement ranges from three to four years. The liability for early termination benefits is reported in contracts, mortgages, and notes payable on the proprietary funds balance sheet under the University System Fund. The current and noncurrent portions of the liability are $1.6 million and $3.6 million, respectively. The amount of the liability was determined by calculating the present value of expected future benefit payments using discount rates ranging from 0.57 to 0.87 percent.

19. RISK FINANCING

A. Property, Liability, and Workers' Compensation Coverage for State Government

The Department of Administrative Services, Enterprise Goods and Services, Risk Management section (Risk Management) administers the State's property, liability, and workers' compensation insurance program. Risk Management has found it is more economical to manage the risk of loss internally and, therefore, minimizes the purchase of commercial insurance policies to the extent possible. The moneys set aside by Risk Management under Chapter 278 of the Oregon Revised Statutes are used to service the following risks:

- Direct physical loss or damage to State property
- Tort liability claims brought against the State, its officers, employees, or agents
- Inmate injury
- Workers' compensation
- Employee dishonesty
- Faithful performance bonds for key positions as required by law and additional positions as determined by agency policy

Risk Management purchases commercial insurance for specific insurance needs not covered by self-funding. For example, the self-insured property and liability program is backed by an excess property policy with a limit of $400 million and a blanket commercial crime policy with a limit of $20 million. The amount of claim settlements did not exceed commercial insurance coverage for each of the past three fiscal years.

All State agencies, commissions, and boards participate in the self-insured property and liability program. Risk Management allocates the cost of claims and claims administration 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 Management purchases workers' compensation insurance for the State from SAIF Corporation, a discretely presented component unit, utilizing retrospective paid loss plans. These plans are ten years in length and have cash flow and investment earnings advantages. The accumulated claim loss liability for the plans was approximately $67.8 million as of June 30, 2014. Independent actuaries determine biennial loss forecasts.

Periodically, Risk Management reevaluates claims liabilities taking into consideration recently settled claims, the frequency of claims, and other economic and social factors. Contracted actuaries estimate claims and allocated and unallocated expenses using the last 20 to 25 years of State claims experience and the projected numbers of employees, payroll, vehicles, and other property. Liabilities include an amount for claims and legal expenses that have been incurred but not reported and are discounted at an annual rate of 2 percent. The actuaries forecast ultimate losses by line of coverage.

Changes in the balance of aggregate claims liabilities for the property, liability, and workers' compensation insurance program for the years ended June 30, 2014 and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 140,146	$ 45,092	$ (37,898)	$ 147,340
2013	119,633	46,626	(26,113)	140,146

The June 30, 2014, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Central Services.

B. State Self-insured Healthcare Plans

Chapter 243 of the Oregon Revised Statutes authorizes the Public Employees' Benefit Board (PEBB) to establish and maintain medical, dental, and vision insurance plans for the benefit of PEBB members. Currently, the State provides these benefits through four self-insured plans.

PEBB is responsible for controlling expenditures, stabilizing benefit premium rates, and minimizing the risk of loss. Funds set aside in a stabilization fund may be used to offset any actual premium deficiencies in the self-funded plans. The reserve is considered adequate to cover catastrophic losses due to large claims in the self-insured plans, as well as unexpected increases in trend, utilization, or other potential fluctuations. PEBB has not purchased stop-loss coverage on any of the plans.

Contracted actuaries and consultants estimate the claims liability. Incurred but not reported expenses are estimated by using claims lag triangles from the plans to develop completion factors. For the most recent months, incurred claims are estimated based upon reviewing the most recent claims experience per employee and adjusting for trend and seasonality to the projection month. Since most of the claims will be paid out within the year, the estimated amounts are not discounted. Specific adjustments for subrogation or other anticipated recoveries are not included. Overall, these adjustments are not expected to be significant. The amount of claims for the medical, dental, and vision plans did not exceed the self-insured coverage for the past three fiscal years.

Changes in the balance of aggregate claims liabilities for the self-insured healthcare plans for the years ended June 30, 2014 and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 66,537	$ 555,991	$ (556,010)	$ 66,518
2013	69,921	525,659	(529,043)	66,537

The June 30, 2014, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Health Services.

C. Supplemental Workers' Compensation Insurance

The Department of Consumer and Business Services operates several supplemental workers' compensation benefit programs. These programs are accounted for in special revenue funds. The primary program is the Retroactive Program, established by Oregon Revised Statute 656.506. It provides increased insurance benefits to claimants or their beneficiaries when current payment requirements exceed benefits in effect at the time of injury.

The Department of Consumer and Business Services determines the funding of supplemental workers' compensation insurance programs through cash flow projections based on historical data and economic forecasts. Employer work hour assessments, contributions by employees, workers' compensation insurance premium assessments, and investment and interest earnings pay for the programs. Long-term liabilities were actuarially computed as of June 30, 2014, using a 4 percent discount rate.

Changes in the balance of aggregate claims liabilities for supplemental workers' compensation insurance for the years ended June 30, 2014, and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 980,753	$ 75,441	$ (88,643)	$ 967,551
2013	846,351	222,365	(87,963)	980,753

The June 30, 2014, balance of claims liabilities is included in claims and judgments payable on the government-wide statement of net position under governmental activities.

D. Oregon University System

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the Oregon University System (OUS) Risk Management Program to protect the life safety, reputation, financial operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management (Risk Management) manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. The financing for this program is provided through the establishment of a Risk Fund (Fund) consisting of three sub-funds for Casualty, Property, and Workers' Compensation. All seven OUS institutions and the Chancellor's Office participate in the program and make payments to the risk Fund based on a risk allocation model and actuarial estimates of the amounts needed to pay prior and current year claims. The Fund manages a combination of self-insurance and excess insurance for the following potential risks:

- Real property loss for university owned buildings, equipment, automobiles and other types of property
- Tort liability claims brought against OUS, its officers, employees or agents
- Workers' compensation and employers liability
- Crime and fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items

OUS Risk Management purchases commercial insurance for claims in excess of coverage provided by the self-insurance program and for all other risks of loss. The self-insured property coverage is based on a total insurable value of $9 billion with a $500 million limit of liability with sub-limits for business interruption, earthquake, and flood. In addition, the universities applied a membership credit of over $190 thousand towards seismic gas shut off valves in fiscal year 2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as directors and officers, errors and omissions, and employment liability. Limits of liability for this program total $50 million, and for general liability and educator's legal liability this is in excess of over $1 million in the self-insured program. Settled claims did not exceed commercial coverage in the first two years of the program. Liabilities include an amount for claims that have

been incurred but not reported (IBNR) of $6.6 million. Changes in the balance of aggregate claims liabilities, including IBNR, for the property, liability, and workers' compensation insurance program for the years ended June 30, 2014, and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 14,677	$ 766	$ (3,800)	$ 11,643
2013	-	18,433	(3,756)	14,677

The June 30, 2014 balance of claims liabilities is included in claims and judgments payable on the statement of net position of proprietary funds under University System.

E. Standard Retiree Health Insurance Account

Chapter 238 of the Oregon Revised Statutes authorizes the Public Employees Retirement System (PERS) to contract with health insurance carriers to provide health care insurance for eligible retired members of PERS. The Standard Retiree Health Insurance Account (SRHIA) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The estimated claims liability is calculated by contracted health insurance consultants using a variety of actuarial and statistical techniques and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $14.5 million is carried at its face amount, and no interest discount is assumed.

Changes in the balance of aggregate claims liabilities for the standard retiree health insurance account for the years ended June 30, 2014, and 2013 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2014	$ 14,090	$ 175,413	$ (175,011)	$ 14,492
2013	13,959	172,889	(172,758)	14,090

The June 30, 2014 balance of claims liabilities for SRHIA is included in claims and judgments payable on the statement of net position of proprietary funds under Other.

F. SAIF Corporation Workers' Compensation Insurance

The Legislature created SAIF Corporation (SAIF) to transact workers' compensation insurance and reinsurance business. SAIF is an independent public corporation, a discretely presented component unit of the State, and the largest workers' compensation insurer in Oregon.

SAIF has established a reserve for both reported and unreported insured events, which includes estimates of future payments of losses and related loss adjustment expenses. In estimating the liability for loss and loss adjustment expense, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors relating to workers' compensation insurance underwritten by SAIF.

The liability for loss and loss adjustment expense decreased $11.2 million in calendar year 2013, which was net of favorable development of $193.8 million. Loss reserves decreased $28.7 million. Favorable loss reserve development in prior accident years offset loss reserves for the 2013 calendar accident year. The favorable development is attributed to permanent total disability and permanent partial disability medical loss reserves from recent accident years, and to a change to the future medical escalation rate assumption from 8.5 percent to 8 percent. Indemnity loss reserves experienced favorable development as indemnity costs for recent accident years were much lower than expected. Loss adjustment expense reserves increased $17.5 million. The

favorable development was largely attributed to a decrease in the forecast of future activities and the overall reduction in reserves.

SAIF discounts the indemnity reserve for known unpaid fatal and permanent total disability losses on a tabular basis, using a discount rate of 3.5 percent. SAIF does not discount any incurred but not reported reserves, medical unpaid losses, or unpaid loss adjustment expense. The gross reserve subject to tabular discounting for calendar year 2013 was $258.3 million. The related discount was $89.1 million as of December 31, 2013.

Anticipated salvage and subrogation of $32.4 million was included as a reduction of the reserve for loss and loss adjustment expense at December 31, 2013.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. As of December 31, 2013, SAIF had provided reserves of $23.1 million for loss and loss adjustment expense related to asbestos claims. Changes in the balance of the liability for loss and loss adjustment expense related to workers' compensation insurance underwritten by SAIF for 2013, and 2012 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Adjustment Expense Payments	Ending Balance
2013	$ 3,052,611	$ 316,818	$ (328,054)	$ 3,041,375
2012	3,019,393	353,123	(319,905)	3,052,611

This liability is reported as the reserve for loss and loss adjustment expense on the statement of net position of discretely presented component units under SAIF Corporation.

20. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues, including discretely presented component units, are reported net of discounts and allowances in the accompanying financial statements. Discounts and allowances in proprietary funds for the year ended June 30, 2014 (in thousands):

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	$ 1,028
Unemployment Compensation	Assessments	4,317
Unemployment Compensation	Fines and forfeitures	42
University System	Charges for services	196,912
University System	Sales	14,979
Nonmajor Enterprise Funds	Other	9,658
Nonmajor Enterprise Funds	Sales	6,214
Internal Service Funds	Other	79
Total discounts and allowances		$ 233,229

21. FUND EQUITY

A. Net Position Restricted by Enabling Legislation

The following schedule summarizes the State's net position at June 30, 2014, that is restricted by enabling legislation (in thousands). All of the legislative restrictions are in governmental activities.

	Restricted Net Position
Expendable Net Position Restricted for:	
Health and social service programs	$ 49,461
Public transportation programs	7,602
Natural resource programs	70,080
Education	304,077
Community protection	8,552
Consumer protection	86,282
Employment services	105,127
Residential assistance	65,285
Other programs	49,796
Nonexpendable Net Position Restricted for:	
Education	900
Residential assistance	10,747
Workers' compensation	250
Total net position restricted by enabling legislation	$ 758,159

B. Changes to Beginning Fund Balance

As of June 30, 2014, the beginning fund balances were restated as follows (in thousands):

	Beginning Balance	Prior Period Adjustments	Accounting Changes	Beginning Balance-Restated
Governmental funds and activities				
General	$ 783,882	$ (59,375)	$ -	$ 724,507
Health and Social Services	233,627	(21,180)	-	212,447
Public Transportation	584,669	(6,980)	-	577,689
Environmental Management	841,132	(17,090)	-	824,042
Common School	998,734	(11)	-	998,723
Other (nonmajor)	1,489,911	928	-	1,490,839
Capital assets, net of depreciation	12,306,341	45,523	-	12,351,864
Other noncurrent assets	1,582,160	(2,672)	(31,506)	1,547,982
Long-term liabilities	(7,370,967)	(357)	-	(7,371,324)
Internal service funds	494,015	(4,060)	(606)	489,349
Total governmental funds and activities	$ 11,943,504	$ (65,274)	$ (32,112)	$ 11,846,118
Proprietary funds and business-type activities				
Housing and Community Services	$ 214,936	$ (6,448)	$ (9,019)	$ 199,469
Lottery Operations	155,898	-	-	155,898
Unemployment Compensation	1,938,670	-	-	1,938,670
University System	1,477,262	-	-	1,477,262
Other (nonmajor)	1,229,441	1,620	(4,314)	1,226,747
Internal service funds adjustment	1,405	-	-	1,405
Total proprietary funds and business-type activities	$ 5,017,612	$ (4,828)	$ (13,333)	$ 4,999,451
Fiduciary funds				
Pension and Other Employee Benefit Trust	$ 65,362,545	$ -	$ -	$ 65,362,545
Private Purpose Trust	27,549	(360)	-	27,189
Short Term Investment Trust	4,768,598	-	-	4,768,598
Intermediate Term Investment Trust	-	30,254	-	30,254
Total fiduciary funds	$ 70,158,692	$ 29,894	$ -	$ 70,188,586

Significant prior period adjustments were made in three governmental funds and activities. A $53.9 million adjustment was made to correct expenditures that were recognized in the incorrect period in the General Fund. In the Health and Social Services Fund, an adjustment of $16 million was made to correct expenditures and revenue that were recognized in the incorrect period. Current prior period adjustments were made to correct the errors. In the Environmental Management Fund, an adjustment of $17.8 million was made to correctly record supplies that were recorded as inventory in prior years. In addition, several agencies made corrections to their capital asset accounts, including $21.9 million adjustment to construction in progress and $19.2 million adjustment to infrastructure capitalization and depreciation.

In fiscal year 2013, the portion of the Oregon Intermediate Term Pool (OITP) belonging to an entity other than the State was reported within the Private Purpose Trust Fund, with the initial deposit of $30 million reported as a custodial liability. During the current year it was determined that it is more appropriate to report this as the Intermediate Term Investment Trust Fund, which is an investment trust fund. To make this correction, a prior period adjustment of $254 thousand, which reflected fiscal year 2013 earnings, was recorded in the Private Purpose Trust Fund, and a prior period adjustment of $30.2 million was recorded in the Intermediate Term Investment Trust Fund, reflecting both the initial deposit and the fiscal year 2013 earnings.

All accounting changes reported in the governmental funds and activities and the proprietary funds and business-type activities are the result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported

as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

C. Fund Balances – Governmental Funds

The following table displays in detail the June 30, 2014, fund balances that are reported in the aggregate on the governmental funds balance sheet (in thousands):

Fund balances	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total
Nonspendable:							
Not in spendable form	$ 24,411	$ 913	$ 31,551	$ 9,577	$ -	$ 3,317	$ 69,769
Required to be maintained intact	19	52	40	253	-	15,025	15,389
Restricted for:							
Public health and welfare	738	236,813	-	-	-	-	237,551
Roads and bridges	-	-	804,293	-	-	-	804,293
Conservation and natural resources	72,765	-	-	754,271	-	-	827,036
K-12 Education	-	-	-	-	1,190,529	71,750	1,262,279
Education stabilization	-	-	-	-	-	113,812	113,812
Community protection	-	-	-	-	-	96,629	96,629
Licensing and regulation	-	-	-	-	-	88,291	88,291
Employment related programs	-	-	-	-	-	109,506	109,506
Low income housing assistance	-	-	-	-	-	140,501	140,501
Debt service	-	-	-	-	-	391,439	391,439
Capital projects	-	-	-	-	-	40,901	40,901
Other purposes	182,036	-	-	-	-	94,214	276,250
Committed to:							
Public health and welfare	-	110,366	-	-	-	-	110,366
Conservation and natural resources	-	-	-	50,043	-	-	50,043
Education	-	-	-	-	-	18,176	18,176
Business development	-	-	-	-	-	34,264	34,264
Community protection	-	-	-	-	-	82,656	82,656
Licensing and regulation	-	-	-	-	-	35,373	35,373
Employment related programs	-	-	-	-	-	98,864	98,864
Low-income housing assistance	-	-	-	-	-	154,613	154,613
Stabilization	62,224	-	-	-	-	-	62,224
Other purposes	30,754	-	-	-	-	1,941	32,695
Assigned to:							
Conservation and natural resources	-	-	-	6,297	-	-	6,297
Education	-	-	-	-	-	4,079	4,079
Community protection	-	-	-	-	-	2,541	2,541
Employment related programs	-	-	-	-	-	3,058	3,058
Other purposes	1,327	-	-	-	-	7,323	8,650
Unassigned:	394,999	(17,553)	-	-	-	(684)	376,762
Total fund balances	$769,273	$ 330,591	$ 835,884	$ 820,441	$1,190,529	$1,607,589	$5,554,307

Nonspendable fund balances include inventories and prepaid items, which are not in spendable form, and fund balances associated with the corpus of revolving funds and permanent fund principal, which are legally or contractually required to be maintained intact.

Restricted fund balances result from constraints imposed on net position by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation.

Committed fund balance results from constraints imposed by bills passed by the Legislature and signed into law by the Governor. The constraints on the use of resources are separate from the authorization to raise the underlying revenue and may be modified or rescinded only by passing additional legislation.

Assigned fund balance represents amounts that are constrained by the State's intent to use them for specific purposes, which are neither restricted nor committed. Intent is expressed by the Legislature via the budget process when there is no legislation other than a budget bill imposing constraints.

D. Deficit Net Position

The Energy Loan Fund, a nonmajor enterprise fund, reports a deficit net position of $8.7 million as of June 30, 2014.

E. Stabilization Arrangements

Oregon maintains two stabilization funds – the Oregon Rainy Day Fund and the Education Stability Fund.

Established by the 2007 Legislature, the Oregon Rainy Day Fund is funded from the General Fund's ending balance up to 1 percent of General Fund appropriations for the prior biennium. The Legislature may deposit additional funds as it did to create the fund, using surplus corporate income tax revenues from the 2005-07 biennium. The Rainy Day Fund also earns interest on the moneys in the fund. Fund balance is capped at 7.5 percent of General Fund revenues in the prior biennium.

Stabilization amounts in the Oregon Rainy Day Fund may be spent if approved by three-fifths of the members of the Legislative Assembly and one of the following conditions exists:

- The last quarterly economic and revenue forecast for a biennium indicates that moneys available to the General Fund for the next biennium will be at least 3 percent less than appropriations from the General Fund for the current biennium;
- There has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or
- A quarterly economic and revenue forecast projects that revenues in the General Fund in the current biennium will be at least 2 percent below what the revenues were projected to be in the revenue forecast on which the legislatively adopted budget for the current biennium was based.

For any one biennium, the Legislative Assembly may not appropriate more than two-thirds of the amount that is in the Oregon Rainy Day Fund at the beginning of that biennium. If the appropriation is for a biennium that has not yet begun, the Legislative Assembly may use as the base the most recent estimate of the amount that will be in the Oregon Rainy Day Fund at the beginning of the biennium for which the appropriation is made. The fund balance of the Oregon Rainy Day Fund as of June 30, 2014, was $62.2 million.

The Education Stability Fund is authorized in the Oregon Constitution, Article XV. Section 4, part (4)(d), requires that 18 percent of net lottery proceeds be deposited in the fund. Earnings on moneys in the fund are retained by the fund or continuously appropriated to finance public education under Oregon Revised Statute 348.696. The balance in the fund may not exceed 5 percent of General Fund revenues of the prior biennium.

Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions is met, the Education Stability Fund can also be used by the Legislature for public education. The Governor must declare an emergency and the expenditure must be approved by a three-fifths majority in each chamber. The fund balance of the Education Stability Fund as of June 30, 2014, was $113.8 million.

22. NONEXCHANGE FINANCIAL GUARANTEES

Article XI-K of the Oregon Constitution allows the State to guarantee the general obligation bonded indebtedness of school districts, education service districts, and community college districts, in order to secure lower interest costs on general obligation bonds of such districts, without receiving equal or approximately equal value in exchange. Payment of the principal and interest on the bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 to 328.356. The amount of debt that the State may incur in honoring its guaranty of school bonds may not exceed, at any one time, one-half of one percent of the real market value of all taxable property

in the State. School districts, education service districts, and community college districts are entities legally separate from the State.

To apply and qualify for the Oregon School Bond Guaranty certification, districts must provide comprehensive information to the Debt Management Division of the Office of the State Treasurer. After application approval, no additional information is required to be provided to the Debt Management Division, except when a school district knows it will not make scheduled payments on the State guaranteed general obligation bonds it has issued. The district is then required to notify the trustee of the general obligation bonds and the Debt Management Division 15 days prior to the scheduled payment. The qualifying certification analysis threshold is less than or equal to 20 percent coverage risk, and throughout the program's history, no district has ever defaulted.

If one or more payments are made by the State, as provided for in the Oregon School Bond Guaranty Act, the Oregon State Treasurer shall pursue recovery from the district of all money necessary to reimburse the State. In seeking recovery, the State Treasurer may (i) intercept any payments from the General Fund, the State School Fund, the income of the Common School Fund and any other source of operating moneys provided by or through the State to the district that issued the bonds that would otherwise be paid to the district by the State, and (ii) apply any intercepted payments to reimburse the State for payments made pursuant to the State's guaranty until all obligations of the district to the State arising from those payments, including any interest and penalties, are paid in full.

At June 30, 2014, the State had extended nonexchange financial guarantees of $3.7 billion for outstanding general obligation indebtedness of school districts, education service districts, and community college districts. The longest current guaranty is for outstanding general obligation bonds that mature June 15, 2046.

23. COMMITMENTS

The State has significant commitments as of June 30, 2014, in addition to the construction contract commitments disclosed in Note 6. Commitments are defined as existing arrangements to enter into future transactions or events, such as contractual obligations with vendors for future purchases or services at specified prices and sometimes at specified quantities. Commitments may also include agreements to make grants and loans.

Commitments in effect as of June 30, 2014, and the anticipated sources of funding (in thousands):

Purpose	General Funds	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	$ 141,630	$ 130,272	$ 3,295	$ 35,946	$ 311,143
Grant & loan commitments	142,002	327,635	69,101	209,704	748,442
Personal services contracts	128,600	111,965	1,784	60,871	303,220
Public defense contracts	133,420	-	-	-	133,420
Systems development	22,924	231	-	8,774	31,929
Equipment purchases	8	65	69,269	617	69,959
Total commitments	$ 568,584	$ 570,168	$ 143,449	$ 315,912	$ 1,598,113

Encumbrance balances in the governmental funds as of June 30, 2014 (in thousands):

Governmental Funds	Amount
General	$ 15,757
Health and Social Services	1,143
Environmental Management	1,718
Other Nonmajor	30,109
Total encumbrances	$ 48,727

The Oregon Investment Council has entered into agreements that commit the investment managers for the Oregon Public Employees Retirement Fund (OPERF) and the Common School Fund (CSF), upon request, to make additional investment purchases up to a predetermined amount. The Oregon Growth Account (OGA) Board makes similar commitments for investment purchases. As of June 30, 2014, the OPERF had $7.7 billion in commitments to purchase private equity investments, $2.5 billion to purchase real estate investments, $426 million to purchase Opportunity Fund investments, and $1.1 billion to purchase Alternative Equity portfolio investments. As of June 30, 2014, the CSF and the OGA had $84.3 million and $21.1 million, respectively, in commitments to purchase private equity investments. These amounts are unfunded and are not recorded in the financial statements.

24. CONTINGENCIES

A. Litigation

Public Employees Retirement System

Senate Bill (SB) 822, passed in the 2013 regular legislative session, limits the amount of annual cost of living adjustments that may be received by retirees to 1.5 percent in 2013 and thereafter between 0.25 percent and 2 percent, depending on the amount of benefit received. SB 822 also eliminated an additional payment made to retirees residing outside of Oregon. Several cases have been filed on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits.

In the 2013 special session, the Legislature adopted SB 861 which further limited cost of living increases beginning in 2014 to 1.25 percent on the first $60 thousand of annual benefits and 0.15 percent on amounts above that. Challenges to both SB 822 and SB 861 have been filed directly with the Oregon Supreme Court. The petitioners allege that SB 822 and SB 861 constitute a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. A special master was appointed to gather evidence and recommend findings of fact to the Supreme Court. The special master presented his final report and findings of fact to the Court on April 30, 2014. The parties filed briefs in the Oregon Supreme Court, which heard oral argument on October 14, 2014. The State cannot predict when the Court will issue its ruling on the matter.

If SB 822 and SB 861 are held unconstitutional, the anticipated savings from the PERS changes may not be realized for the future biennia.

Portland Harbor Superfund

Two state agencies are involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of sediment contamination in the Portland Harbor, a ten-mile stretch of the lower Willamette River area that the U.S. Environmental Protection Agency (EPA) has listed as a Superfund site under the federal Superfund law (CERCLA). Over 200 parties, private companies and public entities, may eventually be found liable for a share of the costs related to investigation and cleanup of the site.

The Oregon Department of Transportation (ODOT) and the Oregon Department of State Lands (DSL) have received General Notice Letters from the EPA informing them that the State, by and through those agencies, is a potentially responsible party (PRP) under CERCLA for cleanup costs at the site. It is too early in the process to estimate the total amount of the cleanup costs that will be shared by liable parties. A draft feasibility study outlines eleven alternative options, ranging in costs from $269 million to $1.8 billion. It is also too early to estimate the proportionate share of the liability for cleanup costs, if any, that may ultimately be assessed against either of the State agencies. When the mediation will end is not known but it could be as late as 2019.

The Portland Harbor Superfund will also involve a separate allocation of liability for injuries to natural resources caused by contamination at the site, which is an additional type of recovery under the Superfund law known as natural resource damages (NRD). The NRD claim will be asserted against all PRPs, including ODOT and DSL, by the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies, and the State. The trustees have initiated a cooperative injury assessment process funded by thirty parties including the State. The NRD process will result in an allocation of liability for NRD damages at the same time as the allocation of liability for remedial costs, although parties may alternatively elect to seek an earlier settlement with the trustees. The State, in 2014, advised the trustees that it will seek to negotiate a settlement of its NRD

liabilities in 2015. It is too early to estimate what, if any, share of the liability the State may ultimately bear for natural resource damages.

The State is pursuing claims for insurance coverage of its Portland Harbor defense costs and any future liabilities for cleanup costs and natural resource damages. These claims are based on insurance policies the State held from 1968 to 1972, and policies that listed DSL as an additional insured. These insurance carriers have agreed to participate in funding the State's defense in Portland Harbor proceedings, but have reserved their rights to deny indemnity coverage. The State plans to pursue its rights to indemnity coverage under these policies.

Community Mental Health Programs

The State is engaged in discussions with the United States Department of Justice (USDOJ) concerning the State's community mental health programs. The USDOJ is conducting an ongoing investigation to determine if the State has complied with the federal Americans with Disabilities Act. In November 2012, the State and USDOJ have entered into a four-year agreement, under which the State will, among other things, share data and will discuss system gaps and outcome measures that could be adopted by the State. The State and USDOJ are approaching the end of year two of the four-year term. Either party has the right to opt out of the agreement if it is dissatisfied with the process. The State expects that if the USDOJ were to subsequently determine that there are violations of federal law, the USDOJ will issue written findings that specify the nature of any violations. At that time, the State will be in a better position to estimate the costs to remedy any asserted violations. It is possible that the costs of changes, if any, to the State's community mental health programs could reach or exceed $50 million.

Multistate Tax Compact

The Oregon Tax Court has a case pending that challenges the State's departure from provisions in the Multistate Tax Compact (Compact) when apportioning income attributable to corporations operating in more than one state. Under the Compact, the income of a multi-state corporation is apportioned to a state using an equally weighted three-factor formula. The formula compares in-state payroll, property, and sales to the corporation's overall payroll, property, and sales. Oregon began double-weighting the sales factor in 1991, and currently, the State uses only sales in Oregon and does not use the other two factors to apportion corporate income. In 1993, Oregon barred the Compact apportionment election by separate statute. The taxpayer in Health Net v. Dept. of Revenue asserts that the Compact is a binding contractual arrangement that cannot be unilaterally changed by a participating state and, therefore, the State must allow taxpayers to apportion multi-state corporate income based only on the formula in the Compact. If the taxpayer prevails and a court determines the State must use the Compact formula, other corporations may seek refunds using the same theory and the State may be liable for additional refunds of corporate excise and income tax in the future. The State has insufficient data to predict accurately the amounts it could be required to refund or the overall impact on future revenues. Those amounts would depend on the circumstances of individual corporations that may, or may not, seek refunds and actions taken by the Legislative Assembly in response to an adverse ruling. Such actions could include withdrawing from the Compact or adopting legislative changes to apportionment statutes. Preliminary estimates, however, indicate the potential maximum refund liability and reductions in corporate income tax revenues, without any legislative action, would exceed $50 million. The State anticipates that the Oregon Tax Court's ruling will be appealed to the Oregon Supreme Court by either the State or the taxpayer. In 2013, the State withdrew from the Compact and then re-enacted the Compact without the apportionment election provisions.

Foster Home Cases

Complaints have been filed against the Oregon Department of Human Services, and a number of its employees, on behalf of at least 16 children who were placed in foster care between 2007 and 2011. The children were generally medically fragile or had other special needs. The plaintiffs have filed an action in federal court based on alleged violations of federal civil rights and other laws. The plaintiffs have also filed actions in the State Circuit Court that may be stayed while the plaintiffs pursue their action in federal courts. Plaintiffs seek awards for damages based on abuse of a vulnerable person that may be trebled to as much as $77 million, as well as additional economic and noneconomic damages and an award of attorney fees and costs. It is too early in the case to evaluate the likelihood of the success of the plaintiffs' claims or whether any damages ultimately would be awarded. It is likely, however, that if the plaintiffs prevail, any damages awarded by the court would be paid from the State's Insurance Fund (a self-insurance fund), rather than through an appropriation from the General Fund.

Cover Oregon

The State developed its own health insurance exchange program, commonly known as Cover Oregon, which subsequently was placed into a separate public corporation and was adapted to requirements related to health insurance coverage set forth in the federal Affordable Care Act. The State hired a private contractor, Oracle Corporation, both to modernize its human service system and develop the website through which Oregonians would shop for and obtain the insurance coverage required under federal law. On October 1, 2013, when the website was to be fully operational for the public, it did not work. Despite continuing efforts, the website has never launched to the public. On April 25, 2014, the Cover Oregon Board voted to move to the federal website for certain services. Cover Oregon is continuing to work on that transition. In addition, the State's project to modernize its social service system was also placed on hold in 2013.

In June 2014, the Oregon Attorney General launched a false claims investigation into Oracle's charges for both the State's modernization project and the Cover Oregon website. While the investigation was pending, on August 8, 2014, Oracle sued Cover Oregon, and later added the State, claiming it was owed an additional $23 million for its work, in addition to other claims. The State and Cover Oregon have filed motions to dismiss that lawsuit, which are currently pending. On August 22, 2014, the Attorney General, the State, and Cover Oregon filed suit for damages against Oracle.

In addition, the federal Government Accounting Office has indicated that it intends to investigate the development of health insurance exchanges by a number of states, including Oregon. It is possible that the federal government could determine that certain expenditures for Oregon's health insurance exchange were improper. If that occurred, it is possible the federal government would seek repayment from the State of any disallowed amounts. It is too early, however, to know what the investigation will find, if the federal government would take any action as a result of the investigation or the nature of any action the federal government might take.

Columbia River Crossing

The Interstate 5 (I-5) Columbia River Crossing (CRC) project (the CRC Project) was a multimodal project focused on improving safety, reducing congestion, and increasing mobility of motorists, freight traffic, transit riders, bicyclists, and pedestrians within the I-5 corridor connecting the states of Oregon and Washington. The Oregon Department of Transportation (ODOT) and the Washington State Department of Transportation (WSDOT) worked together on the development of the CRC Project with the involvement of various federal agencies and many local governments in both states.

During its 2013 legislative session, the Oregon Legislative Assembly enacted House Bill 2800 (HB 2800), which among other things, set out the State's commitment to finance its share of the CRC Project costs contingent upon the State of Washington also providing funding for the Project. In June 2013, the Washington State legislature adjourned without providing a transportation revenue package that included construction funding for the CRC Project. The Oregon and Washington legislatures also adjourned in March 2014 without providing construction funding for the CRC Project. Without the necessary funding and legislative amendments in place to move the CRC Project to construction, the Department shut the CRC Project down in May 2014.

ODOT expended approximately $105 million on the CRC Project of which $12 million were from State funds and $93 million from Federal funds. Under Federal Highway Administration (FHWA) policy, failure to advance the project from environmental work and design into right of way acquisition within 10 years of the initial obligation of funds could trigger a requirement to repay Federal funds used on the project. However, FHWA regulations also allow for a time extension with no repayment of Federal funds if an extension is requested and FHWA considers the request to be reasonable. Currently, FHWA has granted Oregon and Washington an extension of the requirement to repay Federal funds until 2019. ODOT has subsequently requested an additional extension until 2022 and continues discussions with FHWA regarding the I-5 bridge replacement and Federal funds repayment timing and amounts, if any.

B. Unemployment Benefits

State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. The amount of future benefit payments to claimants and the resulting liability to the State cannot be reasonably estimated. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2014, totaled approximately $13.9 million.

C. Federal Issues

The State receives significant financial assistance from the federal government. Entitlement to these resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2014, there is no indication that such audits will result in a material liability.

25. SUBSEQUENT EVENTS

A. Long-term Debt Issues

Long-term debt issued, including refundings, since July 1, 2014 (in thousands):

Type of Debt	Amount
General Obligation Bonds	
Department of Veterans' Affairs	$ 35,965
Revenue Bonds	
Housing and Community Services Department	30,900
Department of Administrative Services	213,775
Department of Transportation	194,530

B. Bond Calls

Bond calls that have occurred since July 1, 2014 (in thousands):

Type of Call	Amount
General Obligation Bonds	
Department of Veterans' Affairs	$ 25,965
Revenue Bonds	
Housing and Community Services Department	107,905

C. Interest Rate Swaps

On July 1, 2014, the Housing and Community Services Department terminated notional amounts of swaps related to the Mortgage Revenue Bonds listed below (dollars in thousands). These terminations were made pursuant to optional par termination provisions included in each of the swap agreements.

Bond Series	Notional Amount
2004 Series I	$ 12,365
2006 Series C	500
2006 Series F	2,065
2007 Series E	1,235
2008 Series F	2,300

D. Tax Anticipation Notes Issuance

On July 2, 2014, the State issued $590.2 million of full faith and credit Tax Anticipation Notes, 2014 Series A. The proceeds of these notes will be used to meet seasonal cash needs of the State and for cash management purposes within the 2013-2015 biennium.

E. Debt Guarantees

Under Article XI-K of the Oregon Constitution, $715.3 million in bonds for school districts were issued and guaranteed following the fiscal year ended June 30, 2014, as noted below (dollars in thousands). Ultimately, the debt service payments remain the responsibility of the respective school district.

School District	Series	Amount
Clackamas Cty SD 115 (Gladstone)	2014	$ 15,917
Clackamas Cty SD 12 (North Clackamas)	2014	170,380
Lane Cty SD 1 (Pleasant Hill)	2014	17,950
Lane Cty SD 28J (Fern Ridge)	2014A	25,421
Lane Cty SD 28J (Fern Ridge)	2014B	1,245
Lane Cty SD 4J (Eugene)	2014	80,000
Washington Cty SD 1J (Hillsboro)	2014	18,105
Washington Cty SD 48J (Beaverton)	2014A	20,394
Washington Cty SD 48J (Beaverton)	2014B	361,755
Yamhill Cty SD 30J (Willamina)	2014	2,000
Yamhill Cty SD 48J (Sheridan)	2014	2,105
Total debt guarantees		$ 715,272

F. Oregon University System Structure Changes

Pursuant to Senate Bill (SB) 270, passed by the Oregon Legislature during fiscal year 2013, Oregon State University (OSU), Portland State University (PSU), and University of Oregon (UO) are each an independent public body legally separate from the State as of July 1, 2014. These three entities will no longer be included in the University System Fund starting with fiscal year 2015. SB 270 also contained language providing pathways for the Eastern Oregon University (EOU), Oregon Institute of Technology (OIT), Southern Oregon University (SOU), and Western Oregon University (WOU) to become independent public bodies, legally separate from State. Effective July 1, 2015, each public university will be a stand-alone legal entity and governed by their own board of trustees. Each university will continue to be included as a discretely presented component unit in the Comprehensive Annual Financial Report issued by the State.

Required Supplementary Information

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Budgeted Appropriated Funds

The State accounts for budgetary activities based on the source of moneys used to pay expenditures. Separate appropriated funds are established for each funding source.

General Fund

This fund accounts for expenditures made with general fund revenue. General fund revenue consists largely of personal and corporate income taxes.

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

This fund accounts for expenditures made with lottery funds. These funds, which are earned by the State Lottery, are transferred to the Economic Development Fund at the Department of Administrative Services for disbursement to agencies where the funds are expended.

Other Funds

This fund accounts for budgeted expenditures other than those funded by general, federal and lottery funds.

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2015
As of June 30, 2014
(In Thousands)

	General Fund			
	2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	$13,645,193	$13,645,193	$ 6,447,665	$ (7,197,528)
Corporate Income Taxes	1,012,037	1,012,037	494,759	(517,278)
Tobacco Taxes	128,416	128,416	66,258	(62,158)
Motor Fuels Taxes	-	-	-	-
Weight Mile Taxes	-	-	-	-
Vehicle Registration Taxes	-	-	-	-
Other Taxes	320,370	320,370	149,599	(170,771)
Licenses and Fees	217,733	219,933	93,538	(126,395)
Federal	-	-	-	-
Charges for Services	8,152	8,152	3,649	(4,503)
Fines and Forfeitures	60,800	60,800	1,871	(58,929)
Rents and Royalties	-	-	-	-
Investment Income	9,961	9,961	4,235	(5,726)
Sales	1,257	1,257	644	(613)
Donations and Grants	-	-	5	5
Pension Bond Debt Service Assessments	-	-	-	-
Other	17,319	17,319	39	(17,280)
Total Revenues	15,421,238	15,423,438	7,262,262	(8,161,176)
Expenditures:				
Education	8,065,895	8,225,717	4,087,623	(4,138,094)
Human Services	4,226,049	4,297,651	2,380,928	(1,916,723)
Public Safety	2,031,171	2,101,378	1,049,136	(1,052,242)
Economic and Community Development	26,293	37,472	16,401	(21,071)
Natural Resources	164,962	211,941	114,310	(97,631)
Transportation	2,060	11,060	2,529	(8,531)
Consumer and Business Services	11,517	11,847	5,344	(6,503)
Administration	198,710	204,223	92,989	(111,234)
Legislative	243,073	160,670	38,510	(122,160)
Judicial	638,940	652,706	323,045	(329,661)
Total Expenditures	15,608,670	15,914,665	8,110,815	(7,803,850)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(187,432)	(491,227)	(848,553)	(357,326)
Other Financing Sources (Uses):				
Transfers from Other Funds	1,001,636	1,010,976	199,792	(811,184)
Transfers to Other Funds	(727,678)	(738,672)	(4,631)	734,041
Long-term Debt Issued	-	-	-	-
Debt Issuance Premium	-	-	-	-
Loan Proceeds	-	-	-	-
Gain(Loss) on Disposition of Assets	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 86,526	$ (218,923)	(653,392)	$ (434,469)
Budgetary Fund Balances - Beginning			966,564	
Prior Period Adjustments			(57,359)	
Budgetary Fund Balances - Beginning - As Restated			909,205	
Prior Biennium Transactions			(33,773)	
Budgetary Fund Balances - Ending			$ 222,040	

Federal Funds				Lottery Funds			
2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)	2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,704,721	13,792,757	6,159,959	(7,632,798)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,434	2,434	5,464	3,030
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,704,721	13,792,757	6,159,959	(7,632,798)	2,434	2,434	5,464	3,030
1,103,640	1,113,234	400,137	(713,097)	413,084	415,384	109,529	(305,855)
11,321,203	12,594,527	5,412,431	(7,182,096)	10,546	10,593	4,730	(5,863)
485,836	491,612	143,811	(347,801)	6,914	7,167	3,353	(3,814)
276,742	325,819	149,983	(175,836)	124,908	127,065	59,922	(67,143)
276,752	281,921	93,011	(188,910)	165,798	168,608	55,403	(113,205)
124,253	128,544	36,586	(91,958)	93,954	93,954	40,809	(53,145)
4,924	9,795	2,939	(6,856)	-	-	-	-
10,174	9,933	3,698	(6,235)	15,823	15,938	7,358	(8,580)
-	-	-	-	-	-	-	-
1,228	1,233	484	(749)	-	-	-	-
13,604,752	14,956,618	6,243,080	(8,713,538)	831,027	838,709	281,104	(557,605)
(900,031)	(1,163,861)	(83,121)	1,080,740	(828,593)	(836,275)	(275,640)	560,635
1,188	1,188	17,095	15,907	2,217,711	2,209,770	841,136	(1,368,634)
(378,378)	(378,468)	(36,105)	342,363	(1,221,412)	(1,219,856)	(247,095)	972,761
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ (1,277,221)	$ (1,541,141)	(102,131)	$ 1,439,010	$ 167,706	$ 153,639	318,401	$ 164,762
		(3,506)				(280,073)	
		1,780				-	
		(1,726)				(280,073)	
		(24,052)				(150,836)	
		$ (127,909)				$ (112,508)	

(continued on next page)

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2015
As of June 30, 2014
(In Thousands)
(continued from previous page)

	Other Funds			
	2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	$ -	$ -	$ -	$ -
Corporate Income Taxes	-	-	-	-
Tobacco Taxes	352,205	352,205	181,165	(171,040)
Motor Fuels Taxes	1,066,193	1,066,193	450,866	(615,327)
Weight Mile Taxes	593,106	593,106	245,596	(347,510)
Vehicle Registration Taxes	577,930	577,930	264,906	(313,024)
Other Taxes	1,349,257	1,394,988	515,183	(879,805)
Licenses and Fees	770,222	760,996	377,642	(383,354)
Federal	656,944	656,944	467,205	(189,739)
Charges for Services	1,170,921	1,191,312	1,366,398	175,086
Fines and Forfeitures	147,547	147,547	86,763	(60,784)
Rents and Royalties	112,627	112,627	59,510	(53,117)
Investment Income	170,695	170,795	13,612	(157,183)
Sales	509,504	510,756	122,696	(388,060)
Donations and Grants	28,906	28,913	16,494	(12,419)
Pension Bond Debt Service Assessments	303,860	303,860	154,387	(149,473)
Other	1,243,923	1,340,973	400,294	(940,679)
Total Revenues	9,053,840	9,209,145	4,722,717	(4,486,428)
Expenditures:				
Education	309,045	513,544	72,828	(440,716)
Human Services	4,319,879	4,398,490	1,803,161	(2,595,329)
Public Safety	557,019	568,514	236,125	(332,389)
Economic and Community Development	305,889	394,233	132,958	(261,275)
Natural Resources	854,279	993,661	388,396	(605,265)
Transportation	3,820,157	3,844,697	1,366,197	(2,478,500)
Consumer and Business Services	336,510	341,742	146,406	(195,336)
Administration	1,286,781	1,367,692	600,863	(766,829)
Legislative	42,863	43,076	4,393	(38,683)
Judicial	70,677	73,953	26,648	(47,305)
Total Expenditures	11,903,099	12,539,602	4,777,975	(7,761,627)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,849,259)	(3,330,457)	(55,258)	3,275,199
Other Financing Sources (Uses):				
Transfers from Other Funds	5,042,193	5,053,877	3,553,826	(1,500,051)
Transfers to Other Funds	(6,289,037)	(6,315,370)	(2,781,533)	3,533,837
Long-term Debt Issued	1,382,921	1,384,597	554,613	(829,984)
Debt Issuance Premium	-	-	57,610	57,610
Loan Proceeds	-	-	19	19
Gain(Loss) on Disposition of Assets	-	-	1,050	1,050
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (2,713,182)	$ (3,207,353)	1,330,327	$ 4,537,680
Budgetary Fund Balances - Beginning			2,876,396	
Prior Period Adjustments			(38,690)	
Budgetary Fund Balances - Beginning - As Restated			2,837,706	
Prior Biennium Transactions			(330,493)	
Budgetary Fund Balances - Ending			$ 3,837,540	

Total All Budgeted Appropriated Funds

2013-2015 Original Budget	2013-2015 Final Budget	1st Year Actual	Variance Over/ (Under)
$13,645,193	$13,645,193	$ 6,447,665	$ (7,197,528)
1,012,037	1,012,037	494,759	(517,278)
480,621	480,621	247,423	(233,198)
1,066,193	1,066,193	450,866	(615,327)
593,106	593,106	245,596	(347,510)
577,930	577,930	264,906	(313,024)
1,669,627	1,715,358	664,782	(1,050,576)
987,955	980,929	471,180	(509,749)
13,361,665	14,449,701	6,627,164	(7,822,537)
1,179,073	1,199,464	1,370,047	170,583
208,347	208,347	88,634	(119,713)
112,627	112,627	59,510	(53,117)
183,090	183,190	23,311	(159,879)
510,761	512,013	123,340	(388,673)
28,906	28,913	16,499	(12,414)
303,860	303,860	154,387	(149,473)
1,261,242	1,358,292	400,333	(957,959)
37,182,233	38,427,774	18,150,402	(20,277,372)
9,891,664	10,267,879	4,670,117	(5,597,762)
19,877,677	21,301,261	9,601,250	(11,700,011)
3,080,940	3,168,671	1,432,425	(1,736,246)
733,832	884,589	359,264	(525,325)
1,461,791	1,656,131	651,120	(1,005,011)
4,040,424	4,078,255	1,446,121	(2,632,134)
352,951	363,384	154,689	(208,695)
1,511,488	1,597,786	704,908	(892,878)
285,936	203,746	42,903	(160,843)
710,845	727,892	350,177	(377,715)
41,947,548	44,249,594	19,412,974	(24,836,620)
(4,765,315)	(5,821,820)	(1,262,572)	4,559,248
8,262,728	8,275,811	4,611,849	(3,663,962)
(8,616,505)	(8,652,366)	(3,069,364)	5,583,002
1,382,921	1,384,597	554,613	(829,984)
-	-	57,610	57,610
-	-	19	19
-	-	1,050	1,050
$ (3,736,171)	$ (4,813,778)	893,205	$ 5,706,983
		3,559,381	
		(94,269)	
		3,465,112	
		(539,154)	
		$ 3,819,163	

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The State's budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium. The Governor establishes priorities for the State based on function (i.e., education, human services, etc.) and the budget is summarized by these functions. Expenditures are budgeted based on the following revenue sources: general, federal, lottery, and other.

A constitutional amendment adopted by the people in 2010 changed the historical Oregon "biennial" session process into "annual" sessions. The amendment limited the session length to 160 calendar days in odd-numbered years and to 35 calendar days in even-numbered years. In odd-numbered years, the budget is adopted by the Legislature's passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the appropriated budget for the State. Appropriation bills include one or more appropriations (budgeted expenditure items) which may be at the agency, program, or activity level. The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to compensate for any revenue shortfalls within each biennium.

Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. These nonlimited funds include other funds, federal funds, and other funds debt service. Spending plans for nonbudgeted financial activities are also established by agencies for certain expenditures to enhance fiscal control. These nonbudgeted items include federal funds and other funds and are not included in the Governor's budget recommendations.

When the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. The Emergency Board authorizes and allocates all changes in funding and takes other actions to meet emergency needs. Emergency Board approval is required to authorize the transfer of expenditure authority between appropriations. Management can reallocate within an appropriation without Emergency Board approval.

The State does not budget by the prescribed fund types of generally accepted accounting principles (GAAP). Appropriations may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these three levels depending on the Legislature's view of the activity. The State uses the Relational Statewide Accounting and Reporting System (R*STARS) to control expenditures by budgeted expenditure item. Each item on an approved appropriation bill is assigned an appropriation number. In R*STARS, the appropriated funds are tied to one or more appropriation numbers to ensure expenditures do not exceed approved appropriations. The following budgeted appropriated fund types have been established in R*STARS to account for the State's budgetary activities: General Fund, Federal Funds, Lottery Funds, and Other Funds.

Budgets are prepared on the cash basis. Spending limits are established using quarterly allotments. Allotments are required for both appropriated and nonappropriated items. The spending limits are monitored by the Chief Financial Office of the Department of Administrative Services and are controlled by R*STARS. Encumbrance accounting provides additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. For budgetary reporting purposes, encumbrances are treated like expenditures and are shown as a reduction of fund balance.

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual-Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2013-2015 biennium as of June 30, 2014. A copy of this report is available at the Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent liabilities have been incurred at June 30, provided payment of those liabilities occurs during the succeeding six-month period of July 1 through December 31. Any remaining unexpended appropriations lapse December 31 following the end of the biennium, except for appropriations related to capital construction.

Agencies are required to provide estimates of expected revenues for program revenue and segregated revenue categories. General Fund revenues consist primarily of general taxes and other receipts that are paid into the

General Fund and are then available for appropriation by the Legislature. Revenues not recorded in the General Fund consist of function specific revenues, which are credited by law to an appropriation to finance a specified program, and segregated revenues that are paid into separate identifiable funds.

The original budget amounts reported for revenues in the accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budget amounts reported for expenditures represent the original budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year.

The major differences between budgetary (non-GAAP) basis and GAAP basis are:

- Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.
- Revenues are recognized when received in cash (budgetary basis) versus when they are susceptible to accrual (GAAP basis).
- Expenditures are recognized when paid in cash or encumbered (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
- Nonappropriated and nonbudgeted funds are not included in the budgetary schedule.
- Timing differences occur because of a six-month lapse period between June 30 and December 31 of each odd-numbered year.

These different accounting principles may result in basis, perspective, entity, and timing differences in the excess (deficiency) of revenues and other financial resources over (under) expenditures and other uses of financial resources. A reconciliation of these differences is presented in Note 2 of the required supplementary information.

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual-Budgetary (Non-GAAP Basis) - All Budgeted Appropriated Funds" presents comparisons of the legally approved budget (more fully described in Note 1) with actual data on a budgetary basis.

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2014, is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net position.

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (in thousands)								
	Budgetary Balances Classified into GAAP Fund Structure								
GAAP Fund	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Non-Budgeted Funds	GAAP Balances
General	$(653,392)	$ 1,000	$ 143,126	$ 22,760	$ (486,506)	$ (58,194)	$ 568,094	$ 19,957	$ 43,351
Health and Social Services	-	(122,465)	2,013	450,403	329,951	(101,815)	(78,351)	(31,654)	118,131
Public Transportation	-	1,296	-	247,300	248,596	(41,125)	29,765	19,144	256,380
Environmental Management	-	(12,808)	6,748	62,038	55,978	(36,796)	(10,621)	(12,545)	(3,984)
Common School	-	-	-	(4,716)	(4,716)	(750)	686	196,586	191,806
Nonmajor Governmental	-	31,776	180,403	133,984	346,163	(253,233)	22,208	1,435	116,573
Housing and Community Services	-	-	-	68	68	330	189	2,498	3,085
Lottery Operations	-	-	-	-	-	-	-	49,415	49,415
Unemployment Compensation	-	-	-	-	-	-	-	460,045	460,045
University System	-	-	(14,967)	-	(14,967)	-	14,967	83,229	83,229
Nonmajor Proprietary	-	(930)	1,078	8,843	8,991	(16,718)	(34,915)	53,422	10,780
Internal Service	-	-	-	410,475	410,475	8,144	(73,561)	(274,413)	70,645
Pension and Other Employee Benefit Trust	-	-	-	(828)	(828)	(1,286)	(35,440)	8,403,195	8,365,641
Private Purpose Trust	-	-	-	-	-	-	-	(348)	(348)
Short Term Investment Trust	-	-	-	-	-	-	-	446,364	446,364
Intermediate Term Investment Trust	-	-	-	-	-	-	-	809	809
Totals	$(653,392)	$(102,131)	$ 318,401	$1,330,327	$ 893,205	$ (501,443)	$ 403,021	$ 9,417,139	$10,211,922

Required Supplementary Information
Schedules of Funding Progress
Other Postemployment Benefit Plans
(In Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)[3]	Funded Ratio (a/b)[3]	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Public Employees Benefit Board (PEBB) Plan						
7/1/2009	$ -	$ 161.7	$ 161.7	0%	$ 2,562.5	6.3%
7/1/2011	-	154.7	154.7	0%	2,329.4	6.6%
7/1/2013[1]	-	105.1	105.1	0%	2,485.8	4.2%
Retiree Health Insurance Premium Account (PERS Plan)[2]						
12/31/2011	$ 4.5	$ 34.4	$ 29.9	13.2%	$ 2,376.9	1.3%
12/31/2012	4.4	60.3	55.9	7.4%	2,432.4	2.3%
12/31/2013	5.2	61.2	56.0	8.5%	2,531.5	2.2%

[1] The July 1, 2013, PEBB Plan actuarial valuation included notable changes from the previous valuation. Based on recent experience and future expectations, future coverage assumptions have been decreased. Twenty percent of active members are assumed to elect medical coverage and 16 percent are estimated to elect dental coverage upon retirement. The prior actuarial valuation estimated 30 percent of active members would elect medical coverage and 24 percent were assumed to elect dental coverage upon retirement.

[2] The benefits of the Retiree Health Insurance Premium Account (RHIPA) are funded through a separate account within the Public Employees Retirement System (PERS) trust. The normal cost rates for RHIPA are very sensitive to the participation levels. According to the latest valuation report, the RHIPA funded status declined in the past year from 13 percent to 7 percent, reflecting both actual participation experience and updated assumptions for future participation experience. Higher participation rates were assumed for retirees eligible for the largest employer-paid subsidies increasing contribution rates, helping to fund the program.

PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, PO Box 23700, Tigard, OR 97281-3700. This report may also be accessed online at:

http://www.oregon.gov/PERS/Pages/section/financial_reports/financials.aspx

[3] Differences due to rounding.

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Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Agricultural Resources Fund

This fund accounts for programs related to the promotion, inspection, and regulation of the State's agricultural industry. Funding for these programs include licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Federal grants, transfers from other funds, and revenue bond proceeds comprise the main funding sources for these programs.

Community Protection Fund

This fund accounts for a variety of activities that help to ensure the safety of the State's citizens and their property through the courts, police, military, and correctional facilities. The main funding sources for these programs include federal grants, fines, and state court fees.

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Public utilities taxes and business license fees comprise the main funding sources.

Educational Support Fund

This fund accounts for programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood to postgraduate research, not including activities accounted for in the Common School Fund. The principal funding sources for these programs include federal grants and transfers from other funds.

Employment Services Fund

This fund accounts for programs that provide workers with a safe and secure workplace. Funding for these employment-related programs include federal grants, employer and employee taxes, and workers' compensation insurance taxes.

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants provide the main source of revenue for these programs.

Residential Assistance Fund

This fund accounts for programs that help to meet the housing and energy needs of low-income Oregonians. Major funding sources include federal grants, senior citizen property tax repayments, and public utilities taxes.

Other Special Revenue Funds

This fund accounts for a variety of small programs that are funded mainly by federal grants and charges for services.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligations.

Revenue Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term revenue bonds not reported in proprietary funds. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on certificates of participation not reported in proprietary funds. Debt service requirements are funded by a legislative appropriation.

General Obligation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation bonds not reported in the general fund or in proprietary funds. The issuance of general obligation debt is authorized in the Oregon Constitution. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

General Appropriation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general appropriation bonds not reported in the general fund or in proprietary funds. The issuance of general appropriation bonds is authorized by the Oregon Legislature. Debt service requirements are funded by a legislative appropriation. There are no outstanding General Appropriation Bonds nor have any associated assets been accumulated related to them as of June 30, 2014.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund

The permanent fund is used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs. These earnings provide funding for programs such as the upkeep on fish hatcheries, scholarship funds for injured workers, special library book purchases, and homes for the developmentally disabled.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	$ 25,498	$ 50,180	$ 162,803
Investments	-	23,074	-
Custodial Assets	-	-	-
Securities Lending Collateral	884	4,841	7,866
Accounts and Interest Receivable (net)	3,468	1,029	50,187
Taxes Receivable (net)	-	-	-
Due from Other Funds	1,067	8,333	12,210
Inventories	113	19	751
Prepaid Items	56	-	-
Net Contracts, Notes and Other Receivables	-	55	149,680
Loans Receivable (net)	-	2,130	-
Total Assets	$ 31,086	$ 89,661	$ 383,497
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 975	$ 1,135	$ 26,297
Obligations Under Securities Lending	884	4,841	7,866
Due to Other Funds	-	281	12,637
Due to Component Units	-	-	-
Due to Other Governments	-	168	2,835
Unearned Revenue	9	1,089	1,042
Custodial Liabilities	396	-	456
Advances from Other Funds	-	-	48
Total Liabilities	2,264	7,514	51,181
Deferred Inflows of Resources:			
Unavailable Revenue	-	55	149,680
Total Deferred Inflows of Resources	-	55	149,680
Fund Balances:			
Nonspendable	195	19	810
Restricted by:			
Federal Laws and Regulations	25	14,429	17,304
Oregon Constitution	778	23,389	17,967
Enabling Legislation	25,422	9,954	20,663
Debt Covenants	-	-	39,106
Donors and Other External Parties	-	-	1,589
Committed	6	34,264	82,656
Assigned	2,396	37	2,541
Unassigned	-	-	-
Total Fund Balances	28,822	82,092	182,636
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 31,086	$ 89,661	$ 383,497

Special Revenue Funds					
Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
$ 125,490	$ 104,822	$ 47,935	$ 1,339	$ 86,825	$ 15,572
-	44,099	125,417	-	15,328	-
11,795	-	-	-	-	-
8,182	6,838	4,645	87	5,665	1,014
3,976	90,476	74,424	15,949	8,795	639
8,720	536	8,624	-	-	-
456	58,426	1,210	-	3,312	54
59	-	1,180	31	57	1,054
80	125	400	-	-	389
3,164	30	71,236	59	36,713	-
-	-	-	-	191,025	-
$ 161,922	$ 305,352	$ 335,071	$ 17,465	$ 347,720	$ 18,722
$ 1,646	$ 67,462	$ 27,583	$ 13,320	$ 4,956	$ 524
8,182	6,838	4,645	87	5,665	1,014
8,759	440	17,172	1,517	122	32
-	-	-	-	93	-
5,118	21,957	577	1,149	2,590	-
-	162	-	-	209	-
11,927	35	591	-	-	12
-	-	-	-	-	-
35,632	96,894	50,568	16,073	13,635	1,582
3,164	511	71,393	59	36,713	-
3,164	511	71,393	59	36,713	-
146	130	1,682	31	57	463
319	2,622	1,113	220	40,671	9,147
-	153,257	-	-	-	-
86,617	9,781	108,393	1,082	61,994	4,379
-	13,432	-	-	17,666	-
1,355	6,470	-	-	20,170	1,392
35,373	18,176	98,864	-	154,613	1,723
-	4,079	3,058	-	2,201	36
(684)	-	-	-	-	-
123,126	207,947	213,110	1,333	297,372	17,140
$ 161,922	$ 305,352	$ 335,071	$ 17,465	$ 347,720	$ 18,722

(continued on next page)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)
(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
ASSETS			
Cash and Cash Equivalents	$ 194,613	$ 1,104	$ 58,468
Investments	20,957	-	-
Custodial Assets	-	-	-
Securities Lending Collateral	-	-	-
Accounts and Interest Receivable (net)	-	-	14,257
Taxes Receivable (net)	-	-	-
Due from Other Funds	102,325	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable (net)	-	-	-
Total Assets	$ 317,895	$ 1,104	$ 72,725
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 36	$ -	$ -
Obligations Under Securities Lending	-	-	-
Due to Other Funds	-	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Custodial Liabilities	206	-	43
Advances from Other Funds	-	-	-
Total Liabilities	242	-	43
Deferred Inflows of Resources:			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable	-	-	-
Restricted by:			
Federal Laws and Regulations	-	-	-
Oregon Constitution	195,030	-	-
Enabling Legislation	-	-	-
Debt Covenants	122,623	1,104	72,682
Donors and Other External Party	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	317,653	1,104	72,682
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 317,895	$ 1,104	$ 72,725

Capital Projects	Permanent	Total
$ 54,396	$ 18,805	$ 947,850
-	-	228,875
-	-	11,795
-	1,227	41,249
327	-	263,527
-	-	17,880
1,847	-	189,240
1	-	3,265
-	-	1,050
-	-	260,937
-	-	193,155
$ 56,571	$ 20,032	$ 2,158,823

$ 9,264	$ -	$ 153,198
-	1,227	41,249
126	-	41,086
-	-	93
-	-	34,394
3,414	-	5,925
-	-	13,666
-	-	48
12,804	1,227	289,659
-	-	261,575
-	-	261,575
1	14,808	18,342
94	78	86,022
-	-	390,421
332	3,919	332,536
40,475	-	307,088
-	-	30,976
212	-	425,887
2,653	-	17,001
-	-	(684)
43,767	18,805	1,607,589
$ 56,571	$ 20,032	$ 2,158,823

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
REVENUES			
Employer-Employee Taxes	$ -	$ -	$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	19,454	3,197	20,504
Federal	6,363	16,856	158,170
Rebates and Recoveries	1	-	436
Charges for Services	9,414	757	24,225
Fines, Forfeitures, and Penalties	23	61	61,304
Rents and Royalties	-	-	1,609
Investment Income	110	797	549
Sales	48	1,576	789
Donations and Grants	1	14,532	1,071
Contributions to Permanent Funds	-	-	-
Other	618	1,056	15,206
Total Revenues	36,032	38,832	283,863
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	623
Public Safety	-	2,241	273,912
Economic and Community Development	-	63,935	2,124
Natural Resources	38,808	85	-
Transportation	-	-	9,958
Consumer and Business Services	-	-	-
Administration	-	2,726	951
Legislative	-	-	-
Judicial	-	-	37,820
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	18
Other Debt Service	-	45	12
Total Expenditures	38,808	69,032	325,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,776)	(30,200)	(41,555)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	5,692	48,330	93,234
Transfers to Other Funds	(772)	(6,368)	(92,353)
Insurance Recoveries	-	-	4
Long-term Debt Issued	-	5,045	2,065
Debt Issuance Premium	-	-	194
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	4,920	47,007	3,144
Net Change in Fund Balances	2,144	16,807	(38,411)
Fund Balances - Beginning	26,671	65,324	218,394
Prior Period Adjustments	-	-	2,497
Fund Balances - Beginning - As Restated	26,671	65,324	220,891
Change in Inventories	7	(39)	156
Fund Balances - Ending	$ 28,822	$ 82,092	$ 182,636

Special Revenue Funds					
Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
$ -	$ -	$ 91,344	$ -	$ -	$ -
-	-	54,126	-	-	-
85,224	107	30,858	-	40,021	-
108,073	332	1,910	-	565	-
3,922	385,642	208,192	1,368,395	107,681	3,092
-	-	-	15,439	144	-
2,219	5,473	18,828	636	6,110	3,702
1,113	-	15,577	-	5	-
-	158	-	-	-	357
1,051	1,410	4,784	6	6,977	60
28	255	291	-	-	1,727
-	7,988	-	-	16,364	198
-	-	-	-	-	-
1,132	1,428	2,750	27	450	271
202,762	402,793	428,660	1,384,503	178,317	9,407
2,315	428,847	46,342	179,621	-	-
-	-	-	1,203,504	-	-
-	-	-	-	-	-
-	-	134,885	1,403	150,723	2,696
3,020	-	-	-	456	-
22	-	-	-	-	-
133,428	-	157,087	-	4,247	-
23,503	21,103	940	27	439	7,069
-	-	-	-	-	912
-	-	-	-	-	-
-	-	-	-	-	-
-	1,715	-	-	-	-
-	3,036	-	-	-	-
-	4	-	-	-	-
162,288	454,705	339,254	1,384,555	155,865	10,677
40,474	(51,912)	89,406	(52)	22,452	(1,270)
11,530	172,696	8,228	48	13,620	2,555
(34,827)	(87,384)	(93,507)	(1,530)	(2,180)	(502)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(23,297)	85,312	(85,279)	(1,482)	11,440	2,053
17,177	33,400	4,127	(1,534)	33,892	783
105,964	174,494	208,990	4,690	263,429	16,366
(10)	53	-	(1,853)	8	-
105,954	174,547	208,990	2,837	263,437	16,366
(5)	-	(7)	30	43	(9)
$ 123,126	$ 207,947	$ 213,110	$ 1,333	$ 297,372	$ 17,140

(continued on next page)

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	Certificates of Participation	General Obligation Bond	General Appropriation Bond
REVENUES				
Employer-Employee Taxes	$ -	$ -	$ -	$ -
Workers' Compensation Insurance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	10,032	2,526	-	-
Rebates and Recoveries	-	-	-	-
Charges for Services	-	-	-	-
Fines, Forfeitures, and Penalties	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	4,520	6	453	11
Sales	-	-	-	-
Donations and Grants	-	-	-	-
Contributions to Permanent Funds	-	-	-	-
Other	-	-	6,764	-
Total Revenues	14,552	2,532	7,217	11
EXPENDITURES				
Current:				
Education	-	-	-	-
Human Resources	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	-	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	124,716	4,088	82,023	28,195
Interest	143,152	6,958	126,622	696
Other Debt Service	436	11	26	-
Total Expenditures	268,304	11,057	208,671	28,891
Excess (Deficiency) of Revenues Over (Under) Expenditures	(253,752)	(8,525)	(201,454)	(28,880)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	298,415	10,027	220,841	28,884
Transfers to Other Funds	(22,984)	(3,509)	(153)	(12)
Insurance Recoveries	-	-	-	-
Long-term Debt Issued	-	-	4,578	-
Debt Issuance Premium	-	45	-	-
Refunding Debt Issued	265,515	1,120	-	-
Refunded Debt Payment to Escrow Agent	(265,270)	(1,155)	-	-
Total Other Financing Sources (Uses)	275,676	6,528	225,266	28,872
Net Change in Fund Balances	21,924	(1,997)	23,812	(8)
Fund Balances - Beginning	295,730	3,101	48,879	8
Prior Period Adjustments	(1)	-	(8.85)	-
Fund Balances - Beginning - As Restated	295,729	3,101	48,870	8
Change in Inventories	-	-	-	-
Fund Balances - Ending	$ 317,653	$ 1,104	$ 72,682	$ -

Capital Projects	Permanent	Total
$ -	$ -	$ 91,344
-	-	54,126
-	-	156,210
-	-	154,035
4,952	-	2,275,823
-	20	16,040
-	-	71,364
-	-	78,083
-	-	2,124
197	96	21,027
3,452	-	8,166
-	1	40,155
-	297	297
700	59	30,461
9,301	473	2,999,255
-	-	657,125
-	1,679	1,205,806
-	-	276,153
-	-	355,766
-	2	42,371
-	-	9,980
-	1	294,763
-	-	56,758
-	-	912
-	-	37,820
73,976	-	73,976
-	-	240,737
-	-	280,482
-	-	534
73,976	1,682	3,533,183
(64,675)	(1,209)	(533,928)
39,897	3,514	957,511
(795)	(14)	(346,890)
-	-	4
24,489	-	36,177
3,250	-	3,489
-	-	266,635
-	-	(266,425)
66,841	3,500	650,501
2,166	2,291	116,573
41,357	16,514	1,489,911
243	-	928
41,600	16,514	1,490,839
1	-	177
$ 43,767	$ 18,805	$ 1,607,589

Nonmajor Enterprise Funds

Enterprise Funds account for goods and services provided to the general public on a continuous basis, either when all or most of the cost involved in operating the enterprise is intended to be financed from user charges, or when periodic measurement of the results of operations is appropriate for management control or accountability.

Veterans' Loan Fund

This fund accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.

Energy Loan Fund

This fund accounts for activities to provide low-interest loans for renewable energy resource and energy conservation projects. Funding is from the issuance of bonds that are repaid from the interest and principal payments on loans.

Business Development Fund

This fund accounts for resources used to finance land, buildings, machinery, and permanent working capital for eligible activities including those determined to diversify an economic base.

Special Public Works Fund

This fund accounts for loans and grants to local governments for construction of infrastructure required to support needed public services. The Special Public Works Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

State Hospitals Fund

This fund accounts for the operations of State hospitals and State operated residential group homes that provide treatment services for specific citizens as well as training and care for developmentally disabled persons. Clinical programs include the adult psychiatric program, the child and adolescent treatment program, the forensic and correctional treatment program, and the geropsychiatric treatment and medical service program.

Liquor Control Fund

This fund accounts for the operation of the Oregon Liquor Control Commission that regulates the sale and use of alcoholic beverages and promotes responsible alcohol use.

Veterans' Home Fund

This fund accounts for activities of the Oregon Veterans' Home, which provides skilled nursing and Alzheimer's disease care to some of Oregon's most vulnerable veterans.

Water/Wastewater Financing Fund

This fund accounts for loans and grants to municipalities to improve compliance with federal and State of Oregon water quality standards. The Water/Wastewater Financing Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

Safe Drinking Water

This fund accounts for activities of the Safe Drinking Water financing program, which provides low-cost financing for construction and/or improvements of public and private water systems.

Other Enterprise Funds

This fund is used to account for the sale of goods and services to other than governmental entities through activities not specifically accounted for in another enterprise fund. The fund includes programs within the following state agencies: the Oregon Business Development Department, the Department of Administrative Services, the Department of Corrections, the Department of Environmental Quality, the Department of Forestry, the Judicial Department, the Legislative Administration Committee, the Office of the State Treasurer, Oregon Corrections Enterprises, the Oregon Facilities Authority, the Oregon Health Authority, the Public Employees Retirement System, and the Water Resources Department.

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development	Special Public Works
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 81,419	$ -	$ 18,997	$ 63,121
Cash and Cash Equivalents - Restricted	2,019	34,972	-	-
Investments	10,145	-	-	10,253
Securities Lending Collateral	12,366	-	1,239	5,012
Accounts and Interest Receivable (net)	1,245	1,046	131	5,022
Due from Other Funds	135	1,078	-	-
Inventories	-	-	-	-
Prepaid Items	6	-	-	-
Foreclosed and Deeded Property	681	750	-	-
Total Current Assets	108,016	37,846	20,367	83,408
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	107,661	4	-	2,774
Advances to Other Funds	-	120,134	-	-
Net Contracts, Notes, and Other Receivables	4,149	-	-	-
Loans Receivable (net)	212,809	92,229	23,025	189,700
Capital Assets:				
Land	-	-	-	-
Buildings, Property, and Equipment	8,996	264	-	-
Construction in Progress	-	-	-	-
Infrastructure	-	-	-	-
Works of Art and Other Nondepreciable Assets	627	-	-	-
Less Accumulated Depreciation and Amortization	(5,288)	(264)	-	-
Total Noncurrent Assets	328,954	212,367	23,025	192,474
Total Assets	436,970	250,213	43,392	275,882
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	1,895	-	-	-
Loss on Refunding	-	18	-	-
Total Deferred Outflows of Resources	1,895	18	-	-
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	567	3,115	2	1,304
Obligations Under Securities Lending	12,366	-	1,239	5,012
Due to Other Funds	-	20	-	5
Due to Other Governments	-	-	-	-
Unearned Revenue	-	938	1,236	-
Matured Bonds/COPs and Coupons Payable	65	-	-	-
Compensated Absences Payable	209	20	22	63
Claims and Judgments Payable	-	-	-	-
Arbitrage Rebate Payable	9	-	-	-
Custodial Liabilities	1,954	5,558	-	-
Contracts, Mortgages and Notes Payable	21	3	2	5
Bonds/COPs Payable	3,645	20,497	-	2,630
Total Current Liabilities	18,836	30,151	2,501	9,019
Noncurrent Liabilities:				
Compensated Absences Payable	107	10	11	33
Arbitrage Rebate Payable	21,063	-	-	-
Contracts, Mortgages, and Notes Payable	777	99	55	171
Bonds/COPs Payable	270,359	228,619	-	54,924
Net OPEB Obligation	116	15	7	23
Derivative Instrument Liabilities	1,895	-	-	-
Total Noncurrent Liabilities	294,317	228,743	73	55,151
Total Liabilities	313,153	258,894	2,574	64,170
NET POSITION				
Net Investment in Capital Assets	4,335	-	-	-
Restricted for:				
Natural Resource Programs	-	-	-	-
Debt Service	-	2,076	-	1,497
Capital Projects	-	-	-	-
Unrestricted	121,377	(10,739)	40,818	210,215
Total Net Position	$ 125,712	$ (8,663)	$ 40,818	$ 211,712

State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ 1,657	$ 43,720	$ 10,465	$ 23,413	$ 71,074	$ 132,341	$ 446,207
-	-	2,928	-	-	128	40,047
-	-	-	-	-	-	20,398
88	2,429	874	1,527	4,637	6,644	34,816
11,256	244	4,186	2,058	2,274	4,891	32,353
-	-	-	-	357	308	1,878
457	24,980	-	-	-	5,799	31,236
-	-	-	-	-	207	213
-	-	-	-	-	-	1,431
13,458	71,373	18,453	26,998	78,342	150,318	608,579
-	-	-	1,567	-	-	112,006
-	-	-	-	-	20	120,154
-	-	59	-	-	-	4,208
-	-	66	88,402	164,786	16,858	787,875
41	1,456	4,220	-	-	3,385	9,102
383,643	24,137	15,776	-	-	46,532	479,348
130	-	29,454	-	-	83	29,667
2,048	-	-	-	-	-	2,048
-	-	60	-	-	-	687
(39,830)	(13,580)	(5,294)	-	-	(27,673)	(91,929)
346,032	12,013	44,341	89,969	164,786	39,205	1,453,166
359,490	83,386	62,794	116,967	243,128	189,523	2,061,745
-	-	-	-	-	-	1,895
-	-	-	-	-	-	18
-	-	-	-	-	-	1,913
2,429	29,782	3,047	682	18	12,916	53,862
88	2,429	874	1,527	4,637	6,644	34,816
10,516	12,938	135	-	-	1,408	25,022
-	-	-	-	-	89	89
-	127	33	-	-	262	2,596
-	-	-	-	-	129	194
6,193	694	5	32	16	725	7,979
-	-	-	-	-	14,492	14,492
-	-	-	-	-	-	9
10	582	-	-	-	694	8,798
666	59	1,327	2	1	325	2,411
-	-	-	1,360	-	1,443	29,575
19,902	46,611	5,421	3,603	4,672	39,127	179,843
3,190	358	3	16	8	260	3,996
-	-	-	-	-	-	21,063
24,565	2,177	32	70	53	3,140	31,139
-	-	-	29,547	-	206	583,655
3,765	333	3	9	4	265	4,540
-	-	-	-	-	-	1,895
31,520	2,868	38	29,642	65	3,871	646,288
51,422	49,479	5,459	33,245	4,737	42,998	826,131
343,682	12,013	44,216	-	-	19,851	424,097
-	-	-	-	-	484	484
-	-	-	893	-	-	4,466
-	-	2,459	-	-	-	2,459
(35,614)	21,894	10,660	82,829	238,391	126,190	806,021
$ 308,068	$ 33,907	$ 57,335	$ 83,722	$ 238,391	$ 146,525	$ 1,237,527

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development	Special Public Works
OPERATING REVENUES:				
Licenses and Fees	$ 114	$ 142	$ -	$ -
Federal	-	-	1,930	-
Rebates and Recoveries	-	-	-	-
Charges for Services	1,973	22	65	-
Fines, Forfeitures, and Penalties	-	59	-	-
Rents and Royalties	818	-	14	-
Sales	9	-	-	-
Loan Interest Income	7,498	10,831	1,182	7,837
Other	1,543	964	-	96
Gain (Loss) on Foreclosed Property	263	-	-	-
Total Operating Revenues	12,218	12,018	3,191	7,933
OPERATING EXPENSES:				
Salaries and Wages	4,053	625	489	1,384
Services and Supplies	4,896	501	92	351
Cost of Goods Sold	-	-	-	-
Distributions to Other Governments	-	-	-	1,835
Special Payments	-	145	-	7
Bond and COP Interest	5,848	9,396	-	2,619
Other Debt Service	8	-	-	-
Depreciation and Amortization	101	-	-	-
Bad Debt Expense	-	675	113	-
Total Operating Expenses	14,906	11,342	694	6,196
Operating Income (Loss)	(2,688)	676	2,497	1,737
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	1,700	163	100	630
Other Taxes	-	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-	-
Insurance Recovery	-	-	-	-
Loan Interest Expense	-	-	-	-
Other Interest Expense	(52)	(7)	(3)	(11)
Other Nonoperating Items	(12)	-	(1)	(5)
Total Nonoperating Revenues (Expenses)	1,636	156	96	614
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(1,052)	832	2,593	2,351
Capital Contributions	-	-	-	-
Transfers from Other Funds	-	1,078	52	345
Transfers to Other Funds	(166)	(312)	(62)	(9,231)
Change in Net Position	(1,218)	1,598	2,583	(6,535)
Net Position - Beginning	128,148	(8,512)	38,235	219,135
Prior Period Adjustments	-	-	-	-
Cumulative Effect of Change in Accounting Principles	(1,218)	(1,749)	-	(888)
Net Position - Beginning - As Restated	126,930	(10,261)	38,235	218,247
Net Position - Ending	$ 125,712	$ (8,663)	$ 40,818	$ 211,712

State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ -	$ 4,625	$ -	$ -	$ -	$ 3,045	$ 7,926
-	-	6,088	-	-	-	8,018
107	-	-	-	-	-	107
68,124	-	10,128	-	-	220,784	301,096
-	597	-	-	-	15	671
37	-	-	-	-	-	869
65	518,659	-	-	-	23,709	542,442
-	-	-	3,643	3,862	733	35,586
3,388	337	134	-	-	1,632	8,094
-	-	-	-	-	-	263
71,721	524,218	16,350	3,643	3,862	249,918	905,072
217,482	16,499	138	708	324	7,092	248,794
51,101	55,184	13,794	163	20	43,412	169,514
-	254,584	-	-	-	23,487	278,071
-	56,908	-	1,735	197	413	61,088
182	294	-	-	2,074	175,510	178,212
-	-	-	1,448	-	39	19,350
-	-	-	-	-	-	8
8,403	895	399	-	-	2,004	11,802
-	-	-	-	-	-	788
277,168	384,364	14,331	4,054	2,615	251,957	967,627
(205,447)	139,854	2,019	(411)	1,247	(2,039)	(62,555)
-	-	79	122	355	508	3,657
-	17,584	-	-	-	-	17,584
-	18	-	-	-	(26)	(8)
-	-	-	-	-	47	47
-	-	-	-	-	(106)	(106)
(1,636)	(145)	(2)	(5)	(4)	(69)	(1,934)
-	-	(1)	(1)	(4)	(62)	(86)
(1,636)	17,457	76	116	347	292	19,154
(207,083)	157,311	2,095	(295)	1,594	(1,747)	(43,401)
1,072	-	20,317	-	-	-	21,389
190,292	-	4,016	8,954	11,758	96	216,591
(8,704)	(157,296)	(6)	(6,540)	(70)	(1,412)	(183,799)
(24,423)	15	26,422	2,119	13,282	(3,063)	10,780
333,878	33,892	30,913	82,051	225,109	146,592	1,229,441
(1,387)	-	-	-	-	3,007	1,620
-	-	-	(448)	-	(11)	(4,314)
332,491	33,892	30,913	81,603	225,109	149,588	1,226,747
$ 308,068	$ 33,907	$ 57,335	$ 83,722	$ 238,391	$ 146,525	$ 1,237,527

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(In Thousands)

	Veterans' Loan	Energy Loan	Business Development
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,588	$ 170	$ 80
Receipts from Other Funds for Services	1,641	2	-
Loan Principal Repayments	38,222	14,124	3,412
Loan Interest Received	10,336	10,315	1,157
Grant Receipts	-	-	1,000
Payments to Employees for Services	(4,115)	(642)	(489)
Payments to Suppliers	(3,508)	(132)	(35)
Payments to Other Funds for Services	(616)	(177)	(57)
Claims Paid	-	-	-
Loans Made	(56,864)	(19,525)	(4,784)
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	2,685	2,687	-
Net Cash Provided (Used) in Operating Activities	(10,631)	6,822	284
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	-	18,855	-
Principal Payments on Bonds/COPS	(17,615)	(16,708)	-
Principal Payments on Loans	(21)	(3)	(1)
Interest Payments on Bonds/COPS	(5,880)	(10,242)	-
Interest Payment on Loans	(52)	(7)	(3)
Bond/COP Issuance Costs	(861)	(59)	-
Taxes and Assessments Received	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	1,059	215
Transfers to Other Funds	(166)	(270)	(225)
Net Cash Provided (Used) in Noncapital Financing Activities	(24,595)	(7,375)	(14)
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Other Interest Payments	-	-	-
Acquisition of Capital Assets	(12)	-	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(12)	-	-
Cash Flows from Investing Activities:			
Purchases of Investments	(10,000)	-	-
Proceeds from Sales and Maturities of Investments	7,000	-	-
Interest on Investments and Cash Balances	1,484	163	98
Interest Income from Securities Lending	36	-	3
Interest Expense from Securities Lending	(13)	-	(1)
Net Cash Provided (Used) in Investing Activities	(1,493)	163	100
Net Increase (Decrease) in Cash and Cash Equivalents	(36,731)	(390)	370
Cash and Cash Equivalents - Beginning	227,830	35,366	18,627
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 191,099	$ 34,976	$ 18,997

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ -	$ 11,405	$ 523,898	$ 17,001	$ -	$ -	$ 245,708	$ 799,850
-	64,308	-	-	-	-	22,593	88,544
19,840	-	-	-	8,224	6,883	1,139	91,844
7,848	-	-	-	3,681	4,009	670	38,016
-	-	-	-	-	-	-	1,000
(1,340)	(213,743)	(16,519)	(137)	(701)	(336)	(15,032)	(253,054)
(97)	(76,246)	(291,910)	(12,962)	(37)	(10)	(27,748)	(412,685)
(245)	(1,242)	(5,624)	(913)	(125)	(11)	(1,916)	(10,926)
-	-	-	-	-	-	(175,011)	(175,011)
(17,588)	-	-	-	(11,324)	(10,986)	(141)	(121,212)
(1,827)	-	(56,674)	-	(1,949)	(197)	(324)	(60,971)
20	1,414	155	22	-	-	(35,767)	(28,784)
6,611	(214,104)	153,326	3,011	(2,231)	(648)	14,171	(43,389)
-	-	-	-	-	-	-	18,855
(3,525)	-	-	-	(3,910)	-	-	(41,758)
(5)	(666)	(59)	(1)	(2)	(1)	(63)	(822)
(2,689)	-	-	-	(1,521)	-	-	(20,332)
(12)	(1,636)	(144)	(3)	(6)	(4)	(114)	(1,981)
-	-	-	-	-	-	-	(920)
-	-	17,554	-	-	-	-	17,554
-	-	-	-	-	-	47	47
345	216,616	-	6,516	8,954	11,512	96	245,313
(9,231)	(8,704)	(156,720)	(2,506)	(6,540)	(70)	(1,328)	(185,760)
(15,117)	205,610	(139,369)	4,006	(3,025)	11,437	(1,362)	30,196
-	-	-	-	-	-	(1,492)	(1,492)
-	-	-	-	-	-	(37)	(37)
-	-	-	-	-	-	(61)	(61)
-	(62)	(525)	(24,771)	-	-	(1,407)	(26,777)
-	-	-	-	-	-	(257)	(257)
-	-	18	-	-	-	4	22
-	-	-	17,827	-	-	-	17,827
-	(62)	(507)	(6,944)	-	-	(3,250)	(10,775)
(10,000)	-	-	-	-	-	-	(20,000)
-	-	-	-	-	-	-	7,000
363	-	-	75	117	342	657	3,299
13	-	-	3	4	12	22	93
(4)	-	-	(1)	(1)	(4)	(13)	(37)
(9,628)	-	-	77	120	350	666	(9,645)
(18,134)	(8,556)	13,450	150	(5,136)	11,139	10,225	(33,613)
84,029	9,760	30,270	13,243	30,116	59,935	122,244	631,420
-	453	-	-	-	-	-	453
$ 65,895	$ 1,657	$ 43,720	$ 13,393	$ 24,980	$ 71,074	$ 132,469	$ 598,260

(continued on next page)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Veterans' Loan	Energy Loan	Business Development
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (2,688)	$ 676	$ 2,497
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	101	-	-
Amortization of Bond/COP Premium and Discount	12	(644)	-
Amortization of Other Bond/COP Related Costs	8	13	-
Bad Debt Expense	-	675	113
Interest Payments Reported as Operating Expense	5,880	10,243	-
Bond/COP Issuance Costs Reported as Operating Expense	861	59	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	145	(213)	(24)
Due from Other Funds	(63)	21	-
Inventories	-	-	-
Prepaid Items	(4)	-	-
Foreclosed and Deeded Property	406	(750)	-
Advances to Other Funds	-	(11,714)	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable	(18,098)	6,918	(1,372)
Accounts and Interest Payable	(125)	(39)	4
Due to Other Funds	-	(27)	(1)
Due to Other Governments	-	-	-
Unearned Revenue	2,715	(112)	(930)
Compensated Absences Payable	(9)	(8)	(3)
Custodial Liabilities	224	1,723	-
Net OPEB Obligation	4	1	-
Total Adjustments	(7,943)	6,146	(2,213)
Net Cash Provided (Used) by Operating Activities	$ (10,631)	$ 6,822	$ 284
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ 134	$ -	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Foreclosed Property	681	-	-

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
$ 1,737	$ (205,447)	$ 139,854	$ 2,019	$ (411)	$ 1,247	$ (2,039)	$ (62,555)
-	8,403	895	399	-	-	2,004	11,802
-	-	-	-	-	-	(6)	(638)
-	-	-	-	-	-	4	25
-	-	-	-	-	-	-	788
2,689	-	-	-	1,521	-	37	20,370
-	-	-	-	-	-	-	920
476	5,396	4	663	42	147	(18,353)	(11,717)
50	5,638	-	(1)	-	-	(308)	5,337
-	48	(509)	-	-	-	130	(331)
-	-	-	-	-	-	28	24
-	-	-	-	-	-	-	(344)
-	-	-	-	-	-	(19)	(11,733)
-	-	-	-	-	-	1,313	1,313
1,726	-	-	40	(2,354)	(2,029)	1,010	(14,159)
(60)	(961)	12,929	(131)	(1,039)	(6)	29,827	40,399
3	(27,223)	-	9	-	(2)	(241)	(27,482)
-	-	-	-	-	-	89	89
-	-	13	10	-	-	-	1,696
(11)	(165)	13	3	8	(5)	(63)	(240)
-	9	113	-	-	-	747	2,816
1	198	14	-	2	-	11	231
4,874	(8,657)	13,472	992	(1,820)	(1,895)	16,210	19,166
$ 6,611	$ (214,104)	$ 153,326	$ 3,011	$ (2,231)	$ (648)	$ 14,171	$ (43,389)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 134
-	1,072	-	-	-	-	-	1,072
-	-	-	-	-	-	-	681

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Internal Service Funds

Internal Service Funds account for goods and services provided by state agencies or departments to other state agencies or departments and to other governmental units on a cost-reimbursement basis.

Central Services Fund

This fund accounts for activities to provide various services to state agencies. These services include accounting, budgeting, personnel, mail and shuttle, purchasing, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund.

Legal Services Fund

This fund accounts for activities of the Department of Justice Attorney General's office to represent and advise the State's elected and appointed officials, agencies, boards, and commissions.

Banking Services Fund

This fund accounts for activities of the Office of the State Treasurer to provide banking, investment, and debt management services to state agencies.

Audit Services Fund

This fund accounts for activities of the Secretary of State, Audits Division, to provide independent auditing services to state agencies.

Forestry Services Fund

This fund accounts for activities of the Department of Forestry to operate an equipment and maintenance pool that provides transportation, heavy equipment, and aircraft support for operating programs and other state agencies.

Health Services Fund

This fund accounts, primarily, for the activities of the Public Employees' Benefit Board, through the Oregon Health Authority, to provide health care benefits and related services for the employees of state agencies.

Other Internal Service Funds

This fund accounts for the sale of goods and services to other governmental units through activities not specifically accounted for in another internal service fund.

Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(In Thousands)

	Central Services	Legal Services	Banking Services
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 84,837	$ 10,478	$ 10,466
Securities Lending Collateral	22,881	683	683
Accounts and Interest Receivable (net)	71,144	8,401	2,004
Due from Other Funds	131	2,334	96
Inventories	986	55	8
Prepaid Items	383	-	-
Total Current Assets	180,362	21,951	13,257
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	5,038	-	-
Investments - Restricted	69,424	-	-
Advances to Other Funds	584	-	-
Net Contracts, Notes, and Other Receivables	-	2	-
Loans Receivable (net)	17	-	-
Capital Assets:			
Land	9,330	-	-
Buildings, Property, and Equipment	560,110	5,613	2,938
Construction in Progress	9,598	234	-
Infrastructure	637	-	-
Works of Art and Other Nondepreciable Assets	162	-	-
Less Accumulated Depreciation and Amortization	(319,894)	(4,024)	(2,821)
Total Noncurrent Assets	335,006	1,825	117
Total Assets	515,368	23,776	13,374
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	3,124	-	-
Total Deferred Outflows of Resources	3,124	-	-
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	14,611	865	1,000
Obligations Under Securities Lending	22,881	683	683
Due to Other Funds	10,036	22	-
Unearned Revenue	17,779	195	-
Compensated Absences Payable	3,303	3,110	541
Claims and Judgments Payable	27,988	-	-
Custodial Liabilities	1,758	4	-
Contracts, Mortgages and Notes Payable	437	213	37
Bonds/COPs Payable	11,099	-	-
Obligations Under Capital Lease	1,936	14	-
Total Current Liabilities	111,828	5,106	2,261
Noncurrent Liabilities:			
Compensated Absences Payable	1,701	1,602	278
Claims and Judgments Payable	119,352	-	-
Custodial Liabilities	3,272	-	-
Contracts, Mortgages, and Notes Payable	8,925	7,868	1,353
Bonds/COPs Payable	84,837	-	-
Obligations Under Capital Lease	1,057	20	-
Advances from Other Funds	131	-	-
Net OPEB Obligation	1,138	875	123
Total Noncurrent Liabilities	220,413	10,365	1,754
Total Liabilities	332,241	15,471	4,015
NET POSITION			
Net investment in capital assets	161,014	1,790	118
Unrestricted	25,237	6,515	9,241
Total Net Position	$ 186,251	$ 8,305	$ 9,359

Audit Services	Forestry Services	Health Services	Other	Total
$ 1,912	$ 7,861	$ 435,802	$ 3,883	$ 555,239
125	513	28,102	253	53,240
876	896	5	289	83,615
-	-	-	-	2,561
-	384	-	9	1,442
67	-	-	-	450
2,980	9,654	463,909	4,434	696,547
-	-	-	-	5,038
-	-	-	-	69,424
-	-	-	-	584
-	-	-	-	2
-	-	-	-	17
-	-	-	-	9,330
444	20,009	97	6,349	595,560
-	-	-	-	9,832
-	-	-	-	637
-	-	-	-	162
(444)	(14,361)	(63)	(3,595)	(345,202)
-	5,648	34	2,754	345,384
2,980	15,302	463,943	7,188	1,041,931
-	-	-	-	3,124
-	-	-	-	3,124
32	349	24,782	195	41,834
125	513	28,102	253	53,240
-	-	4,639	33	14,730
-	-	-	-	17,974
236	112	3,781	-	11,083
-	-	-	-	27,988
-	-	22	-	1,784
22	7	6	-	722
-	-	-	-	11,099
-	-	-	-	1,950
415	981	61,332	481	182,404
122	58	1,948	-	5,709
-	-	66,518	-	185,870
-	-	-	-	3,272
803	242	218	-	19,409
-	-	-	-	84,837
-	-	-	-	1,077
-	-	-	-	131
91	43	82	-	2,352
1,016	343	68,766	-	302,657
1,431	1,324	130,098	481	485,061
-	5,647	34	2,755	171,358
1,549	8,331	333,811	3,952	388,636
$ 1,549	$ 13,978	$ 333,845	$ 6,707	$ 559,994

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	Central Services	Legal Services	Banking Services
OPERATING REVENUES:			
Charges for Services	$ 217,728	$ 76,712	$ 19,955
Fines, Forfeitures, and Penalties	-	714	-
Rents and Royalties	40,350	-	-
Sales	2,376	16	-
Other	4,560	31	-
Total Operating Revenues	265,014	77,473	19,955
OPERATING EXPENSES:			
Salaries and Wages	62,137	58,321	11,149
Services and Supplies	140,025	12,579	7,252
Cost of Goods Sold	9,769	-	-
Special Payments	-	-	-
Bond and COP Interest	5,142	-	-
Depreciation and Amortization	23,402	432	113
Total Operating Expenses	240,475	71,332	18,514
Operating Income (Loss)	24,539	6,141	1,441
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	2,799	-	-
Gain (Loss) on Disposition of Assets	(466)	-	-
Insurance Recovery	1,179	-	-
Loan Interest Income	38	-	-
Loan Interest Expense	(155)	(3)	-
Other Interest Expense	(594)	(524)	(90)
Other Nonoperating Items	(9)	-	-
Total Nonoperating Revenues (Expenses)	2,792	(527)	(90)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	27,331	5,614	1,351
Capital Contributions	-	-	-
Transfers from Other Funds	965	-	398
Transfers to Other Funds	(22,755)	(2,586)	(632)
Change in Net Position	5,541	3,028	1,117
Net Position - Beginning	184,376	5,298	8,242
Prior Period Adjustments	(3,060)	(21)	-
Cumulative Effect of Change in Accounting Principles	(606)	-	-
Net Position - Beginning - As Restated	180,710	5,277	8,242
Net Position - Ending	$ 186,251	$ 8,305	$ 9,359

Audit Services	Forestry Services	Health Services	Other	Total
$ 11,469	$ 2,590	$ 789,079	$ 1,738	$ 1,119,271
-	-	-	-	714
-	6,403	-	-	46,753
-	453	-	16	2,861
-	-	4,379	267	9,237
11,469	9,446	793,458	2,021	1,178,836
6,055	1,987	103,692	-	243,341
1,432	3,334	623,595	1,142	789,359
-	-	-	-	9,769
-	-	3,983	-	3,983
-	-	-	-	5,142
-	1,317	10	411	25,685
7,487	6,638	731,280	1,553	1,077,279
3,982	2,808	62,178	468	101,557
-	-	2,081	-	4,880
-	284	-	(18)	(200)
-	-	-	14	1,193
-	-	-	-	38
-	-	-	-	(158)
(53)	(16)	(15)	-	(1,292)
-	-	(25)	-	(34)
(53)	268	2,041	(4)	4,427
3,929	3,076	64,219	464	105,984
-	-	44	-	44
-	7	-	1	1,371
(3,457)	(823)	(6,457)	(44)	(36,754)
472	2,260	57,806	421	70,645
1,077	11,718	277,018	6,286	494,015
-	-	(979)	-	(4,060)
-	-	-	-	(606)
1,077	11,718	276,039	6,286	489,349
$ 1,549	$ 13,978	$ 333,845	$ 6,707	$ 559,994

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	Central Services	Legal Services
Cash Flows from Operating Activities:		
Receipts from Customers	$ 55,018	$ 6,470
Receipts from Other Funds for Services	221,136	76,238
Payments to Employees for Services	(69,171)	(58,748)
Payments to Suppliers	(100,376)	(8,294)
Payments to Other Funds for Services	(27,511)	(10,350)
Claims Paid	(12,961)	(800)
Other Receipts (Payments)	2,587	1,279
Net Cash Provided (Used) in Operating Activities	68,722	5,795
Cash Flows from Noncapital Financing Activities:		
Loan Principal Repayments	38	-
Loan Interest Received	38	-
Principal Payments on Bonds/COPS	-	-
Principal Payments on Loans	(282)	(213)
Interest Payments on Bonds/COPS	-	-
Interest Payments on Loans	(743)	(524)
Advances Received	19	-
Transfers from Other Funds	1,068	(2,586)
Transfers to Other Funds	(12,938)	-
Net Cash Provided (Used) in Noncapital Financing Activities	(12,800)	(3,323)
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Bonds/COPS	(12,887)	-
Interest Payments on Bonds/COPS	(4,126)	-
Interest Payments on Loans	-	(3)
Acquisition of Capital Assets	(25,442)	(448)
Payments on Capital Leases	(3,464)	-
Proceeds from Disposition of Capital Assets	688	-
Insurance Recoveries for Capital Assets	1,185	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(44,046)	(451)
Cash Flows from Investing Activities:		
Purchases of Investments	(6,690)	-
Proceeds from Sales and Maturities of Investments	21,887	-
Interest on Investments and Cash Balances	2,680	-
Interest Income from Securities Lending	25	-
Interest Expense from Securities Lending	(9)	-
Net Cash Provided (Used) in Investing Activities	17,893	-
Net Increase (Decrease) in Cash and Cash Equivalents	29,769	2,021
Cash and Cash Equivalents - Beginning	60,106	8,457
Prior Period Adjustments Restating Beginning Cash Balances	-	-
Cash and Cash Equivalents - Ending	$ 89,875	$ 10,478

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
$ -	$ -	$ -	$ -	$ -	$ 61,488
20,411	10,826	9,410	949,572	1,861	1,289,454
(11,192)	(6,122)	(1,984)	(97,832)	-	(245,049)
(7,057)	(808)	(2,765)	(760,084)	(1,015)	(880,399)
-	(615)	(544)	(16,872)	-	(55,892)
-	-	-	-	-	(13,761)
1	-	-	398	-	4,265
2,163	3,281	4,117	75,182	846	160,106
-	-	-	-	-	38
-	-	-	-	-	38
-	-	(7)	-	-	(7)
(37)	(22)	-	(6)	-	(560)
-	-	(16)	-	-	(16)
(90)	(53)	-	(15)	-	(1,425)
-	-	-	-	-	19
302	-	7	-	1	(1,208)
(632)	(3,457)	(823)	(6,457)	(147)	(24,454)
(457)	(3,532)	(839)	(6,478)	(146)	(27,575)
-	-	-	-	-	(12,887)
-	-	-	-	-	(4,126)
-	-	-	-	-	(3)
(112)	-	(1,545)	-	(632)	(28,179)
-	-	-	-	-	(3,464)
-	-	432	-	104	1,224
-	-	-	-	14	1,199
(112)	-	(1,113)	-	(514)	(46,236)
-	-	-	-	-	(6,690)
-	-	-	-	-	21,887
-	-	-	2,009	-	4,689
-	-	-	72	-	97
-	-	-	(25)	-	(34)
-	-	-	2,056	-	19,949
1,594	(251)	2,165	70,760	186	106,244
8,872	2,163	5,696	365,001	3,697	453,992
-	-	-	41	-	41
$ 10,466	$ 1,912	$ 7,861	$ 435,802	$ 3,883	$ 560,277

(continued on next page)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)
(continued from previous page)

	Central Services	Legal Services
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ 24,539	$ 6,141
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	23,402	432
Amortization of Bond/COP Premium and Discount	(665)	-
Amortization of Other Bond/COP Related Costs	1,769	-
Interest Payments Reported as Operating Expense	4,124	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	(8,148)	(1,973)
Due from Other Funds	(2,019)	814
Inventories	58	55
Prepaid Items	843	-
Net Contracts, Notes and Other Receivables	-	9
Accounts and Interest Payable	(1,768)	53
Due to Other Funds	1,989	(749)
Unearned Revenue	17,142	(156)
Compensated Absences Payable	(90)	(120)
Claims and Judgments Payable	7,193	-
Custodial Liabilities	304	1,249
Contracts, Mortgages and Notes Payable	(4)	-
Net OPEB Obligation	53	40
Total Adjustments	44,183	(346)
Net Cash Provided (Used) by Operating Activities	$ 68,722	$ 5,795

Noncash Investing and Capital and Related Financing Activities:		
Capital Assets Transferred from Governmental Funds	$ -	$ -

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
$ 1,441	$ 3,982	$ 2,808	$ 62,178	$ 468	$ 101,557
113	-	1,317	10	411	25,685
-	-	-	-	-	(665)
-	-	-	-	-	1,769
-	-	-	-	-	4,124
182	(650)	(72)	(5)	(161)	(10,827)
-	-	-	-	22	(1,183)
-	-	(5)	-	-	108
-	(1)	-	-	-	842
-	-	-	-	-	9
454	1	49	2,566	106	1,461
-	-	-	4,639	-	5,879
-	-	-	-	-	16,986
(34)	(55)	18	5,730	-	5,449
-	-	-	(19)	-	7,174
-	-	-	5	-	1,558
-	-	-	-	-	(4)
7	4	2	78	-	184
722	(701)	1,309	13,004	378	58,549
$ 2,163	$ 3,281	$ 4,117	$ 75,182	$ 846	$ 160,106
$ -	$ -	$ -	$ 44	$ -	$ 44

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Fiduciary Funds

Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

Pension trust funds account for the transactions, assets, liabilities, and net position held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of retirement, disability, and death benefits to members of the retirement system.

Public Employees Defined Benefit Pension Plan Fund

This fund accounts for the activities of the defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. Also included in this fund are the activities of the defined benefit portion of the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003, as well as inactive PERS members who return to employment following a six-month or greater break in service, participate in the OPSRP pension program. The plan is administered by the Public Employees Retirement Board under Oregon Revised Statutes, Chapter 238, and Section 401(a) of the Internal Revenue Code.

Individual Account Program Defined Contribution Pension Plan Fund

This fund accounts for the activities of the defined contribution portion of the Oregon Public Service Retirement Plan (OPSRP). Beginning January 1, 2004, PERS member contributions, account earnings and losses, as well as administrative costs of the plan, are reflected in this fund. The OPSRP is administered by the Public Employees Retirement System.

Other Employee Benefit Trust Funds

Other employee benefit trust funds account for the transactions, assets, liabilities, and net position held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of postemployment healthcare benefits and deferred compensation to members of the retirement system.

Retirement Health Insurance Account (RHIA) OPEB Plan Fund

This fund accounts for the activities of the RHIA cost-sharing, multiple-employer other postemployment benefit (OPEB) plan administered by PERS for units of state government, political subdivisions, community colleges, and school districts. The RHIA is a defined benefit OPEB plan established pursuant to section 401(h) of the Internal Revenue Code. The plan authorizes a payment of up to $60 towards the monthly cost of health insurance for eligible PERS members participating in PERS-sponsored health insurance plans. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund

This fund accounts for the activities of the RHIPA single-employer OPEB plan administered by PERS. The RHIPA is a defined benefit OPEB plan established pursuant to Section 401(h) of the Internal Revenue Code. The plan authorizes payment to eligible retired state employees of the average difference between the health insurance premiums paid by retirees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Deferred Compensation Plan Fund

This fund accounts for the activities of the Oregon Savings Growth Plan, an Internal Revenue Code Section 457 deferred compensation plan, offered to employees of the State and administered by the Public Employees Retirement System.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ASSETS		
Cash and Cash Equivalents	$ 3,002,274	$ 332,510
Investments:		
Fixed Income	13,854,757	1,385,151
Public Equity	26,133,746	2,532,252
Real Estate	6,981,572	697,994
Private Equity	13,953,159	1,394,989
Alternative Equity	919,273	91,907
Opportunity Portfolio	813,805	81,361
Total Investments	62,656,312	6,183,654
Securities Lending Collateral	1,979,910	198,128
Receivables:		
Employer Contributions	29,428	-
Plan Member Contributions	-	9,341
Interest and Dividends	281,017	28,095
Member Loans	-	-
Investment Sales	1,156,225	106,082
Transitional Liability	595,168	-
From Other Funds	845	5,467
Total Receivables	2,062,683	148,985
Prepaid Items	977	27
Capital Assets (net of $17,585 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	35,017	333
Total Assets	69,738,117	6,863,637
LIABILITIES		
Accounts and Interest Payable	2,240,478	192,525
Obligations Under Securities Lending	1,981,850	198,321
Due to Other Funds	5,989	651
Unearned Revenue	385	-
Custodial Liabilities	105,546	14,929
Bonds/COPs Payable	1,943	-
Net OPEB Obligation	433	94
Total Liabilities	4,336,624	406,520
NET POSITION		
Restricted - Held in Trust for:		
Pension Benefits	65,401,493	6,457,117
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Position	$ 65,401,493	$ 6,457,117

Other Employee Benefit Trust Funds			
Other Postemployment Benefits			
Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
$ 21,742	$ 845	$ 54,656	$ 3,412,027
82,702	1,189	216,887	15,540,686
151,191	2,173	1,196,243	30,015,605
41,675	599	-	7,721,840
83,290	1,197	-	15,432,635
5,487	79	-	1,016,746
4,858	70	-	900,094
369,203	5,307	1,413,130	70,627,606
11,843	174	16	2,190,071
1,524	258	-	31,210
-	-	-	9,341
1,678	24	262	311,076
-	-	9,915	9,915
6,332	136	106	1,268,881
-	-	-	595,168
498	24	-	6,834
10,032	442	10,283	2,232,425
2	-	-	1,006
-	-	-	944
-	-	-	35,350
412,822	6,768	1,478,085	78,499,429
14,067	545	692	2,448,307
11,855	175	16	2,192,217
19	16	113	6,788
-	-	580	965
5	-	-	120,480
-	-	-	1,943
3	-	14	544
25,949	736	1,415	4,771,244
-	-	-	71,858,610
386,873	6,032	-	392,905
-	-	1,476,670	1,476,670
$ 386,873	$ 6,032	$ 1,476,670	$ 73,728,185

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2014
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ADDITIONS		
Contributions:		
Employer	$ 915,237	$ -
Plan Members	15,319	527,303
Total Contributions	930,556	527,303
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	8,845,864	871,578
Interest, Dividends and Other Investment Income	1,491,814	150,643
Total Investment Income	10,337,678	1,022,221
Less Investment Expense	455,511	45,779
Net Investment Income	9,882,167	976,442
Other Income	4,534	997
Total Additions	10,817,257	1,504,742
DEDUCTIONS		
Benefits	3,832,068	330,536
Death Benefits	5,803	-
Contributions Refunded	25,560	-
Healthcare Premium Subsidies	-	-
Administrative Expenses	31,246	6,934
Total Deductions	3,894,677	337,470
Change in Net Position Held in Trust For:		
Pension Benefits	6,922,580	1,167,272
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Position - Beginning	58,478,913	5,289,845
Net Position - Ending	$ 65,401,493	$ 6,457,117

Other Employee Benefit Trust Funds			
Other Postemployment Benefits			
Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
$ 48,253	$ 6,150	$ -	$ 969,640
-	-	92,174	634,796
48,253	6,150	92,174	1,604,436
50,228	661	187,316	9,955,647
8,625	114	18,258	1,669,454
58,853	775	205,574	11,625,101
2,659	36	3,185	507,170
56,194	739	202,389	11,117,931
-	-	793	6,324
104,447	6,889	295,356	12,728,691
-	-	89,652	4,252,256
-	-	-	5,803
-	-	-	25,560
34,113	4,926	-	39,039
1,046	170	997	40,393
35,159	5,096	90,649	4,363,051
-	-	-	8,089,852
69,288	1,793	-	71,081
-	-	204,707	204,707
317,585	4,239	1,271,963	65,362,545
$ 386,873	$ 6,032	$ 1,476,670	$ 73,728,185

Agency Fund

The Agency Fund accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

Combining Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2014
(In Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Custodial Assets	$ 1,642,016	$ 2,256,428	$ 2,572,432	$ 1,326,012
Accounts and Interest Receivable	5,840	39	1,053	4,826
Net Contracts, Notes, and Other Receivables	122,132	20,832	72,390	70,574
Receivership Assets	60,849	8,029	-	68,878
Total Assets	$ 1,830,837	$ 2,285,328	$ 2,645,875	$ 1,470,290
LIABILITIES				
Accounts and Interest Payable	$ -	$ 660,532	$ 660,528	$ 4
Due to Other Governments	7,056	6,345	7,056	6,345
Custodial Liabilities	1,823,781	1,781,406	2,141,246	1,463,941
Total Liabilities	$ 1,830,837	$ 2,448,283	$ 2,808,830	$ 1,470,290

Nonmajor Discretely Presented Component Units

Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government. The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

Oregon Health and Science University

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. As an academic health center, OHSU provides education and training to healthcare professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives General Fund moneys from the State. OHSU uses proprietary fund accounting principles.

Oregon University System Foundations

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

Oregon Affordable Housing Assistance Corporation

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCSD) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCSD.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and has adopted ASC 958. The December 31, 2013, financial information of OAHAC is included in this report.

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2014
(In Thousands)

	Oregon Health and Science University	Oregon University System Foundations	Oregon Affordable Housing Assistance Corporation	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 115,889	$ 36,778	$ 7,380	$ 160,047
Cash and Cash Equivalents - Restricted	19,277	-	-	19,277
Investments	206,070	-	-	206,070
Accounts and Interest Receivable (net)	344,424	-	9,834	354,258
Pledges, Contributions, and Grants Receivable (net)	30,680	146,790	-	177,470
Due from Other Governments	2,504	-	-	2,504
Due from Primary Government	15,031	-	-	15,031
Inventories	18,073	-	-	18,073
Prepaid Items	18,143	53,610	450	72,203
Total Current Assets	770,091	237,178	17,664	1,024,933
Noncurrent Assets:				
Investments	691,830	-	-	691,830
Investments - Restricted	486,033	1,551,910	-	2,037,943
Net Contracts, Notes and Other Receivables	2,156	-	-	2,156
Pledges, Contributions, and Grants Receivable (net)	84,934	-	-	84,934
Capital Assets:				
Land	72,436	6,110	-	78,546
Buildings, Property, and Equipment	2,387,286	66,695	-	2,453,981
Construction in Progress	291,852	-	-	291,852
Less Accumulated Depreciation and Amortization	(1,234,428)	(14,403)	-	(1,248,831)
Total Noncurrent Assets	2,782,099	1,610,312	-	4,392,411
Total Assets	3,552,190	1,847,490	17,664	5,417,344
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivitives	13,586	-	-	13,586
Loss on Refunding	3,048	-	-	3,048
Total Deferred Outflows of Resources	16,634	-	-	16,634
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	204,975	12,619	548	218,142
Due to Other Governments	7,121	-	9,834	16,955
Due to Primary Government	1,444	6,735	-	8,179
Unearned Revenue	35,807	23,611	7,282	66,700
Compensated Absences Payable	65,273	-	-	65,273
Claims and Judgments Payable	20,303	-	-	20,303
Contracts, Mortgages, and Notes Payable	1,960	-	-	1,960
Bonds/COPS Payable	14,006	-	-	14,006
Obligations Under Capital Lease	1,036	-	-	1,036
Total Current Liabilities	351,925	42,965	17,664	412,554
Noncurrent Liabilities:				
Obligations Under Life Income Agreements	30,380	81,204	-	111,584
Claims and Judgments Payable	39,992	-	-	39,992
Contracts, Mortgages, and Notes Payable	29,200	28,898	-	58,098
Bonds/COPS Payable	670,114	45,285	-	715,399
Obligations Under Capital Lease	6,057	-	-	6,057
Advances from Primary Government	38,438	-	-	38,438
Net OPEB Obligation	7,769	-	-	7,769
Derivative Instrument Liabilities	14,968	-	-	14,968
Total Noncurrent Liabilities	836,918	155,387	-	992,305
Total Liabilities	1,188,843	198,352	17,664	1,404,859
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	3,885	-	-	3,885
Total Deferred Inflows of Resources	3,885	-	-	3,885
Net Position				
Net Investment in Capital Assets	803,428	-	-	803,428
Restricted-Nonexpendable	189,210	831,457	-	1,020,667
Restricted for:				
Education	401,940	782,555	-	1,184,495
Unrestricted	981,518	35,126	-	1,016,644
Total Net Position	$ 2,376,096	$ 1,649,138	$ -	$ 4,025,234

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Discretely Presented Component Units
For the Year Ended June 30, 2014
(In Thousands)

	Oregon Health and Science University	Oregon University System Foundations	Oregon Affordable Housing Assistance Corporation	Total
Operating Revenues:				
Federal Revenue	$ -	$ -	$ 40,006	$ 40,006
Charges for Services	1,708,000	-	-	1,708,000
Investment Income (net)	-	182,379	532	182,911
Gifts, Grants, and Contracts	482,894	169,153	-	652,047
Other Revenues	96,994	29,924	6,785	133,703
Total Operating Revenues	2,287,888	381,456	47,323	2,716,667
Operating Expenses:				
Salaries and Wages	1,355,040	-	-	1,355,040
Services and Supplies	713,340	154,992	6,772	875,104
Mortgage Assistance Payments	-	-	40,551	40,551
Bond and COP Interest	22,829	-	-	22,829
Depreciation and Amortization	115,428	-	-	115,428
Other Expenses	-	74,261	-	74,261
Total Operating Expenses	2,206,637	229,253	47,323	2,483,213
Operating Income (Loss)	81,251	152,203	-	233,454
Nonoperating Revenues (Expenses):				
Investment Income	93,355	-	-	93,355
Other	359	-	-	359
State Appropriations	35,415	-	-	35,415
Total Nonoperating Revenues (Expenses)	129,129	-	-	129,129
Income (Loss) Before Capital Contributions	210,380	152,203	-	362,583
Capital Contributions	5,135	-	-	5,135
Change in Net Position	215,515	152,203	-	367,718
Net Position - Beginning	2,169,946	1,496,921	-	3,666,867
Prior Period Adjustments	-	14	-	14
Cumulative Effect of Change in Accounting Principles	(9,365)	-	-	(9,365)
Net Position - Beginning - As Restated	2,160,581	1,496,935	-	3,657,516
Net Position - Ending	$ 2,376,096	$ 1,649,138	$ -	$ 4,025,234

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Statistical Section

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Statistical Section
Index

This part of the State of Oregon's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

Schedule 1	Net Position by Component
Schedule 2	Changes in Net Position
Schedule 3	Fund Balance – Governmental Funds
Schedule 4	Changes in Fund Balance – Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the State's most significant revenue source, personal income taxes.

Schedule 5	Personal Income by Industry
Schedule 6	Personal Income Tax Rates
Schedule 7	Personal Income Tax Filers and Tax Liability by Income Level

Debt Capacity

These schedules present information concerning the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule 8	Outstanding Debt by Type
Schedule 9	Ratios of General Bonded Debt Outstanding
Schedule 10	Legal Debt Margin Calculation
Schedule 11	Legal Debt Margin Information
Schedule 12	Pledged Revenues

Demographic and Economic Information

These schedules provide demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Schedule 13	Demographic and Economic Indicators
Schedule 14	Employment by Industry

Operating Information

These schedules present operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Schedule 15	Government Employees
Schedule 16	Operating Indicators and Capital Asset Information by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Schedule 1
NET POSITION BY COMPONENT
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2005	2006	2007	2008
Governmental Activities				
Net Investment in Capital Assets	$ 9,151,443	$ 8,901,594	$ 8,696,793	$ 8,554,126
Restricted	904,848	1,021,026	1,098,817	950,491
Unrestricted	155,880	1,116,586	1,077,586	954,809
Total Governmental Activities Net Position	$ 10,212,171	$ 11,039,206	$ 10,873,196	$ 10,459,426
Business-type Activities				
Net Investment in Capital Assets	$ 562,325	$ 594,247	$ 756,814	$ 807,968
Restricted	2,550,548	2,857,577	2,998,195	3,177,420
Unrestricted	570,121	584,655	640,968	656,919
Total Business-type Activities Net Position	$ 3,682,994	$ 4,036,479	$ 4,395,977	$ 4,642,307
Primary Government				
Net Investment in Capital Assets	$ 9,713,768	$ 9,495,841	$ 9,453,607	$ 9,362,094
Restricted	3,455,396	3,878,603	4,097,012	4,127,911
Unrestricted	726,001	1,701,241	1,718,554	1,611,728
Total Primary Government Net Position	$ 13,895,165	$ 15,075,685	$ 15,269,173	$ 15,101,733

Schedule 1 (continued)
NET POSITION BY COMPONENT
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2009	2010	2011	2012	2013	2014
$ 9,094,498	$ 8,672,407	$ 8,107,685	$ 8,888,097	$ 10,636,687	$ 9,982,055
1,126,942	1,287,403	2,582,708	3,143,955	2,794,989	3,494,851
(99,401)	(82,337)	138,387	(840,528)	(1,488,172)	(1,077,265)
$ 10,122,039	$ 9,877,473	$ 10,828,780	$ 11,191,524	$ 11,943,504	$ 12,399,641
$ 897,150	$ 977,224	$ 1,195,629	$ 1,383,060	$ 1,383,562	$ 1,443,136
2,399,089	556,589	670,672	505,991	549,486	578,740
677,037	2,201,451	2,378,452	2,778,815	3,084,564	3,613,692
$ 3,973,276	$ 3,735,264	$ 4,244,753	$ 4,667,866	$ 5,017,612	$ 5,635,568
$ 9,991,648	$ 9,649,631	$ 9,303,314	$ 10,271,157	$ 12,020,249	$ 11,425,191
3,526,031	1,843,992	3,253,380	3,649,946	3,344,475	4,073,591
577,636	2,119,114	2,516,839	1,938,287	1,596,392	2,536,427
$ 14,095,315	$ 13,612,737	$ 15,073,533	$ 15,859,390	$ 16,961,116	$ 18,035,209

Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2005	2006	2007	2008
Expenses				
Governmental activities:				
Education	$ 3,204,580	$ 3,622,117	$ 3,761,800	$ 4,174,928
Human Services	4,675,846	4,873,613	4,814,964	5,316,540
Public Safety	928,483	1,008,285	1,023,202	1,183,931
Economic and Community Development	340,653	311,713	335,103	355,133
Natural Resources	582,788	541,084	580,778	613,329
Transportation	1,882,649	1,598,419	1,709,786	2,251,391
Consumer and Business Services	282,875	394,886	340,266	461,015
Administration	622,036	640,561	467,931	570,903
Legislative	31,447	29,602	36,660	39,142
Judicial	249,036	271,714	286,460	311,828
Interest on Long-term Debt	254,840	242,664	265,100	315,530
Total governmental activities expenses	13,055,233	13,534,658	13,622,050	15,593,670
Business-type activities:				
Housing and Community Services	89,583	93,288	98,683	100,706
Veterans' Loan	51,479	49,730	53,279	46,652
Lottery Operations	504,102	525,277	564,110	573,203
Unemployment Compensation	577,396	535,190	546,970	687,363
University System	1,729,107	1,858,254	1,893,227	1,808,424
State Hospitals	162,651	166,810	184,513	203,818
Liquor Control	237,604	263,725	284,298	307,380
Other Business-type Activities	75,182	76,804	76,911	75,134
Total business-type activities expenses	3,427,104	3,569,078	3,701,991	3,802,680
Total primary government expenses	$ 16,482,337	$ 17,103,736	$ 17,324,041	$ 19,396,350
Program Revenues				
Governmental activities:				
Charges for Services:				
Human Services	$ 221,522	$ 298,666	$ 215,222	$ 230,058
Public Safety	35,107	70,979	48,170	67,869
Natural Resources	270,465	284,857	325,638	300,685
Transportation	129,351	108,552	104,830	153,423
Consumer and Business Services	158,999	202,305	239,561	258,299
Administration	203,275	214,866	230,328	282,977
Judicial	29,522	130,549	132,447	136,327
Other governmental activities	32,442	26,909	32,829	32,467
Operating Grants and Contributions	4,850,141	4,952,825	5,097,007	5,162,489
Capital Grants and Contributions	6,566	14,992	21,718	27,611
Total governmental activities program revenues	5,937,390	6,305,500	6,447,750	6,652,205

Schedule 2 (continued)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2009	2010	2011	2012	2013	2014
$ 4,224,991	$ 4,303,106	$ 3,979,440	$ 4,061,791	$ 3,883,592	$ 4,420,704
6,057,047	6,861,998	7,535,059	8,186,498	8,459,678	9,880,251
1,185,507	1,199,579	1,180,405	1,235,617	1,256,086	1,300,085
397,032	455,453	480,196	416,683	423,191	385,464
658,553	593,122	629,222	619,535	637,929	724,185
2,249,632	1,858,705	1,566,210	1,394,815	1,407,506	1,555,822
408,803	463,489	424,534	263,541	403,725	283,039
470,583	474,624	376,821	349,555	305,791	404,182
44,683	33,012	37,801	34,839	40,828	37,234
307,916	308,574	313,886	326,803	311,401	340,313
297,308	299,467	351,713	367,826	331,531	347,010
16,302,055	16,851,129	16,875,287	17,257,503	17,461,258	19,678,289
91,010	84,337	78,194	75,879	67,918	56,473
26,855	19,685	19,365	18,628	-	-
537,332	518,076	510,401	534,018	494,337	493,652
1,875,259	3,020,372	2,306,502	1,729,355	1,236,639	831,914
1,948,793	2,003,668	2,146,867	2,300,493	2,412,100	2,505,392
215,576	222,311	248,072	270,793	253,960	278,804
314,563	312,980	325,410	344,540	367,141	384,491
87,977	89,505	269,217	268,659	324,463	306,212
5,097,365	6,270,934	5,904,028	5,542,365	5,156,558	4,856,938
$ 21,399,420	$ 23,122,063	$ 22,779,315	$ 22,799,868	$ 22,617,816	$ 24,535,227
$ 250,524	$ 237,722	$ 289,686	$ 531,658	$ 639,524	$ 615,829
94,613	75,511	80,842	141,432	59,551	85,549
282,380	313,587	285,394	306,336	301,196	335,198
138,400	115,507	138,383	140,219	147,234	171,154
313,602	276,359	270,467	69,000	124,698	126,482
111,537	107,625	115,365	96,006	91,626	92,358
158,736	145,548	185,523	99,052	197,966	33,722
28,662	37,507	38,068	42,502	63,009	44,347
6,017,307	7,691,076	8,324,841	7,400,703	7,816,666	9,055,464
86,563	45,398	97,682	37,134	30,663	17,766
7,482,324	9,045,840	9,826,251	8,864,042	9,472,133	10,577,869

(continued on next page)

Schedule 2 (continued from previous page)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2005	2006	2007	2008
Business-type activities:				
Charges for Services:				
Lottery Operations	938,370	1,093,196	1,203,821	1,229,486
Unemployment Compensation	783,594	758,350	676,838	638,186
University System	799,122	860,042	887,183	954,039
Liquor Control	313,308	349,454	379,741	406,421
Other Business-type Activities	210,964	192,481	217,402	213,758
Operating Grants and Contributions	770,971	803,972	891,998	664,179
Capital Grants and Contributions	-	-	-	-
Total business-type activities program revenues	3,816,329	4,057,495	4,256,983	4,106,069
Total primary government program revenues	$ 9,753,719	$ 10,362,995	$ 10,704,733	$ 10,758,274
Net (Expense)/Revenue				
Governmental activities	$ (7,117,843)	$ (7,229,158)	$ (7,174,300)	$ (8,941,465)
Business-type activities	389,225	488,417	554,992	303,389
Total primary government net expense	$ (6,728,618)	$ (6,740,741)	$ (6,619,308)	$ (8,638,076)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Personal Income Taxes	$ 4,746,727	$ 5,404,020	$ 4,486,068	$ 6,102,900
Corporate Income Taxes	211,016	443,425	518,260	448,010
Tobacco Taxes	255,035	254,836	276,419	254,524
Healthcare Provider Taxes	N/A	131,371	128,199	154,460
Inheritance Taxes	N/A	N/A	81,068	116,186
Public Utilities Taxes	N/A	N/A	84,455	89,621
Insurance Premium Taxes	N/A	N/A	55,463	42,721
Other Taxes	503,666	419,786	106,101	123,907
Motor Fuels and Other Vehicle Taxes	N/A	N/A	N/A	N/A
Motor Fuels Taxes	407,729	417,916	416,792	413,858
Weight Mile Taxes	253,419	266,221	256,000	237,296
Vehicle Registration Taxes	204,787	207,581	205,205	201,245
Workers' Compensation Insurance Taxes	N/A	N/A	47,745	40,733
Employer-Employee Taxes	266,688	281,974	77,504	76,576
Unrestricted Investment Earnings	44,662	37,934	90,210	81,815
Contributions to Permanent Fund	11,453	-	4,192	-
Capital Contributions	407	1,473	2,853	4,482
Transfers	31,901	124,307	214,557	154,510
Total governmental activities	6,937,490	7,990,844	7,051,091	8,542,844
Business-type activities:				
Other Taxes	13,964	14,851	15,203	16,086
Capital Contributions	700	855	3,615	71,716
Additions to Permanent Endowments	-	2,580	70	-
Special Items	-	-	-	-
Transfers	(31,901)	(124,307)	(214,557)	(154,510)
Total business-type activities	(17,237)	(106,021)	(195,669)	(66,708)
Total primary government	$ 6,920,253	$ 7,884,823	$ 6,855,422	$ 8,476,136
Change in Net Position				
Governmental activities	$ (180,353)	$ 761,686	$ (123,209)	$ (398,621)
Business-type activities	371,988	382,396	359,323	236,681
Total primary government	$ 191,635	$ 1,144,082	$ 236,114	$ (161,940)

Schedule 2 (continued)
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual basis of accounting)

2009	2010	2011	2012	2013	2014
1,100,228	1,027,735	1,038,805	1,050,315	1,069,064	1,052,945
662,346	859,790	1,022,592	1,083,438	1,092,890	1,064,234
1,003,897	1,156,843	1,288,143	1,356,609	1,438,948	1,527,836
418,559	425,374	443,120	470,421	502,919	524,218
236,151	267,585	431,470	436,945	452,345	428,344
1,064,383	2,238,266	1,986,426	1,621,254	1,139,888	851,199
87,425	108,257	60,081	36,770	60,048	158,927
4,572,989	6,083,850	6,270,637	6,055,752	5,756,102	5,607,703
$ 12,055,313	$ 15,129,690	$ 16,096,888	$ 14,919,794	$ 15,228,235	$ 16,185,572
$ (8,819,731)	$ (7,805,289)	$ (7,049,036)	$ (8,393,461)	$ (7,989,125)	$ (9,100,420)
(524,376)	(187,084)	366,609	513,387	599,544	750,765
$ (9,344,107)	$ (7,992,373)	$ (6,682,427)	$ (7,880,074)	$ (7,389,581)	$ (8,349,655)
$ 5,182,743	$ 4,958,569	$ 5,597,821	$ 5,901,448	$ 6,320,497	$ 6,596,708
253,685	387,639	502,862	440,444	463,012	506,889
250,243	250,135	258,453	249,388	254,483	260,882
143,535	192,077	233,826	423,951	414,267	485,584
77,622	91,845	80,482	102,351	99,318	N/A
88,295	80,790	71,939	72,310	85,781	N/A
46,952	70,291	90,085	94,583	103,251	85,196
140,726	144,931	119,882	156,256	186,038	380,783
N/A	N/A	N/A	N/A	N/A	1,053,611
399,048	406,179	449,462	492,188	487,308	N/A
210,055	208,573	240,056	260,091	251,518	N/A
185,202	245,699	275,344	281,799	282,857	N/A
36,635	30,065	34,942	53,669	50,242	54,126
71,119	65,977	69,429	71,977	72,861	91,343
17,717	3,193	3,306	11,157	4,917	5,516
259	288	14	76	228	297
-	-	-	-	-	-
157,663	129,016	(62,910)	125,915	107,437	133,008
7,261,499	7,265,267	7,964,993	8,737,603	9,184,015	9,653,943
16,340	16,754	16,204	16,893	16,388	17,584
-	-	-	-	-	-
-	-	-	159	241	776
-	-	-	-	-	-
(157,663)	(129,016)	62,910	(125,915)	(107,437)	(133,008)
(141,323)	(112,262)	79,114	(108,863)	(90,808)	(114,648)
$ 7,120,176	$ 7,153,005	$ 8,044,107	$ 8,628,740	$ 9,093,207	$ 9,539,295
$ (1,558,232)	$ (540,022)	$ 915,957	$ 344,142	$ 1,194,890	$ 553,523
(665,699)	(299,346)	445,723	404,524	508,736	636,117
$ (2,223,931)	$ (839,368)	$ 1,361,680	$ 748,666	$ 1,703,626	$ 1,189,640

Schedule 3
FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

Reserved Balances

	2005	2006	2007
General Fund			
Reserved	$ 63,788	$ 86,253	$ 70,317
Unreserved	237,769	736,196	113,579
Total General Fund	$ 301,557	$ 822,449	$ 183,896
All Other Governmental Funds			
Reserved	$ 785,135	$ 823,590	$ 953,764
Unreserved, reported in:			
Special revenue funds	1,911,255	2,640,061	3,658,675
Capital projects fund	64,405	118,136	47,930
Permanent fund	5,749	6,757	6,691
Total all other governmental funds	$ 2,766,544	$ 3,588,544	$ 4,667,060

Restricted Balances

	2011	2012	2013
General Fund			
Nonspendable	$ 79,891	$ 33,361	$ 20,361
Restricted	36,882	109,458	106,241
Committed	10,400	61,534	83,083
Assigned	7,864	-	-
Unassigned	109,117	(162,867)	574,197
Total General Fund	$ 244,154	$ 41,486	$ 783,882
All Other Governmental Funds			
Nonspendable	$ 195,575	$ 82,991	$ 76,641
Restricted	3,974,045	3,988,266	3,582,344
Committed	503,597	545,040	515,440
Assigned	29,146	37,476	20,164
Unassigned	-	-	(46,516)
Total all other governmental funds	$ 4,702,363	$ 4,653,773	$ 4,148,073

Note: Due to changes in the State's fund structure with the implementation of GASB Statement No. 54, fund balance information beginning with 2011 is no longer comparable to previous years. See Note 1 for additional information.

Schedule 3 (continued)
FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2008	2009	2010	2014
$ 202,823	$ 29,040	$ 35,403	$ 24,430
1,095	(333,796)	(542,747)	255,539
			92,978
			1,327
			394,999
$ 203,918	$ (304,756)	$ (507,344)	$ 769,273
$ 1,180,823	$ 1,082,369	$ 1,429,016	$ 60,728
3,446,971	3,523,322	3,544,868	4,132,949
23,218	130,498	50,420	586,296
8,067	3,788	4,984	23,298
			(18,237)
$ 4,659,079	$ 4,739,977	$ 5,029,288	$ 4,785,034

Schedule 4
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

	2005	2006	2007	2008
Revenues				
Taxes	$ 6,817,329	$ 7,839,265	$ 6,783,293	$ 8,259,483
Licenses and Fees	369,626	389,766	407,044	438,508
Federal	4,608,759	4,661,448	4,670,353	4,973,781
Rebates and Recoveries	N/A	N/A	N/A	N/A
Charges for Services	223,109	228,606	249,069	307,778
Fines, Forfeitures, and Penalties	68,399	89,559	101,714	100,175
Rents and Royalties	20,226	16,387	15,092	18,185
Investment Income	205,808	253,152	438,158	168,314
Sales	125,399	128,945	127,808	125,282
Donations and Grants	13,447	20,637	33,525	36,940
Contributions to Permanent Funds	11,453	-	4,192	-
Tobacco Settlement Proceeds	73,142	67,145	70,281	90,297
Foreclosure Settlement Proceeds	N/A	N/A	N/A	N/A
Pension Bond Debt Service Assessments	121,895	119,778	120,139	121,035
Unclaimed and Escheat Property Revenue	-	-	-	-
Other	275,937	360,081	328,888	354,518
Total Revenues	12,934,529	14,174,769	13,349,556	14,994,296
Expenditures				
Education	3,203,813	3,620,721	3,762,869	4,174,922
Human Services	4,665,643	4,877,485	4,825,597	5,347,990
Public Safety	905,510	984,969	1,016,728	1,175,881
Economic and Community Development	341,807	309,614	333,064	354,396
Natural Resources	573,781	538,831	603,695	629,624
Transportation	1,767,779	1,461,987	1,656,189	1,636,160
Consumer and Business Services	362,765	381,576	424,068	466,917
Administration	587,665	626,743	436,933	526,691
Legislative	30,688	29,381	35,711	37,456
Judicial	250,438	270,927	288,445	311,716
Capital Improvements/Construction	83,784	114,088	123,885	78,195
Debt Service:				
Principal	131,004	131,702	136,294	179,171
Interest	266,330	238,247	259,986	306,488
Other Debt Service	4,959	4,823	5,588	2,320
Total Expenditures	13,175,966	13,591,094	13,909,052	15,227,927
Excess of Revenues Over (Under) Expenditures	(241,437)	583,675	(559,496)	(233,631)
Other Financing Sources (Uses)				
Transfers from Other Funds	1,596,919	1,655,297	2,212,181	2,215,963
Transfers to Other Funds	(1,474,364)	(1,530,001)	(1,997,976)	(2,058,113)
Insurance Recoveries	-	1,432	3,718	4,046
Debt Issued	593,065	586,744	786,524	99,721
Refunding Debt Issued	21,625	29,610	200,745	14,310
Leases Incurred	3,939	-	-	134
Refunded Debt Payment to Escrow Agent	(130,389)	(38,777)	(210,383)	(15,036)
Total Other Financing Sources (Uses)	610,795	704,305	994,809	261,025
Net Change in Fund Balances	$ 369,358	$ 1,287,980	$ 435,313	$ 27,394
Debt service as a percentage of noncapital expenditures	3.17%	2.84%	3.03%	3.24%

Schedule 4 (continued)
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2009	2010	2011	2012	2013	2014
$ 7,004,715	$ 7,123,205	$ 7,952,882	$ 8,570,880	$ 8,969,867	$ 9,542,069
450,855	486,159	515,591	470,480	462,233	495,774
6,044,251	7,413,272	7,971,721	7,251,929	7,480,379	8,623,136
N/A	N/A	N/A	N/A	N/A	292,805
269,196	275,885	289,562	372,361	356,418	250,738
87,915	88,718	81,049	137,354	119,942	107,326
15,779	14,428	14,930	15,645	16,258	17,293
(95,131)	198,153	270,265	51,831	191,017	274,861
107,427	106,400	97,178	91,906	105,796	124,071
71,339	24,552	57,757	24,135	32,694	44,372
259	288	14	76	227	297
98,078	82,327	77,426	78,940	78,909	86,924
N/A	N/A	N/A	25,253	-	-
4,509	6,216	5,608	5,681	6,196	N/A
-	13,716	50,827	15,308	22,057	24,360
345,339	298,061	342,268	440,679	429,523	281,831
14,404,531	16,131,380	17,727,078	17,552,458	18,271,516	20,165,857
4,224,170	4,304,099	3,978,423	4,062,244	3,884,393	4,421,231
6,120,267	7,031,421	7,716,623	8,268,743	8,544,692	9,959,458
1,170,452	1,177,382	1,158,601	1,219,852	1,241,057	1,289,232
397,936	456,169	483,292	416,395	420,351	384,392
658,484	600,470	656,626	623,461	647,606	685,357
1,709,819	1,898,077	1,956,722	1,569,039	1,694,679	1,698,418
480,212	446,994	463,899	281,556	269,701	299,925
417,348	435,164	399,918	343,256	348,600	341,549
39,977	32,036	36,058	33,289	39,405	36,319
317,665	310,468	317,297	336,099	318,209	346,710
90,695	121,440	127,409	129,337	88,583	73,976
229,599	264,679	300,823	331,581	357,106	330,745
288,892	315,650	354,718	350,874	338,645	339,476
8,162	9,248	4,961	6,817	3,440	4,759
16,153,678	17,403,297	17,955,370	17,972,543	18,196,467	20,211,547
(1,749,147)	(1,271,917)	(228,292)	(420,085)	75,049	(45,690)
2,407,080	2,450,401	2,813,236	2,361,835	2,809,301	2,223,916
(2,216,338)	(2,277,548)	(2,607,036)	(2,232,819)	(2,679,360)	(2,054,506)
5,002	2,476	3,140	676	2,224	1,839
1,166,080	1,058,693	425,955	265,197	155,311	596,488
33,997	106,354	112,876	502,389	212,319	266,635
17	558	18	-	-	-
(35,261)	(182,531)	(129,074)	(574,833)	(246,543)	(266,425)
1,360,577	1,158,403	619,115	322,445	253,252	767,947
$ (388,570)	$ (113,514)	$ 390,823	$ (97,640)	$ 328,301	$ 722,257
3.27%	3.55%	3.85%	3.95%	3.99%	3.42%

Schedule 5
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

	2004	2005	2006	2007
Farm earnings	$ 1,256,177	$ 1,250,629	$ 1,326,237	$ 1,398,315
Forestry, fishing, and related activities	1,184,089	1,115,763	1,156,980	1,124,842
Mining	127,028	144,847	167,144	160,593
Utilities	539,151	491,039	572,400	569,081
Construction	5,798,496	6,420,273	7,435,599	7,612,278
Manufacturing	12,324,593	12,892,160	13,556,359	13,852,150
Wholesale trade	5,380,062	5,792,164	6,222,178	6,549,658
Retail trade	6,417,490	6,737,687	7,206,140	7,372,641
Transportation and warehousing	3,055,456	3,234,790	3,441,941	3,469,654
Information	2,402,440	2,423,684	2,631,118	2,882,471
Finance and insurance	4,215,737	4,520,109	4,870,200	4,920,966
Real estate, rental, and leasing	1,778,928	1,780,851	1,805,068	1,540,823
Professional, scientific, and technical	5,272,081	5,594,184	6,117,682	6,537,017
Management of companies	2,257,932	2,435,334	2,715,441	2,999,767
Administrative & waste mgmt. services	2,926,055	3,238,246	3,574,443	3,673,472
Educational services	967,066	1,004,258	1,108,201	1,127,015
Health care and social assistance	9,108,051	9,621,072	10,407,280	11,023,762
Arts, entertainment, and recreation	685,585	697,563	742,834	800,828
Accommodation and food services	2,802,136	2,953,539	3,163,860	3,319,704
Other services	3,279,293	3,557,859	3,865,884	3,913,894
Federal government, civilian	2,260,383	2,342,643	2,388,378	2,463,170
Military	420,613	477,069	449,638	453,307
State government	3,358,863	3,249,258	3,191,342	3,392,571
Local government	9,425,761	9,152,997	9,040,549	9,580,606
Other[1]	25,598,515	26,531,177	30,097,310	32,592,768
Total personal income	$ 112,841,981	$ 117,659,195	$ 127,254,206	$ 133,331,353
Overall effective tax rate[2]	5.7%	5.7%	5.7%	5.7%

[1] Includes income from all sources other than wages, salaries, tips, etc.

[2] Overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). Overall effective tax rate for 2013 will not be available until May 2015.

Source: US Department of Commerce, Bureau of Economic Analysis and the Oregon Department of Revenue.

Schedule 5 (continued)
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

2008	2009	2010	2011	2012	2013
$ 1,315,071	$ 1,051,073	$ 1,018,966	$ 1,342,825	$ 1,387,992	$ 1,537,400
1,119,686	1,033,218	1,133,575	1,133,932	1,316,850	1,359,271
159,570	124,008	127,685	171,408	167,938	175,257
664,428	626,797	627,395	648,077	650,557	669,728
7,016,427	5,833,580	5,387,772	5,506,142	5,989,190	6,491,684
13,698,638	11,814,637	12,215,504	13,022,099	14,074,175	14,181,220
6,557,963	6,087,143	6,182,016	6,491,346	6,897,039	5,969,448
6,963,801	6,646,828	6,753,286	6,898,753	7,251,028	7,573,447
3,335,123	3,075,251	3,064,178	3,228,953	3,389,562	3,438,080
3,001,074	2,861,969	2,747,981	2,840,569	2,981,945	2,980,434
4,770,061	4,691,810	4,731,821	4,745,487	5,064,751	5,246,110
1,682,923	1,604,931	1,571,498	1,637,940	1,598,071	1,687,771
7,171,781	6,728,012	6,771,326	7,315,885	7,856,680	8,241,600
3,056,207	2,868,396	2,810,236	2,945,770	3,116,795	4,783,722
3,695,485	3,402,719	3,414,186	3,568,606	3,890,278	4,036,225
1,213,697	1,299,234	1,337,583	1,400,431	1,541,953	1,548,044
11,908,797	12,168,472	12,598,136	12,949,552	13,510,433	13,881,777
808,841	766,545	802,933	795,553	897,338	902,856
3,333,396	3,143,284	3,214,275	3,385,987	3,678,595	3,834,468
3,754,298	3,642,958	3,689,043	3,784,679	4,070,173	4,204,643
2,564,707	2,624,514	2,741,984	2,765,722	2,762,823	2,722,352
485,682	551,319	539,235	509,568	481,051	464,170
3,681,699	4,003,710	3,902,177	4,102,086	4,105,087	4,317,434
10,187,679	10,796,963	11,187,910	11,526,941	11,461,385	11,619,906
36,531,086	38,407,439	39,176,398	43,130,194	44,955,804	44,737,987
$ 138,678,120	$ 135,854,810	$ 137,747,099	$ 145,848,505	$ 153,097,493	$ 156,605,034
5.5%	5.5%	5.6%	5.6%	5.7%	N/A

Schedule 6
PERSONAL INCOME TAX RATES
Last Ten Calendar Years

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single & Married Filing Separately	Top Income Tax Rate is Applied to Taxable Income in Excess of: Married Filing Jointly & Head of Household	Overall Effective Tax Rate[1]
2004	9.0%	6,500	13,000	5.7%
2005	9.0%	6,650	13,300	5.7%
2006	9.0%	6,850	13,700	5.7%
2007	9.0%	7,150	14,300	5.7%
2008	9.0%	7,300	14,600	5.5%
2009	11.0%[2]	250,000	500,000	5.5%
2010	11.0%	250,000	500,000	5.6%
2011	11.0%	250,000	500,000	5.6%
2012	9.9%	125,000	250,000	5.7%
2013	9.9%	125,000	250,000	N/A

[1] The overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). The overall effective tax rate for 2013 will not be available until May 2015.

[2] The increases in the top tax rate and applicable taxable income level beginning in 2009 are the result of passage of Oregon Measure 66 in January 2010. For tax year beginning 2012, the tax rate on households with income above $250,000 (above $125,000 for single filers) drops to 9.9 percent.

Source: Oregon Department of Revenue

Schedule 7
PERSONAL INCOME TAX FILERS AND TAX LIABILITY BY INCOME LEVEL
Calendar Years 2003 and 2012
(Dollars In Thousands)

2003

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	4,503	0.28%	$ 425,297	11.06%
$100,001–$500,000	111,677	6.93%	1,192,585	31.01%
$80,001–$100,000	82,037	5.09%	428,695	11.15%
$60,001–$80,000	148,126	9.19%	556,674	14.48%
$40,001–$60,000	241,321	14.97%	595,448	15.48%
$20,001–$40,000	389,707	24.18%	493,240	12.83%
$10,001–$20,000	281,176	17.44%	123,290	3.21%
$10,000 and lower	353,238	21.92%	29,929	0.78%
Total	1,611,785	100.00%	$ 3,845,158	100.00%

2012

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	9,275	0.50%	$ 1,002,599	17.52%
$100,001–$500,000	224,292	12.15%	2,349,434	41.05%
$80,001–$100,000	119,868	6.49%	565,450	9.88%
$60,001–$80,000	176,040	9.54%	605,372	10.58%
$40,001–$60,000	253,271	13.72%	584,287	10.21%
$20,001–$40,000	410,593	22.24%	477,459	8.34%
$10,001–$20,000	287,486	15.57%	113,772	1.99%
$10,000 and lower	365,432	19.79%	24,657	0.43%
Total	1,846,257	100.00%	$ 5,723,030	100.00%

Source: Oregon Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Tax year 2012 is the most current year available.

Schedule 8
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

	2005	2006	2007	2008
Governmental Activities				
General Obligation Bonds	$ 2,336,014	$ 2,321,899	$ 2,334,620	$ 2,325,539
Revenue Bonds	1,093,936	1,458,648	2,098,181	2,040,137
Certificates of Participation	895,231	1,090,086	1,090,193	1,081,694
General Appropriation Bonds	440,372	413,026	383,655	351,958
Capital Leases	3,954	3,464	2,949	2,480
Business-type Activities				
General Obligation Bonds	2,009,091	1,991,627	2,065,472	2,271,016
Revenue Bonds	1,783,305	1,694,009	1,672,267	1,761,874
Certificates of Participation	20,633	22,916	31,589	31,320
Capital Leases	711	490	335	164
Total Primary Government	$ 8,583,247	$ 8,996,165	$ 9,679,261	$ 9,866,182
Percentage of Personal Income[1]	7.30%	7.07%	7.26%	7.11%
Per Capita[1]	$ 2.38	$ 2.45	$ 2.60	$ 2.62

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Note: Details regarding the State's debt can be found in Notes 9 and 10 of the financial statements. Amounts of outstanding debt for bonds and certificates of participation represent the outstanding principal, net of discounts, premiums, and other adjustments.

Schedule 8 (continued)
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands)

2009	2010	2011	2012	2013	2014
$ 2,361,621	$ 2,333,486	$ 2,656,983	$ 2,977,322	$ 3,144,443	$ 3,193,894
2,770,290	3,326,393	3,344,929	3,234,362	3,170,655	3,509,036
1,283,559	1,496,727	1,295,323	982,314	692,043	620,270
296,002	235,916	171,624	102,779	29,131	-
1,899	13,250	9,638	8,489	2,789	3,027
2,335,703	2,265,774	2,422,682	2,290,038	2,256,660	2,419,832
1,669,920	1,645,617	1,584,235	1,450,979	1,479,103	1,362,942
97,097	120,933	111,319	99,766	85,121	78,057
137	697	615	556	560	69
$ 10,816,228	$ 11,438,793	$ 11,597,348	$ 11,146,605	$ 10,860,505	$ 11,187,127
7.96%	8.30%	7.95%	7.28%	6.93%	6.81%
$ 2.84	$ 2.98	$ 3.00	$ 2.86	$ 2.76	$ 2.82

Schedule 9
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(In Thousands)

Year	General Obligation Bonds	Percentage of Personal Income[1]	Per Capita
2005	$ 4,345,105	3.69%	$ 1.20
2006	4,313,526	3.39%	1.18
2007	4,400,092	3.30%	1.18
2008	4,596,555	3.31%	1.22
2009	4,697,324	3.46%	1.23
2010	4,599,260	3.34%	1.20
2011	5,079,665	3.48%	1.31
2012	5,267,360	3.44%	1.35
2013	5,401,103	3.45%	1.37
2014	5,613,726	3.42%	1.42

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Note: Details regarding the State's debt can be found in Notes 9 and 10 of the financial statements. Amounts of outstanding general bonded debt represent the outstanding principal, net of discounts, premiums, and other adjustments.

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Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2014

	Constitutional/Statutory Provision	Constitutional Debt Limit[1]	Statutory Debt Limit
General Obligation Bonds			
General Purpose	Article XI Section 7	0.00%	$ -
State Highway	Article XI Section 7	1.00%	-
Veterans' Welfare	Article XI-A	8.00%	-
State Power Development	Article XI-D	1.50%	-
Forest Rehabilitation	Article XI-E	0.19%	-
Higher Education	Article XI-F(1) & XI-G	1.50%	-
Pollution Control[2]	Article XI-H/ORS 468.195	0.50%	260,000,000
Water Resources	Article XI-I(1)	1.50%	-
Elderly and Disabled Housing	Article XI-I(2)	0.50%	-
Alternate Energy Projects	Article XI-J	0.50%	-
Oregon School Bond Guarantee	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU)[3]	Article XI-L/ORS 353.556	0.50%	261,495,000
Seismic Rehab-Public Education Buildings	Article XI-M	0.20%	-
Seismic Rehab-Emergency Service Building	Article XI-N	0.20%	-
Pension Obligation	Article XI-O	1.00%	-
General Purpose GO's	Article XI-Q	1.00%	-
Revenue Bonds			
Highway User Tax	ORS 367.620	0.00%	3,240,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000
Oregon State Fair	ORS 565.095	0.00%	10,000,000

[1] Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2013, RMV of $433,473,027,209.

[2] Issuance of Pollution Control bonds is limited by statute to $260 million at any one time.

[3] Bonds issued to finance capital costs of Oregon Health and Science University shall be in an aggregate principal amount that produces net proceeds in an amount that does not exceed $200 million plus the amount of any costs and expenses of issuing the bonds.

Source: Office of the State Treasurer, Debt Management Division, and Oregon Constitution

Note: The legal debt limit for lottery revenue bonds is based on the requirement that unobligated net lottery proceeds be at least 400 percent of the maximum annual debt service on outstanding bonds, including the estimated debt service on proposed new bonds. The debt limit for lottery bonds is not a specific dollar amount; the limit varies based on changes in estimated net lottery proceeds and changes in estimated debt service on proposed new bonds. Therefore, lottery revenue bonds are not included in this schedule.

Schedule 10 (continued)
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2014

Legal Debt Limit	Amount Outstanding	Legal Debt Margin
$ 50,000	$ -	$ 50,000
4,334,730,272	-	4,334,730,272
34,677,842,177	274,003,935	34,403,838,242
6,502,095,408	-	6,502,095,408
812,761,926	-	812,761,926
6,502,095,408	1,860,500,886	4,641,594,522
260,000,000	41,387,811	218,612,189
6,502,095,408	-	6,502,095,408
2,167,365,136	112,511,930	2,054,853,206
2,167,365,136	-	2,167,365,136
2,167,365,136	-	2,167,365,136
261,495,000	131,949,824	129,545,176
866,946,054	17,717,741	849,228,313
866,946,054	10,331,863	856,614,191
4,334,730,272	1,894,195,000	2,440,535,272
4,334,730,272	1,271,127,554	3,063,602,718
$ 76,758,613,659	$ 5,613,726,544	$ 71,144,887,115

$ 3,240,000,000	$ 3,142,769,722	$ 97,230,278
2,500,000,000	1,099,546,132	1,400,453,868
10,000,000	-	10,000,000
$ 5,750,000,000	$ 4,242,315,854	$ 1,507,684,146

Schedule 11
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

	2005	2006	2007	2008
General Obligation Bonds				
Debt limit	$ 56,691,300	$ 60,648,799	$ 72,505,925	$ 83,591,921
Total debt applicable to limit	4,345,105	4,313,526	4,400,092	4,596,555
Legal debt margin	$ 52,346,195	$ 56,335,273	$ 68,105,833	$ 78,995,366
Total debt applicable to the limit as a percentage of debt limit	7.66%	7.11%	6.07%	5.50%
Revenue Bonds				
Debt limit	$ 4,838,000	$ 4,938,000	$ 4,938,000	$ 5,110,000
Total debt applicable to limit	2,326,329	2,472,294	3,051,456	3,086,639
Legal debt margin	$ 2,511,671	$ 2,465,706	$ 1,886,544	$ 2,023,361
Total debt applicable to the limit as a percentage of debt limit	48.08%	50.07%	61.80%	60.40%

Source: Office of the State Treasurer, Debt Management Division, and state agencies' disclosures.

Note: Amounts of outstanding debt applicable to the debt limit represent the outstanding principal, net of discounts, premiums and other adjustments.

Schedule 11 (continued)
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

2009	2010	2011	2012	2013	2014
$ 87,606,697	$ 83,182,525	$ 81,105,231	$ 76,868,469	$ 74,668,862	$ 76,758,613
4,697,324	4,599,259	5,079,665	5,267,360	5,401,103	5,613,726
$ 82,909,373	$ 78,583,266	$ 76,025,566	$ 71,601,109	$ 69,267,759	$ 71,144,887
5.36%	5.53%	6.26%	6.85%	7.23%	7.31%
$ 5,950,000	$ 5,950,000	$ 5,950,000	$ 5,950,000	$ 5,750,000	$ 5,750,000
3,728,117	4,229,615	4,196,478	4,048,627	3,958,765	4,242,316
$ 2,221,883	$ 1,720,385	$ 1,753,522	$ 1,901,373	$ 1,791,235	$ 1,507,684
62.66%	71.09%	70.53%	68.04%	68.85%	73.78%

Schedule 12
PLEDGED REVENUES
Last Ten Fiscal Years
(In Thousands)

Lottery Revenue Bonds

					Debt Service Requirements			
Year	Revenues	Expenses	Interest Earnings on GICs[1]	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2005	$ 944,466	$ 511,528	$ 3,404	$ 436,342	$ 44,715	$ 26,769	$ 71,484	6.10
2006	1,092,446	533,895	3,536	562,087	47,670	27,159	74,829	7.51
2007	1,219,556	577,103	3,536	645,989	48,970	25,984	74,954	8.62
2008	1,262,601	583,829	3,533	682,305	56,795	33,714	90,509	7.54
2009	1,111,945	543,662	3,257	571,540	65,985	32,380	98,365	5.81
2010	1,033,880	517,196	3,156	519,840	73,051	51,802	124,853	4.16
2011	1,039,710	514,350	3,156	528,516	75,850	51,601	127,451	4.15
2012	1,068,050	539,942	3,123	531,231	77,635	57,150	134,785	3.94
2013	1,065,255	495,524	3,013	572,744	74,525	54,088	128,613	4.45
2014	1,058,749	500,390	2,739	561,098	72,310	54,310	126,620	4.43

[1] In accordance with the bond indenture, interest earnings on Guaranteed Investment Contracts (GICs) have been included.

Source: Oregon State Lottery financial statements and the Oregon Department of Administrative Services, Chief Financial Office.

Lottery Bonds are secured by future unobligated net lottery proceeds. For additional information, see Note 12.

Highway User Tax Revenue Bonds

		Debt Service Requirements			
Year	Pledged Revenue	Principal	Interest	Total	Coverage
2005	$ 500,399	$ 17,805	$ 23,494	$ 41,299	12.12
2006	487,582	14,040	26,649	40,689	11.98
2007	502,431	14,290	42,723	57,013	8.81
2008	487,125	34,405	60,155	94,560	5.15
2009	447,288	34,365	58,287	92,652	4.83
2010	501,808	41,805	70,020	111,825	4.49
2011	593,995	47,720	103,837	151,557	3.92
2012	566,923	52,070	98,173	150,243	3.77
2013	555,971	56,705	91,187	147,892	3.76
2014	578,008	58,340	100,325	158,665	3.64

Source: Highway User Tax Bond official statements and the Oregon Department of Transportation.

Highway User Tax Revenue Bonds are secured by a pledge of motor fuels, weight-mile, and vehicle registration taxes.

Note: The State also issues revenue bonds that are primarily paid using loan repayments. Schedules for these bonds are not presented because an association of net revenues with debt service requirements is not meaningful.

Schedule 13
DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Calendar Years

Year	Population	Personal Income[1]	Per Capita Personal Income	Unemployment Rate
2005	3,613,202	117,659,195	32,564	6.2%
2006	3,670,883	127,254,206	34,666	5.3%
2007	3,722,417	133,331,353	35,818	5.2%
2008	3,768,748	138,678,120	36,797	6.5%
2009	3,808,600	135,854,810	35,671	11.1%
2010	3,837,208	137,747,099	35,898	10.8%
2011	3,867,937	145,848,505	37,707	9.7%
2012	3,899,801	153,097,493	39,258	8.6%
2013	3,930,065	156,605,034	39,848	7.7%
2014	3,964,750	164,300,000	41,440	7.0%

[1] Personal income presented in thousands.

Source: Population and personal income figures for 2005 through 2013 were supplied by the US Department of Commerce, Bureau of Economic Analysis. The unemployment rates for all years are annual averages and were provided by the Oregon Employment Department.

Population and personal income estimates for 2014 were provided by the Oregon Office of Economic Analysis.

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2013 and Nine Years Prior

	2004		2013	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	68,075	3.18%	66,978	2.96%
Forestry, fishing, and related activities	29,225	1.37%	31,775	1.40%
Mining	3,351	0.16%	6,455	0.28%
Utilities	5,471	0.26%	4,781	0.21%
Construction	120,966	5.66%	108,701	4.80%
Manufacturing	210,362	9.84%	191,160	8.44%
Wholesale trade	82,817	3.87%	79,477	3.51%
Retail trade	236,062	11.04%	237,603	10.49%
Transportation and warehousing	63,917	2.99%	65,350	2.88%
Information	39,187	1.83%	40,721	1.80%
Finance and insurance	81,438	3.81%	95,051	4.20%
Real estate, rental, and leasing	81,685	3.82%	98,885	4.37%
Professional and technical services	117,746	5.50%	141,848	6.26%
Management of companies	27,023	1.26%	39,075	1.72%
Administrative and waste services	115,065	5.38%	120,023	5.30%
Educational services	45,407	2.12%	54,969	2.43%
Health care and social assistance	220,363	10.30%	262,456	11.59%
Arts, entertainment, and recreation	45,322	2.12%	56,285	2.48%
Accommodation and food services	146,368	6.84%	167,525	7.40%
Other services	117,285	5.48%	119,212	5.26%
Federal government, civilian	30,344	1.42%	27,606	1.22%
Military	12,919	0.60%	12,151	0.54%
State government	66,471	3.11%	62,165	2.74%
Local government	172,019	8.04%	174,753	7.72%
Total employment	2,138,888	100.00%	2,265,005	100.00%

Source: US Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

Schedule 15
GOVERNMENT EMPLOYEES
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Education	12,691	12,411	12,411	13,117	13,117	13,394	13,394	13,485	13,485	624
Human Services	9,281	9,200	9,200	9,753	9,753	11,145	11,145	11,478	11,379	11,694
Public Safety	7,810	8,187	8,187	9,021	9,021	9,069	9,069	8,562	8,532	8,615
Economic and Community Services	1,846	1,753	1,753	1,650	1,650	1,991	1,991	2,358	1,910	1,651
Natural Resources	4,163	4,272	4,272	4,367	4,367	4,332	4,332	4,304	4,288	4,338
Transportation	4,602	4,579	4,579	4,535	4,535	4,554	4,554	4,532	4,533	4,480
Consumer and Business Services	1,559	1,550	1,550	1,593	1,593	1,592	1,592	1,454	1,446	1,421
Administration	2,817	2,879	2,879	2,958	2,958	2,882	2,882	2,809	2,785	2,827
Legislative Branch	394	393	393	404	404	381	381	427	427	429
Judicial Branch	1,896	1,907	1,907	1,975	1,975	1,766	1,766	1,818	1,829	1,840
Total FTE Positions	47,059	47,131	47,131	49,373	49,373	51,106	51,106	51,227	50,614	37,919

Source: Department of Administrative Services, Chief Financial Office.

Note: The number of full time equivalent (FTE) positions is established in the legislatively adopted biennial budget. A distinction between governmental and business-type activities is not available.

In 2014, OUS was legislatively approved to act as a private entity and will no longer be included in the Education FTE figure.

Schedule 16
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2005	2006	2007
Governmental Activities			
Education			
Number of PreK-12 students	552,320	559,215	562,828
Number of FTE community college students	92,054	91,401	91,456
Special education school campuses	2	2	2
Human Services			
Number of individuals eligible for Oregon Health Plan	374,751	381,343	365,940
Average number of basic TANF individuals	42,119	40,527	39,096
Public Safety			
Number of sworn state police officers	582	607	557
Prison inmate population	12,875	13,229	13,497
Number of correctional facilities	13	13	13
Economic and Community Development			
Community development grants provided (in dollars)	11,454,006	17,040,564	9,607,717
Number of technical assistance grants provided	6	8	3
Natural Resources			
Forest acres burned	11,588	11,458	54,104
State park day use visitors (in millions)	40.6	40.1	41.4
Acreage of state parks	101,010	97,340	97,447
Miles of forest roads	3,123	3,155	3,202
Transportation			
Licensed drivers (in millions)	3.0	3.0	3.1
Vehicle miles traveled on state highway system (in billions)	20.7	20.7	20.6
State highway system miles	7,426	7,420	7,416
Number of state owned bridges	2,664	2,676	2,666
Consumer and Business Services			
Number of employers covered by workers' compensation	94,900	96,800	98,700
Historic premiums written for all insurance lines (in billions)	15.0	16.2	17.4
Average bank and credit union assets (in billions)	35.4	46.0	58.7
Construction employment (in thousands)	90.8	100.8	104.2
Administration			
Number of tax returns filed	1,697,166	1,755,568	1,835,095
Percent of returns filed electronically	56.0%	58.0%	62.0%
Uniform rent square footage	1,796,482	1,810,942	1,896,185
Leased office space square footage	3,522,641	3,784,762	4,372,625
Number of motor pool vehicles	3,689	3,814	3,922
Legislative			
Number of bills introduced	2,957	-	2,744
Number of bills becoming law	844	-	909
Length of legislative session (in days)	208	1	171
Capitol building	1	1	1
Judicial			
Cases filed in circuit courts	611,946	602,896	605,753
Number of circuit court judges	169	173	173

Sources: Various state agencies

Note: Figures for 2013 and 2014 that are not available until a later date are indicated with N/A.

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2008	2009	2010	2011	2012	2013	2014
566,067	564,064	561,698	561,331	560,951	563,714	567,100
94,587	105,149	121,815	124,988	117,653	117,233	104,339
2	2	1	1	1	1	1
386,662	426,578	495,872	590,406	619,994	672,210	971,104
42,338	48,321	54,994	61,768	70,881	74,313	70,046
646	604	660	773	610	606	606
13,553	13,925	14,021	14,026	14,186	14,578	14,632
14	14	14	14	14	14	14
10,704,034	2,791,056	15,065,341	8,093,200	12,496,300	17,299,550	18,590,649
6	5	4	4	5	6	5
7,860	7,000	6,065	2,272	17,396	103,836	53,018
40.3	40.1	41.2	40.0	40.4	42.1	43.2
97,446	100,379	103,474	105,684	108,613	108,654	108,499
3,225	3,255	3,305	3,377	3,400	3,432	3,456
3.1	3.1	3.0	3.0	3.0	3.1	N/A
19.5	19.8	19.7	19.4	19.4	19.6	N/A
7,415	7,422	7,415	7,403	7,401	7,401	N/A
2,671	2,681	2,693	2,703	2,709	2,717	2,725
98,300	94,800	93,900	99,900	101,400	98,900	N/A
17.9	17.7	17.2	17.5	18.0	19.7	N/A
40.7	42.0	40.5	39.1	44.0	45.0	N/A
94.2	74.1	67.7	68.6	69.9	74.1	N/A
1,805,843	1,768,397	1,791,680	1,824,788	1,846,257	N/A	N/A
63.0%	67.0%	75.0%	79.0%	81.0%	N/A	N/A
1,904,531	1,953,760	1,953,760	1,954,332	1,954,332	1,954,332	1,954,332
4,425,500	4,532,405	4,676,051	5,104,986	4,518,791	4,020,638	4,569,927
3,922	4,247	4,247	4,183	3,993	3,994	3,993
87	2,613	195	3,021	275	2,511	252
54	914	105	732	112	788	126
19	169	25	150	34	156	36
1	1	1	1	1	1	1
610,334	599,605	565,397	552,601	549,803	544,687	536,922
173	173	173	173	173	173	173

(continued on next page)

Schedule 16 (continued from previous page)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2005	2006	2007
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	1,447	1,149	1,195
Number of affordable rental units produced	719	608	522
Veterans' Loan			
Number of outstanding loans	8,013	6,612	5,672
Percent of delinquent loans	0.21%	0.32%	0.25%
Lottery Operations			
Number of retailers	3,484	3,579	3,691
Number of video terminals	10,438	11,125	11,831
Unemployment Compensation			
Number of claims paid	2,209,165	1,923,182	2,050,678
Amount of claims paid (in millions)	558.0	503.4	569.4
University System			
Total headcount enrollment	76,141	76,595	76,339
Degrees awarded	16,694	16,979	17,116
Number of university campuses	7	7	7
State Hospital System			
Number of mental health patient days served	304,731	284,265	282,993
Number of state owned hospital beds	834	781	790
Liquor Control			
Number of state retail outlets	241	243	241
Number of cases sold	2,108,035	2,295,797	2,431,531
Other Business-type Activities			
Number of residents in Oregon Veterans' Home	132	135	140
Number of state owned parking spaces	4,507	4,507	4,656

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2008	2009	2010	2011	2012	2013	2014
1,850	836	171	383	520	360	394
1,003	421	-	144	239	-	94
4,883	4,069	3,404	2,850	2,408	2,050	1,934
0.10%	0.47%	0.73%	1.54%	1.45%	1.61%	1.45%
3,785	3,855	3,916	3,901	3,907	3,848	3,843
12,205	12,365	12,344	12,202	12,175	12,037	11,951
3,275,097	8,422,488	8,762,507	6,764,818	5,035,594	3,552,320	N/A
954.9	2,688.4	2,704.1	1,953.0	1,489.8	1,067.4	N/A
77,778	82,868	87,968	91,345	92,925	93,657	94,129
16,897	16,944	17,920	18,694	20,209	20,830	21,359
7	7	7	7	7	7	7
284,640	268,052	247,104	232,892	226,104	231,355	222,776
788	756	709	719	771	685	727
242	240	243	247	249	248	248
2,551,732	2,572,865	2,573,935	2,676,106	2,791,591	2,911,100	2,955,352
140	138	144	140	140	144	140
4,665	4,568	4,545	4,544	4,484	4,742	4,605

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