

Oregon

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2019

Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



Kate Brown
Governor

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2019

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Introductory Section



Oregon

Kate Brown, Governor

Department of Administrative Services

Chief Financial Office
155 Cottage Street NE U10
Salem, OR 97301

December 20, 2019

To the Honorable Governor Kate Brown, 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, 2019. 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, 2019. 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 2019 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, 2020.

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 84 state agencies. In addition to the primary government, 11 entities are reported as discretely presented component units to emphasize that they are legally separate from the State. Refer to 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 Fund, Federal Funds, Lottery Funds, and Other Funds. Refer to the notes to the required supplementary information for additional information about the budget process and budgetary monitoring.

Local Economy

Oregon continues to see healthy rates of growth when it comes to employment, income, and GDP. However the State is no longer significantly outpacing the nation like it was a couple years ago. While the big picture remains the same, recent Oregon data is somewhat of a mixed bag. As expected, statewide employment continues to transition down to more sustainable rates, however it has come in below forecast so far in 2019. On the other hand, personal income growth is outstripping expectations, which feeds more directly into stronger consumer spending and higher public sector tax collections. Much like the U.S., the local economy is growing roughly at its potential. The slowdown in jobs means Oregon is adding approximately two thousand jobs per month in 2019 when underlying demographics suggest the State needs only around 19 hundred or so to hold the unemployment rate steady. For uncharted waters and the eleventh year of the expansion, growth remains solid. The question is whether or not there is information to be learned by the composition of the slowdown and possible underlying factors.

As the business cycle matures and job growth slows, in-migration tapers as well. Oregon's population is increasing, but at a slower pace than in years past. The influx of new, working-age residents is smaller this year than last and will be even smaller in the years ahead. Preliminary population estimates for 2019 indicate that in-migration may have slowed a bit more than expected, indicating labor supply increased less than expected as well. While annual estimates are difficult, we know one year from now the official 2020 Census population estimates will be available, providing the State a solid anchoring point for demographic research and forecast. In addition to the inflows into the workforce being smaller, it looks like the outflows into retirement are larger in 2019 than expected. Retirements appear to have spiked. The household survey indicates retirements are running about seven thousand higher than what would be expected based upon demographics and the aging population alone. To put the seven thousand increase in perspective, that is equivalent to three or four months of employment growth. This means even if firms hired replacements, the higher level of retirements could certainly impact net employment gains across the state.

All told, regardless of known or unknown factors, the slower job growth in Oregon is an issue the State will continue to monitor. For now the expansion remains intact and outlook largely unchanged. One primary reason is the slowing in Oregon to date points more toward an economy running into labor supply constraints than anything more problematic. The two major national drags are improving or at least appear to not be getting worse. And encouragingly, the slowdown is not as apparent in the Oregon income figures which are coming in above expectations. Of course these circumstances could and will change, but for now Oregon is expected to continue to see healthy rates of growth in the year ahead.

While Oregon is transitioning down from peak job growth rates a couple years ago, the tighter labor market is driving higher incomes as Oregonians work more hours and at higher wages. The latest Census data reveals just how strong Oregon's economy is and how these economic gains are reaching all corners and populations of the State. As is always the case, Census data is lagged and backward looking. That said it is important to take stock of socioeconomic conditions and right now the data is highly encouraging.

Coming off such a deep recession, goods-producing industries exhibited stronger growth than in past cycles. While all manufacturing subsectors have seen some growth, they are unlikely to fully regain all of their lost jobs. The good news, certainly in the short-term, is that much of the manufacturing sector has returned to growth in the past year following declines a year or two ago. Given ongoing trade issues, it is a question just how long these gains will last. That said, Oregon manufacturers typically outperform those in other states, in large part due to the local industry make-up. Oregon does not rely upon old auto makers or textile mills. The State's manufacturing industry is comprised of newer technologies like aerospace and semiconductors. Similarly Oregon's food processing industry continues to boom even with layoffs and a closure recently.

All told, each of Oregon's major industries has experienced some growth in recovery, albeit uneven. As the economy continues to recover there will be net winners and net losers when it comes to jobs, income and sales. Business cycles have a way of restructuring the economy.

The economic and revenue outlook is never certain. The State will continue to monitor and recognize the potential impacts of risk factors on the Oregon economy. The fact that there are more worrisome trends or risks at the U.S. level means there should be concerns about the Oregon outlook. Should the U.S. fall into recession, Oregon will too. That said, should the U.S. economy accelerate, Oregon's economy should receive a similar boost as well.

Even as the housing market recovers, new supply has not kept up with demand (both from new households and investor activity). This applies to both the rental and ownership sides of the market. As such, prices have risen considerably and housing (in)affordability is becoming a larger risk to the outlook. Expectations are that new construction will pick up a bit in the next year or three, to match the increase in demand, which will alleviate some price pressures. However to the extent that supply does not match demand, home prices and rents increasing significantly faster than income or wages for the typical household is a major concern. Significantly worse housing affordability may dampen future growth as fewer people can afford to move here, lowering net in-migration and the size of the labor force.

The uncertainty regarding federal fiscal policy remains a risk. Some policies are likely to impact Oregon more than the typical state, while others maybe not as much. The good news for Oregon is that outside of outright land ownership, the federal government has a relatively small physical presence in the State. This means that direct spending reductions are less likely to hurt Oregon. Oregon also is exposed to an above-average share of federal transfer payments to households. Transportation funding is also a major local concern. Overall, the direct impact may be less than in other states but the impact will be felt nevertheless, particularly as our closest neighboring states have large federal and military workforces.

Long-term Financial Planning

Budget for the 2019-21 Biennium

The legislatively adopted budget (LAB) for the 2019-21 biennium is \$85.8 billion total funds, an increase of \$7.8 billion (or 9.9%) from the 2017-19 legislatively approved budget of \$78 billion. The increase between the two biennia is largely due to the authorization to spend \$2.5 billion more in General Fund and \$4.1 billion more in Other Funds in the 2019-21 biennium than was spent in the 2017-19 biennium. The 12.6% increase in General Fund expenditures continues a trend of biennial double-digit percentage increases. The 2019-21 biennial increase of 9.9% represents significant growth in Other Funds Limited due primarily to the approval of \$1.2 billion in revenue from a new commercial activities tax. The healthy increase in General Fund and Other Funds was somewhat offset due to a relatively small increase in total Federal Funds. The eventual 2019-21 approved budget will change from the adopted level, since changes in Other Funds expenditure limitation and receipt of federal funding will likely increase over the course of the biennium. Additionally, if there is a change in the anticipated revenue for the biennium, the Legislature may elect to (in the case of additional revenue) or need to (in the case of revenue shortfalls) make adjustments to the budget.

Lottery game earnings are forecast to grow 3.7% over the 2017-19 biennium level. The broader measure of total Lottery resources, however, which includes the beginning balance and reversions, is forecast to total \$1.5 billion in the 2019-21 biennium, a \$19.5 million (or 1.3%) increase over the 2017-19 biennium level. This represents a continued increase in biennial lottery resources that began in the 2015-17 biennium, following three biennia of declines. Although the Office of Economic Analysis anticipates that lottery resources will continue to grow going forward, it is not forecasting a return to the rapid growth rates that occurred when video lottery games were first added.

The December 2019 economic and revenue forecast projects \$21.2 billion of General Fund gross revenues for the 2019-21 biennium. The projected General Fund ending balance for 2019-21 is \$980.1 million. General Fund resources are forecasted to decrease by 3.4% in the 2019-21 biennium and increase by 15.3% in the 2021-23 biennium. The decrease in General Fund resources in the 2019-21 biennium is due to the payout of a large personal income tax kicker, and is offset by a large beginning balance.

State Bonding

In January 2019, the State Debt Policy Advisory Commission (SDPAC) updated their recommended capacity limits for General Fund and Lottery Funds supported debt based upon the Office of Economic Analysis December 2018 revenue forecast.

The Commission recommended that the Legislature and Governor issue no more than \$1.1 billion in General Fund supported debt for the 2019-21 biennium. This recommendation is based on the SDPAC target debt capacity ratio of no more than 5% annual debt service to General Fund revenues. The SDPAC recommendation also considered that all debt authorized in the 2017 and 2018 sessions would be issued before the end of the 2017-19 biennium. However, there was \$113.1 million of General Fund debt that was not issued in 2017-19, including a \$6 million decrease in 2017-19 bond authorization approved during the 2019 session, which increased the available capacity to \$1.3 billion.

The Legislature approved \$946 million in General Fund debt. The amount authorized includes: \$121.5 million of Article XI-M and Article XI-N bonds for seismic rehabilitation grants to schools and emergency services facilities; \$126.1 million of Article XI-P bonds to fund matching grants to school districts for capital improvements; \$151.6 million of Article XI-Q bonds for the Local Innovation and Fast Track (LIFT) Housing program; \$50.7 million of Article XI-Q bonds for permanent supportive housing that combines affordable housing with support services; \$168.8 million of Article XI-Q bonds to finance the capital costs of state property, including deferred maintenance on state-owned facilities and information technology projects; \$173.4 million of Article XI-Q bonds for Clackamas County, Lane County, and Linn County courthouse replacement projects, Multnomah County Courthouse furnishings and equipment, and renovation of the Supreme Court building; \$78.6 million of Article XI-Q bonds to finance public university facilities capital improvement and renewal and a building and research equipment at the Oregon Manufacturing Innovation Center R&D campus; and \$75.3 million of Article XI-G bonds to finance 11 community college projects.

General Fund debt service for approved projects is estimated to be \$27.4 million in the 2019-21 biennium, rolling up to \$164.4 million in the 2021-23 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% 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 no additional contributions are made once the fund balance reaches a level equal to 7.5% 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 are 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% of lottery earnings, deposited on a quarterly basis. The fund does not retain interest earnings. The fund balance is capped at 5% of General Fund revenues collected in the prior biennium.

The Rainy Day Fund starts the 2019-21 biennium with a cash balance of \$666.6 million. Because the General Fund's ending balance for the 2017-19 biennium was positive, 1% of budgeted appropriations, or \$199.5 million, is expected to be deposited in the Rainy Day Fund in 2020. The deposit relating to the increased corporate taxes from Measure 67 was made in June 2019. We had previously assumed it would occur during the 2019-21 biennium, however statute requires it to occur by the end of the biennium in which the revenues were received. The December 2019 economic and revenue forecast projects the Rainy Day Fund will end the 2019-21 biennium with a cash balance of \$899.4 million.

The Education Stability Fund started the 2019-21 biennium with a cash balance of \$621.1 million. The December 2019 economic and revenue forecast projects the Education Stability Fund will end the current biennium with a cash balance of \$858.7 million, which includes deposits of \$239 million based on the current Lottery forecast.

Major Initiatives

Of the major projects and related efforts included in the 2019-21 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:

- Student Success Act
- Oregon Paid Family Medical Leave Program
- Child Welfare

Student Success Act

The Student Success Act marks a turning point for education in Oregon. The Joint Committee on Student Success held multiple public hearings across the State during 2019, gathering input from a variety of interested parties which resulted in House Bill (HB) 3427. This bill established the Fund for Student Success funded with revenue from a new commercial activities tax which is estimated to raise a net \$1.2 billion for the 2019-21 biennium and \$2.1 billion when fully implemented in the 2021-23 biennium.

The Other Funds resources in the Fund for Student Success for the 2019-21 biennium are allocated first to the State School Fund as follows: (1) to make up the \$423 million in lost General Fund resources due to income tax rate reductions and other tax related changes included in HB 3427; (2) an increase of \$20 million in the High Cost Disabilities Account; and (3) \$200 million for distribution to districts through the school revenue formula. The remaining amount in the Fund for Student Success is allocated to three accounts: (1) at least 50% to the Student Investment Account; (2) at least 20% to the Early Learning Account; and (3) up to 30% to the Statewide Education Initiatives Account. HB 5047 provided the direction and amount on how the funds in each of these three accounts will be specifically used. Funding will generally be available starting in the second year of the biennium.

The Student Investment Account provides \$472.7 million for grants to school districts that must be used for increasing learning time, decreasing class size, offering a well-rounded education, and for student health and safety. The Early Learning Account funds a number of existing and new programs for the 2019-21 biennium including: \$44.4 million for Oregon Pre-Kindergarten; \$37.5 million for Early Intervention/Early Childhood Special Education; \$30.8 million for Preschool Promise; and \$22.3 million for Early Head Start. The Statewide Education Initiatives Account is used to fund several K-12 existing and new programs including: \$133.2 million for High School Success Grants; \$41.6 million for Nutrition Program expansion; and \$24 million for Education Service District technical assistance.

When fully implemented, Oregon will see an additional \$1 billion investment in schools each year. This investment will provide new opportunities for every student in the State, particularly students who have been historically underserved.

Oregon Paid Family Medical Leave Program

A major initiative of the 2019 session was to plan for an efficient and integrated approach for providing employees with protected and paid time off from work to bond with a newborn or newly adopted child, care for a family member who is ill, or recover from a serious illness. Modelled after the state's Unemployment Insurance program, the Oregon Paid Family Medical Leave (PFML) program, will provide eligible employees with compensated time away from work for specified purposes. The funding source is a payroll tax with a rate of up to 1% of gross wages. The Oregon Employment Department is required to specify the rate, which is split between employers (60%) and employees (40%). Employers with fewer than 25 employees are exempt from the program. The tax becomes effective on January 1, 2022, so there is no revenue impact in the 2019-21 biennium. For the 2021-23 biennium, the PFML Insurance Fund is projected to receive \$1.6 million from the payroll tax.

Child Welfare

The Child Welfare program conducts prevention, protection, and regulatory activities to keep children safe and improve their quality of life. Services include responding to reports of child abuse or neglect, providing in-home supports or out-of-home care when necessary, and arranging adoption or guardianship services and supports.

The 2019-21 legislatively adopted budget is \$775.5 million General Fund and \$1.4 billion total funds, which is 29% and 15.1% higher, respectively, than the \$601.1 million General Fund and \$1.2 billion total funds 2017-19 legislatively approved budget. A total of 272 positions (271.50 FTE) are added between biennia to help stabilize the program; the position mix was developed using mandated caseload workload model calculations coupled with a "best practices standard" approach.

Other investments targeted at helping improve program performance and capacity include: \$8.9 million General Fund and 46 permanent positions (38.51 FTE) for the Oregon Child Abuse Hotline; \$3.8 million total funds and 17 positions (17.00 FTE) to develop a data-informed statewide foster family recruitment and retention team; \$3.1 million General Fund (\$7.8 million total funds) will pay for the statewide expansion of a former pilot program, called Keeping Foster and Kin Parents Supported and Trained; and \$2.3 million General Fund (\$3.9 million total funds) and 17.60 FTE to continue the Leveraging Intensive Family Engagement program at its current, limited level in five counties.

A \$50 million General Fund statewide behavioral health investment package has two Child Welfare components. The first is a \$3.5 million General Fund appropriation (\$8.5 million total funds) to pay for therapeutic foster care home recruitment, training, and support. The second appropriates \$4 million General Fund to the Emergency Board to help increase capacity for non-Medicaid in-home services under the Family First Prevention Services Act.

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, 2018. This was the twenty-seventh 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

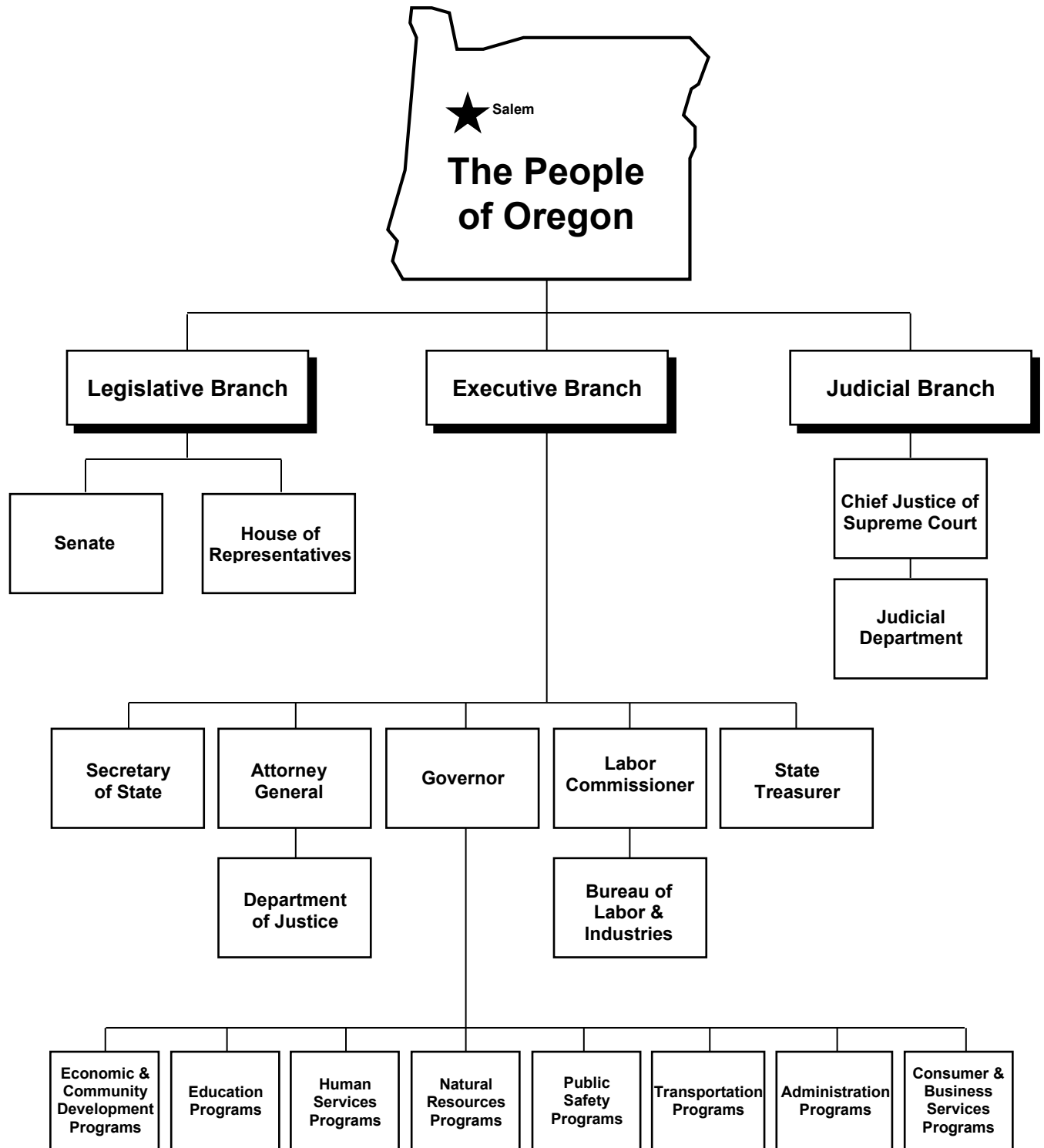
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

STATE OF OREGON ORGANIZATION CHART



Principal State Officials



EXECUTIVE

Kate Brown, Governor

Bev Clarno, Secretary of State

Tobias Read, State Treasurer

Ellen F. Rosenblum, Attorney General

Val Hoyle, Commissioner, Labor and Industries

LEGISLATIVE

Peter Courtney, Senate President

Tina Kotek, Speaker of the House of Representatives

JUDICIAL

Martha L. Walters, Chief Justice of the Supreme Court



Financial Section



Independent Auditor's Report

The Honorable Kate Brown
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, 2019, 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, University of Oregon, Oregon State University, Portland State University, Western Oregon University, and Oregon Health and Science University, which are discretely presented component units. We also did not audit the financial statements of 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:

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Liabilities</u>	<u>Percent of Revenues/ Additions</u>
Governmental Activities	6%	2%	0%
Business Type Activities	1%	0%	3%
Discretely Presented Component Units	97%	97%	96%
Common School – Major Governmental Fund	100%	100%	100%
Aggregate Remaining Funds:			
Public Employees Retirement System	84%	46%	53%

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, 2019, 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.

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 schedules and information, pension plan schedules and information, and other postemployment benefits schedules and information, 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 19, 2019, 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 solely 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 the effectiveness of 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 19, 2019

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, 2019. 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, 2019, the State's net position on a government-wide basis was \$21.1 billion. Of this amount, the unrestricted portion was \$4.7 billion. The amount restricted for specific uses was \$5.2 billion. The State's net investment in capital assets was \$11.1 billion.
- The State's net position increased \$2.3 billion compared to the prior year, indicating the State's overall financial position has improved. Net position for governmental activities increased 14.1%, while net position for business-type activities increased 10%.
- As of June 30, 2019, the State's governmental funds reported combined ending fund balances of \$12.6 billion. Of this total, approximately 0.7% was considered nonspendable and included amounts related to inventories, prepaid amounts, and permanent fund principal.
- Approximately 63.6% 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 \$8 billion.
- The remaining 35.7% 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 \$4.5 billion. Additional information on the classification of governmental fund balances may be found in Notes 1 and 19 in the notes to the financial statements.
- At fiscal year-end, unrestricted fund balance (committed, assigned, and unassigned categories) in the General Fund was \$3.6 billion.
- The net pension liability for the State, as the primary government and excluding discretely presented component units, has increased from \$2.8 billion to \$3.2 billion. The State recognized pension expense of \$692.6 million during the current year. State contributions to this defined benefit plan during the current fiscal year were \$311.7 million.
- The State implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* which requires direct borrowings and direct placements of debt to be disclosed separately from other debt. Prior to the implementation of this standard, direct borrowings and direct placements were reported with general obligation bonds and revenue bonds. Refer to Note 8 for additional information.
- Outstanding debt increased by \$687.5 million during fiscal year 2019. As part of an overall plan to reduce borrowing costs, the State was involved in one debt refunding issuance and refunded \$4.4 million of previously existing debt with \$43.6 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, community colleges and universities, 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 unemployment compensation program are also reported under business-type activities.
- *Component units*. The State includes 11 other entities in its report: SAIF Corporation, University of Oregon, Oregon State University, Portland State University, Oregon Health and Science University, Western Oregon University, Southern Oregon University, Eastern Oregon University, Oregon Institute of Technology, the State Fair Council, 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 32-35 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 19 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 14 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 36-43 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 44-53 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 aggregated investment trust funds, the agency fund, and aggregated data for the State's pension and other employee benefit trust funds. Individual fund data for the separate investment trust funds and each of the pension and other employee benefit trust funds is provided in separate combining statements presented later in this report. The basic fiduciary fund financial statements can be found on pages 54-55 of this report.

Discretely Presented Component Units

The State reports four major discretely presented component units (DPCU) and seven nonmajor DPCUs. Within the basic financial statements on pages 56-61, the major DPCUs, SAIF Corporation, University of Oregon, Oregon State University, and Portland State University are 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 63-173 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 178, 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 two schedules related to the State's pension plan, which is a cost-sharing multiple-employer plan: the Schedule of Proportionate Share of the Net Pension Liability/(Asset) and the Schedule of Defined Benefit Pension Plan Contributions. Lastly, this section includes six schedules as well as accompanying notes related to the three State postemployment benefit plans: the Retiree Health Insurance Account (RHIA), the Retiree Health Insurance Premium Account (RHIPA), and the Public Employees Benefit Board Plan (PEBB).

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 196 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 investment trust funds and 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, 2019, was \$21.1 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 \$11.1 billion. Restricted net position represents resources that are subject to external restrictions on how they may be used. At June 30, 2019, restricted net position totaled \$5.2 billion. The remaining balance of \$4.7 billion was classified as unrestricted net position.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital assets	\$ 14,378.1	\$ 13,904.2	\$ 561.2	\$ 600.2	\$ 14,939.3	\$ 14,504.4
Other assets	16,941.9	14,847.2	8,447.8	7,731.0	25,389.7	22,578.2
Total assets	31,320.0	28,751.4	9,009.1	8,331.2	40,329.0	37,082.6
Total deferred outflows	1,220.2	1,086.6	121.4	101.6	1,341.6	1,188.1
Long-term liabilities	14,823.6	13,721.1	2,029.7	1,899.3	16,853.2	15,620.4
Other liabilities	3,203.6	3,519.2	341.5	399.0	3,545.1	3,918.2
Total liabilities	18,027.1	17,240.3	2,371.2	2,298.3	20,398.3	19,538.6
Total deferred inflows	174.5	28.5	21.5	9.0	196.0	37.5
Net investment in capital assets	10,980.3	9,981.1	547.7	583.9	11,133.1	10,565.0
Restricted	4,882.7	5,054.2	224.8	216.0	5,235.7	5,270.2
Unrestricted	(1,524.4)	(2,466.1)	5,965.3	5,325.5	4,707.5	2,859.4
Total net position	\$ 14,338.6	\$ 12,569.2	\$ 6,737.7	\$ 6,125.5	\$ 21,076.3	\$ 18,694.6

Changes in net position. The State's total net position increased \$2.3 billion compared to the prior year. The net position of governmental activities increased 14.1%, while the net position of business-type activities increased 10%.

The ending net position of governmental activities for fiscal year 2019 was \$14.3 billion compared to \$12.6 billion reported in fiscal year 2018. Expenses increased \$1.6 billion, or 6.2%, while revenues increased \$2.2 billion, or 8.4%.

Both personal and corporate income tax revenues were up in fiscal year 2019. Personal income tax revenues increased \$967.6 million, or 10.9%, and corporate income taxes increased \$106.5 million, or 13.2%, both due to an expanding economy as well as changes in federal tax laws. In addition, other taxes increased by \$420.6 million, or 13.9 %. This is primarily due to increases in healthcare provider taxes, motor fuel and other vehicle taxes, and new statewide transit tax revenue. Healthcare provider taxes increased \$148.1 million, or 22.7%, because of increases in the tax rates and a new Managed Care Organization (MCO) insurance tax. Motor fuel and other vehicle taxes increased \$137.4 million, or 10.7%, due to the passage of House Bill (HB) 2017, a transportation funding package in 2017, which became effective in the later part of fiscal year 2018. A new statewide transit tax also contributed \$75.4 million to the increase in other taxes. Operating grants and contributions increased \$524.4 million, or 4.7%, from fiscal year 2018 primarily due to an increase in human services federal grant revenue of \$359.2 million related to increased Medicaid reimbursements.

Governmental activities expenses increased \$1.6 billion, or 6.2%, from fiscal year 2018. The increase was largely due to a combination of increases in expenses in human services and transportation. Human services expenses increased \$832.2 million, or 6.4%, primarily due to higher eligibility payments related to Medicaid reimbursements through the Coordinated Care Organization and Quality and Access programs. Transportation expenses increased \$227.4 million, or 13.7%, due to an increase in project costs and increased payments to local government entities.

As shown in Table 2, the ending net position of business-type activities for fiscal year 2019 was \$6.7 billion, compared to \$6.1 billion reported in fiscal year 2018. For expenses, which increased by \$12.6 million, this increase was caused primarily by increases in expenses from lottery operations and liquor control operations, and a decrease in expenses in the Standard Retiree Health Insurance Fund. Charges for services increased \$38.9 million, or 1.2%, and operating grants and contributions increased \$49.1 million, or 31.9%. The increase in charges and services is due primarily to a combination of increases in lottery sales and liquor sales, which increased \$44.9 million and \$40 million, respectively, offset by a decrease in assessments revenue of \$34.5 million in the Unemployment Compensation Fund. The increased lottery sales are due to the

increases in revenue from Video LotterySM and traditional Scratch and Draw games. Liquor sales increased due to 17 new stores opening in fiscal year 2019. The decline in assessments revenue in the Unemployment Compensation Fund is due to a reduction of the taxable base rate for Oregon Employers from 2.13% in fiscal year 2018 to 1.94% in fiscal year 2019 because of a growing economy. Increase in operating grants and contributions is due to growth of securities purchased to fund long-term prizes and interest earned on Oregon's Unemployment Trust Fund account at the U.S. Treasury.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,255.7	\$ 2,128.0	\$ 3,358.9	\$ 3,320.0	\$ 5,614.6	\$ 5,448.0
Operating grants and contributions	11,620.6	11,096.2	203.1	154.0	11,823.6	11,250.2
Capital grants and contributions	8.6	18.7	0.2	2.8	8.8	21.5
General revenues:						
Personal income taxes	9,847.1	8,879.6	-	-	9,847.1	8,879.6
Corporate income taxes	910.9	804.5	-	-	910.9	804.5
Other taxes	3,450.6	3,030.0	19.2	18.5	3,469.8	3,048.5
Unrestricted investment earnings	96.0	52.6	-	-	96.0	52.6
Total revenues	28,189.6	26,009.6	3,581.3	3,495.2	31,770.9	29,504.8
Expenses:						
Education	6,418.6	6,272.6	-	-	6,418.6	6,272.6
Human services	13,745.0	12,912.8	-	-	13,745.0	12,912.8
Public safety	1,711.7	1,659.1	-	-	1,711.7	1,659.1
Economic & community development	604.4	527.6	-	-	604.4	527.6
Natural resources	970.4	842.9	-	-	970.4	842.9
Transportation	1,887.7	1,660.4	-	-	1,887.7	1,660.4
Consumer and business services	394.6	298.5	-	-	394.6	298.5
Administration	370.0	387.3	-	-	370.0	387.3
Legislative	59.7	49.4	-	-	59.7	49.4
Judicial	510.1	456.7	-	-	510.1	456.7
Interest on long-term debt	413.5	430.2	-	-	413.5	430.2
Housing and community services	-	-	50.3	42.9	50.3	42.9
Veterans' loan	-	-	19.6	19.2	19.6	19.2
Lottery operations	-	-	637.2	608.5	637.2	608.5
Unemployment compensation	-	-	524.6	521.1	524.6	521.1
State hospitals	-	-	440.4	422.7	440.4	422.7
Liquor control	-	-	498.1	471.8	498.1	471.8
Other business-type activities	-	-	210.0	281.4	210.0	281.4
Total expenses	27,085.7	25,497.5	2,380.2	2,367.5	29,465.9	27,865.0
Increase (decrease) before contributions, special and extraordinary items, and transfers	1,103.9	512.0	1,201.2	1,127.7	2,305.0	1,639.7
Contributions to permanent funds	0.1	0.1	-	-	0.1	0.1
Transfers	598.9	608.5	(598.9)	(608.5)	-	-
Increase (decrease) in net position	1,702.9	1,120.6	602.3	519.2	2,305.1	1,639.8
Net position – beginning	12,569.2	11,528.6	6,125.5	5,589.7	18,694.6	17,118.3
Prior period adjustments	66.5	(13.9)	10.0	24.6	76.5	10.7
Cumulative effect of accounting change	-	(66.1)	-	(8.0)	-	(74.1)
Net position – beginning – as restated	12,635.7	11,448.6	6,135.4	5,606.3	18,771.1	17,054.9
Net position – ending	\$14,338.6	\$12,569.2	\$ 6,737.7	\$ 6,125.5	\$21,076.3	\$18,694.6

Figure 1 below illustrates fiscal year 2019 revenues of the State as a whole, by source. Approximately 37.2% 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 33.9% of total revenues, while charges for services accounted for 17.7%.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2019

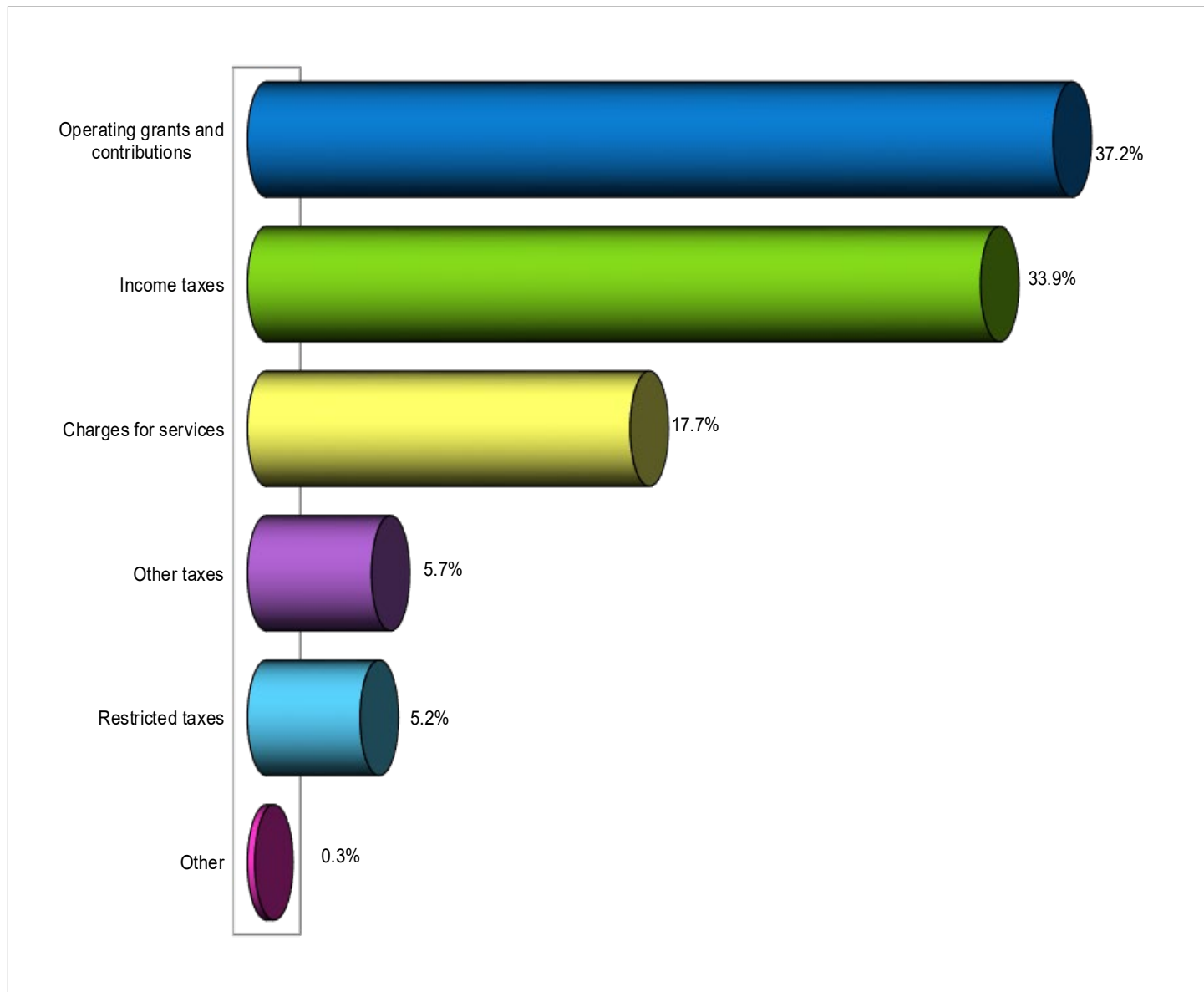
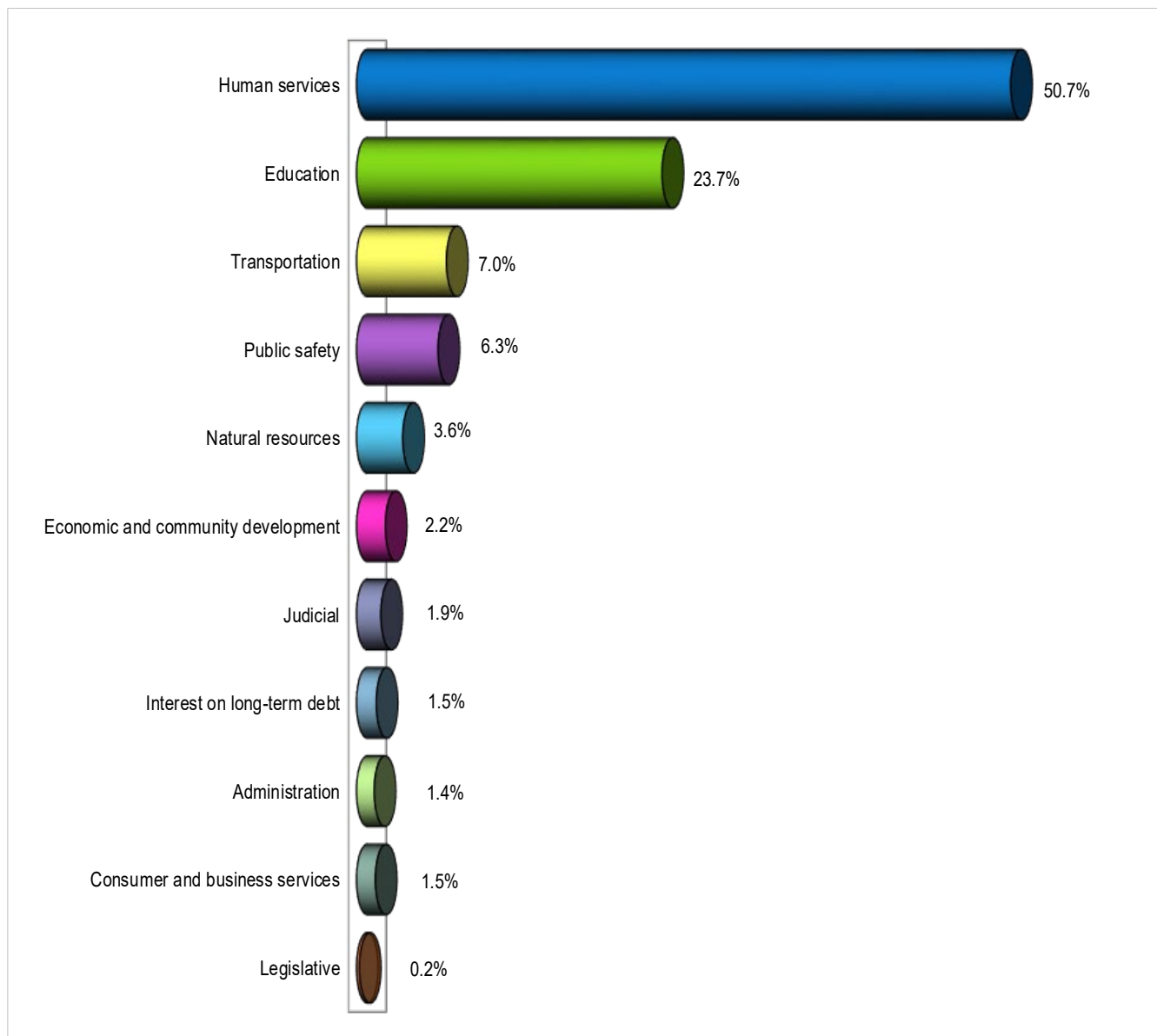


Figure 2 below shows governmental activity expenses for the State as a whole, by function. The cost of providing human services for Oregon citizens in need of assistance comprised 50.7% of total expenses. Elementary and secondary education accounted for 23.7% of the total.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2019



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 2019, the State's governmental funds reported combined ending fund balances of \$12.6 billion, up \$2.1 million compared to the prior year.

Nonspendable fund balances of \$93.5 million, or 0.7%, included amounts that were either not in spendable form or were legally or contractually required to be maintained intact, while restricted fund balances of \$8 billion, or 63.6%, 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 \$1.4 billion comprised 11.3% 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 \$159.8 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 \$2.9 billion represents the residual fund balance applicable to the General Fund.

The General Fund, which is the operating fund of the State, ended fiscal year 2019 with a total fund balance of \$4.6 billion. This represents a \$1.7 billion increase from the prior year's ending fund balance. Total revenues grew by 11.6% and total expenditures decreased by 1.3%. Significant revenue contributions included personal income taxes, which rose \$974.1 million, or 10.9%, and corporate income taxes, which rose \$106.5 million, or 13.2%. The increased revenue from personal income tax and corporate income tax is the result of an expanding economy as well as changes in federal tax laws. A new statewide transit tax contributed \$75.4 million to total revenues. Investment income increased by \$43.4 million, or 82.6%, which was due to interest rates on average being almost a whole percentage point higher coupled with higher balances in the account. Spending for human services decreased \$204.2 million, or 9.4%, primarily because the Health and Social Services Fund accounted for a higher proportion of the Federal Medicaid program expenditures. Natural Resource spending increased \$43.5 million, or 27%, because the General Fund covered additional wildfire costs. As a result of the increase in General Fund revenues, transfers to other funds also increased, by \$363.5 million, or 33%, to provide resources for a variety of state programs.

Due to GASB Statement No. 54, the State reports the Oregon Rainy Day Fund as part of the General Fund. During the current fiscal year, the fund balance increased \$86.3 million to \$666.6 million, attributed mostly to transfers in from other funds. 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 \$780.6 million, or 8.1%, due in large part to increases in federal revenue, healthcare provider taxes, and other revenue. Federal revenue increased by \$359.2 million or 4.5% primarily because of increases in Medicaid reimbursements through the Coordinated Care Organization and Quality and Access programs. Likewise, because of these increases, the related eligibility payments also went up. These payments are reported as Human Resources expenditures, which increased \$1.1 billion, or 11.6%, from fiscal year 2018. In addition, the Health and Social Services Fund accounted for a higher proportion of the federal Medicaid program expenditures instead of the General Fund in fiscal year 2019. Healthcare provider taxes increased \$148.1 million, or 22.7%, because of increases in the tax rates and a new Managed Care Organization (MCO) insurance tax. Other revenue increased \$223.7 million, or 138.6%, primarily due to increased qualified directed payments from Oregon Health and Science University, which are used as leverage for Medicaid expenditures. Transfers from other funds increased by \$69.1 million, or 62.4% primarily due to the transfers from the Consumer Protection Fund of the premium tax on insurers and MCOs, an increased hospital assessment, and rural hospital assessment moneys that are used by the Health and Social Services Fund to fund Medicaid services. Meanwhile, transfers to other funds decreased by \$79.9 million, or 31.7%, from the prior year because of a decrease in distributions of tobacco settlement proceeds, which fluctuate along with the sales of tobacco products.

The Oregon Legislative Assembly passed House Bill (HB) 2017, a transportation funding package in 2017 that raised motor fuel taxes, the weight-mile tax and annual registration fee for motor vehicles, which became effective in the later part of fiscal year 2018. This resulted in an increase in the Public Transportation Fund's total revenues of \$235.7 million, or 11.5%, and an increase of \$137.4 million, or 10.7% in motor fuel and other vehicle taxes revenues. The federal revenue also increased by \$117.6 million, or 21.2%, largely due to receiving more funds for transportation infrastructure projects. A substantial portion of construction projects that benefited local governments were completed in fiscal year 2018, which led to lower billings, and a

decrease of \$25.2 million, or 48.3% in charges for services revenue, compared to fiscal year 2018. The total transportation expenditures also increased by \$169.6 million, or 13.8% due to an increase in salaries from increased hiring for the infrastructure projects and related expenditures. Intergovernmental expenditures increased by \$135.9 million, or 26% largely because a percentage of total revenue is appropriated to local government entities. Proceeds from the issuance of long-term debt increased \$38.6 million during the fiscal year. Transfers from other funds increased by \$99.1 million primarily due to the receipt of the new statewide transit tax payments from the General Fund. Collectively, these were the main causes of the fund's increase in fund balance of \$73.6 million from the prior year.

Ending fund balance of the Educational Support Fund increased \$201.1 million, or 10.9% primarily due to the issuance of general obligation bonds by the Higher Education Coordination Commission and Oregon Department of Education for capital construction and improvements at various public universities, community colleges and school districts. While not all bond proceeds were disbursed in the current year, a sizable amount were, making it one of the primary reasons intergovernmental expenditures increased \$205.5 million, or 33.8%. The other significant driver of the increase in intergovernmental expenditures was an increase in funding to school districts for dropout prevention, career, and college readiness programs as required by Oregon Ballot Measure 98, which voters passed in 2016. Education expenditures increased \$5.3 million, or 8.3%, from the prior year reflecting the awarding of Oregon Opportunity Grant scholarships, which provide for postsecondary education expenses to the lowest income Oregonians. Transfers from other funds increased by \$158.7 million, or 34.1% from the prior year due to the transfer from the General Fund for special education initiatives like the English learners program. Transfers to other funds increased by \$123.2 million, or 46%, because of the transfer of lottery moneys to the General Fund for the disbursement of grants and funding of educational programs operated by local school districts.

The Common School Fund experienced an 9.4% increase in fund balance for fiscal year 2019. Many of the revenues and expenditures were comparable to the prior year with the exception of investment income and transfers to and from other funds. Largely due to fluctuations in the fair value of investments, the Common School Fund investments produced \$101.7 million of income compared to \$128.7 million in the prior year, a decrease of \$27 million. During the current year, the fund received a transfer of \$100 million from the Certificates of Participation Fund to compensate for the loss of timber revenue from Elliot State Forest, representing a shift for the forest from being an economic asset to an environmental purpose. The increase in transfers out from the fund was primarily due to the transfer of \$11.5 million to the General Fund to provide future funding for the unfunded pension liability of Oregon school districts.

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 2019, the Housing and Community Services Fund reported an operating loss of \$2.9 million compared to operating income of \$86 thousand in fiscal year 2018. The decrease is primarily due to interest expense on bonds being \$4.3 million higher than fiscal year 2018. Most of the increase was from interest on mortgage revenue bonds issued in fiscal year 2018 and in fiscal year 2019. Loan interest income increased \$3.9 million, or 10.5%, due to an increase in the total number of loans. Investment earnings increased \$8.2 million from fiscal year 2018 due to the change in fair value of investments. The net effect was a \$9.6 million increase in net position for fiscal year 2019.

The Veterans' Loan Program reported an increase in net position of \$3.6 million, due to revenues exceeding expenses. The primary factors contributing to this change were the \$1.4 million increase in investment income, the \$560 thousand increase in other fees and charges, and a reduction in bond expenses of \$1.1 million.

The net position of the Lottery Operations Fund increased \$7.2 million, or 2.7%, in fiscal year 2019, after profits were committed for contractual obligations and future capital purchases. Operating income increased 2.4%, or \$16.7 million, from the previous year due to improved sales. Product sales increased \$44.9 million with Video LotterySM generating \$32.5 million of the growth. Traditional (Scratch and Draw) game revenue increased 3.2% from the prior year. Operating expenses increased \$28.2 million, or 4.6%. Of that increase, 53.6% is for prizes and retailer commissions which are directly related to increased sales. Salaries and wages rose \$9.8 million primarily due to employer costs related to pension liability increases of \$5.3 million. The remainder of the increase is primarily due to the results of business initiatives to modernize Lottery business

systems as well as expenses of consultants and industry experts for planning and implementation. Investment income increased \$14.7 million over the prior year based on the market growth of securities purchased to fund long-term prizes.

In the Unemployment Compensation Fund, the net position increased by \$537.9 million (12.3%) from the prior year. This increase is primarily due to unemployment assessments and federal revenue continuing to exceed expenses related to unemployment claims, as has been the case in prior years. Due to a growing economy, the taxable base rate for Oregon employers decreased from 2.13% in fiscal year 2018 to 1.94% in fiscal year 2019. This switch to a lower tax schedule led to a \$34.5 million decrease in assessments. The increase in investment income of \$18.2 million (20.4%) is primarily a result of interest earned on Oregon's Unemployment Trust Fund account at the U.S. Treasury. The average account balance increased approximately \$600 million from fiscal year 2018 and the average interest yield increased from 2.24% to 2.35%.

In the fiscal year 2019, the other (nonmajor) proprietary funds recognized a \$34 million increase in operating revenues, primarily sales revenue in the Liquor Control Fund. Operating expenses decreased by \$27.6 million, and operating loss decreased by \$61.6 million. Due to a shift in the minimum premium funding plan, expenses for special payments decreased \$59.7 million in the Standard Retiree Health Insurance Fund, this significantly contributed to the nonmajor proprietary funds reporting an increase in net position over fiscal year 2018.

At the end of fiscal year 2019, approximately 88.5% 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 93% of the fund's net position restricted for debt service.

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 \$1.8 billion. The fund reported a net appreciation in the fair value of investments in the current year of \$3.6 billion, a reduction of \$2.5 billion from the prior year.

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 2017-19 biennium, final estimated revenues for the General Fund increased slightly compared to the original estimate. The General Fund's final budgeted expenditures increased by \$90.9 million, or 0.5%.

For fiscal year 2019, actual General Fund revenues and other financing sources exceeded actual expenditures and other financing uses by \$1.7 billion, leaving an ending budget balance of \$3 billion. Actual revenues for the biennium were 110% of those budgeted, or \$21.1 billion, while actual cash expenditures were 98.1% of those budgeted, or \$19.6 billion. The remaining budget is expected to be used during the six-month lapse period from July 1 to December 31, 2019, to pay for obligations incurred prior to July 1, 2019.

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, 2019 and 2018 is summarized in Table 3. In fiscal year 2019, the State issued general obligation bonds for governmental activities and business-type activities. At the Oregon Higher Education Coordinating Commission and the Oregon Judicial Department, general obligation

bonds were issued to finance various facilities and capital construction related projects. At the Oregon Department of Veterans' Affairs, general obligation bonds were issued to provide housing loans for veterans.

During fiscal year 2019, revenue bonds were issued for governmental activities and business-type activities. At the Oregon Department of Transportation, revenue bonds were issued to finance state and local highway, multi-modal, and light rail projects. At the Oregon Business Development Department, revenue bonds were issued to promote statewide economic development in the form of grants and loans to businesses and municipalities. At the Oregon Housing and Community Services Department, revenue bonds were issued to provide loans for first-time home buyers and affordable multi-family housing projects.

During fiscal year 2019, certificates of participation were issued for governmental activities to decouple the Elliott State Forest from the Common School Fund so as to compensate the Fund for preservation of noneconomic benefits through the Oregon Department of Forestry.

With the implementation of *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, direct borrowings and direct placements are now disclosed separately from other debt. In addition, contracts, mortgages, and notes payable are now reported as debt since the balances meet the standard's definition of debt.

The State was involved in one debt refunding issuance in fiscal year 2019 and refunded \$4.4 million of previously existing debt with \$43.6 million of new debt. Additional information on the State's long-term debt may be found in Note 8 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2019 and 2018
(In Millions)

	2019	2018	2019 Over (Under) 2018	
			Amount	Percent
General obligation bonds	\$ 6,969.0	\$ 6,551.9	\$ 417.1	6.4%
Revenue bonds	4,548.8	4,870.3	(321.5)	-6.6%
Certificates of participation	315.7	246.6	69.1	28.0%
Direct borrowings and placements	438.4	-	438.4	N/A
Contracts, mortgages, and notes payable	447.1	362.7	84.4	23.3%
Total	\$ 12,719.0	\$ 12,031.5	\$ 687.5	5.7%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2019, was \$14.9 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 2019 increased \$434.8 million, or 3%.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,992.6	\$ 1,977.0	\$ 9.3	\$ 9.4	\$ 2,001.9	\$ 1,986.4
Buildings, property, and equipment	2,235.6	2,149.8	545.7	581.2	2,781.3	2,731.0
Construction in progress	964.9	816.0	2.9	6.0	967.8	822.0
Infrastructure	9,182.8	8,959.8	2.7	2.8	9,185.5	8,962.6
Works of art and other nondepreciable assets	2.2	1.7	0.8	0.8	3.0	2.5
Total	\$ 14,378.1	\$ 13,904.2	\$ 561.2	\$ 600.2	\$ 14,939.3	\$ 14,504.5

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

- The State's outstanding construction commitments related to road and bridge construction totaled \$867.6 million at June 30, 2019.
- The Department of Justice added \$103 million to construction in progress for the internal development of software. The Origin Project will replace the current Child Support Enforcement Application System. Once complete, the new system will provide automation, secure communication, and improved production, accuracy, and effectiveness in the Child Support Program.
- During fiscal year 2019, the Department of Human Services added \$74.4 million to construction in progress for the internal development of the Integrated Eligibility software project. Once complete, applicants will fill out a single application for Medicaid, Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Employment Related Day Care (ERDC) eligibility.

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 October 2019 was 4.1% compared to 4.2% in October 2018. The U.S. unemployment rate for October 2019 was 3.6% compared to 3.8% in October 2018. Since reaching a high point of 11.9% in May 2009, Oregon's unemployment rate has slowly declined over the past 10 and a half years.

As expected, statewide employment continues to transition down to more sustainable rates, however it has come in below forecast so far in 2019. On the other hand, personal income growth is outstripping expectations, which feeds more directly into stronger consumer spending and higher public sector tax collections.

Much like the U.S., the local economy is growing roughly at its potential. The slowdown in jobs means Oregon is adding approximately two thousand per month so far in 2019 when underlying demographics suggest the state needs around 1,900 jobs to hold the unemployment rate steady.

As the 2019-21 biennium has begun, all major types of Oregon's General Fund tax collections continue to outstrip gains in the underlying economy. The largest part of Oregon's General Fund, personal income tax collections, surged during the peak tax season and continued to post strong gains as extension filers submitted their tax returns in the fall. Both income tax payments net of refunds, as well as withholdings out of paychecks, have been posting growth rates above what economic gains would call for. Corporate tax collections have slowed a bit in recent months, but remain elevated above their typical size as well.

Strong household income gains represent the most encouraging aspect of Oregon's economic expansion. Oregon's average wage, while lower than the nation's, is at its highest relative point since the mills closed in the 1980s.

Expectations are that Oregon's economy will continue to fare well relative to the rest of the country in the coming years. The State's Real Gross State Product is projected to be the twenty-second fastest among all states across the country in terms of growth with gains averaging 1.8% from 2019 through 2024. Total employment is expected to be the twelfth strongest among all states at an annualized 0.7%, while manufacturing employment will be the second fastest in the country at 0.5%. Total personal income growth is expected to be 4.5% per year, the fifteenth fastest among all states, according to IHS Economics.

The December 2019 forecast for General Fund revenues for the 2019-21 biennium is \$21.2 billion. This figure is \$149 million more than the amount forecasted at the close of the 2019 legislative session. The projected General Fund ending balance for the 2019-21 biennium is \$980 million. The latest revenue forecast projects increases in General Fund revenues for the next two biennia, up 15.3% to \$24.4 billion in 2021-23 and up an additional 9% to \$26.6 billion in 2023-25.

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Basic Financial Statements

State of Oregon

Statement of Net Position
June 30, 2019
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,056,894	\$ 5,619,576	\$ 12,676,470	\$ 733,836
Cash and Cash Equivalents - Restricted	1,024,197	14,356	1,038,552	169,391
Investments	1,221,052	33,300	1,254,352	4,793,176
Investments - Restricted	199,793	69,953	269,746	-
Securities Lending Collateral	283,743	53,572	337,315	171,680
Accounts and Interest Receivable (net)	897,707	330,489	1,228,196	1,138,165
Taxes Receivable (net)	1,130,987	-	1,130,987	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	524,578
Internal Balances	201,260	(201,260)	-	-
Due from Component Units	101,949	6,276	108,225	-
Due from Other Governments	1,668	5,919	7,587	8,082
Due from Primary Government	-	-	-	118,636
Inventories	75,872	44,922	120,794	63,930
Prepaid Items	10,739	3,056	13,795	83,215
Loans Receivable (net)	49,520	71,477	120,997	-
Foreclosed and Deeded Property	5,851	1,017	6,868	-
Other Assets	1,911	-	1,911	-
Total Current Assets	12,263,142	6,052,652	18,315,794	7,804,689
Noncurrent Assets:				
Cash and Cash Equivalents	-	125,390	125,390	3,894
Cash and Cash Equivalents - Restricted	1,093,994	97,690	1,191,684	166,631
Investments	153,041	113,452	266,493	3,763,231
Investments - Restricted	647,922	207,645	855,567	830,575
Custodial Assets	52,767	-	52,767	-
Taxes Receivable (net)	466,099	-	466,099	-
Advances to Component Units	1,057,679	85,054	1,142,733	-
Advances to Primary Government	-	-	-	2,312
Net Contracts, Notes, and Other Receivables	508,595	53,437	562,032	120,930
Loans Receivable (net)	675,516	1,710,079	2,385,595	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	424,065
Net OPEB Asset	23,111	2,430	25,541	11,387
Other Assets	-	-	-	18,082
Capital Assets:				
Land	1,992,634	9,291	2,001,925	332,583
Buildings, Property, and Equipment	4,296,895	860,644	5,157,539	9,684,168
Construction in Progress	964,899	2,859	967,758	599,135
Infrastructure	15,084,906	3,661	15,088,567	172,822
Works of Art and Other Nondepreciable Assets	2,159	789	2,948	87,078
Less Accumulated Depreciation and Amortization	(7,963,427)	(316,021)	(8,279,449)	(4,567,839)
Total Noncurrent Assets	19,056,790	2,956,399	22,013,189	11,649,054
Total Assets	31,319,932	9,009,051	40,328,984	19,453,742
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	-	5,519	5,519	7,768
Goodwill	-	-	-	523
Loss on Refunding	72,357	4,180	76,537	22,306
Asset Retirement Obligation	-	-	-	15,922
Related to Pensions	1,125,193	109,199	1,234,391	529,355
Related to OPEB	22,673	2,477	25,150	11,634
Total Deferred Outflows of Resources	1,220,223	121,375	1,341,598	587,508

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

State of Oregon

Statement of Net Position
June 30, 2019
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,355,096	129,398	1,484,495	720,551
Obligations Under Securities Lending	283,743	53,572	337,315	171,710
Obligations Under Life Income Agreements	-	-	-	79,034
Due to Component Units	117,854	1,105	118,959	-
Due to Other Governments	289,429	5,062	294,492	21,562
Due to Primary Government	-	-	-	108,384
Unearned Revenue	32,848	1,949	34,798	524,841
Compensated Absences Payable	157,039	14,776	171,815	135,982
Reserve for Loss and Loss Adjustment Expense	-	-	-	300,713
Claims and Judgments Payable	120,992	865	121,857	33,221
Lottery Prize Awards Payable	-	32,925	32,925	-
Custodial Liabilities	141,422	24,909	166,331	67,085
Contracts, Mortgages, and Notes Payable	149,640	4,703	154,343	39,856
Bonds/COPs Payable	539,385	71,335	610,720	24,554
Obligations Under Capital Lease	1,409	929	2,338	5,164
Pollution Remediation Obligation	14,723	-	14,723	-
Asset Retirement Obligation	-	-	-	565
Total Current Liabilities	3,203,580	341,529	3,545,109	2,233,222
Noncurrent Liabilities:				
Unearned Revenue	-	-	-	1,753
Obligations Under Life Income Agreements	-	-	-	25,349
Compensated Absences Payable	81,110	7,484	88,595	10,447
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,237,900
Claims and Judgments Payable	997,310	-	997,310	39,682
Lottery Prize Awards Payable	-	114,263	114,263	-
Arbitrage Rebate Payable	153	9,638	9,791	-
Custodial Liabilities	299,997	5,435	305,432	2,797
Contracts, Mortgages, and Notes Payable	258,938	32,705	291,643	135,090
Advances from Component Units	2,312	-	2,312	-
Bonds/COPs Payable	10,105,789	1,555,317	11,661,106	1,440,990
Obligations Under Capital Lease	1,732	3,719	5,451	48,364
Net Pension Liability	2,912,408	281,055	3,193,464	1,436,144
Advances from Primary Government	-	-	-	1,142,733
Pollution Remediation Obligation	32,274	-	32,274	-
Asset Retirement Obligation	-	-	-	18,550
Net OPEB Liability	24,635	2,591	27,226	8,004
Total OPEB Liability	106,905	11,930	118,835	64,717
Derivative Instrument Liabilities	-	5,519	5,519	13,871
Total Noncurrent Liabilities	14,823,563	2,029,657	16,853,220	6,626,389
Total Liabilities	18,027,143	2,371,186	20,398,329	8,859,613
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	-	-	-	643
Gain on Refunding	564	-	564	1,834
Life income agreements and pending funds	-	-	-	120,137
Loan Origination	-	4,597	4,597	-
Related to Pensions	163,440	15,797	179,237	154,860
Related to OPEB	10,458	1,111	11,568	7,003
Total Deferred Inflows of Resources	174,462	21,505	195,967	284,477
NET POSITION				
Net Investment in Capital Assets	10,980,266	547,653	11,133,063	3,706,081
Restricted-Nonexpendable	15,408	-	15,408	2,004,747
Restricted for:				
Health and Social Services Programs	91,463	-	216,648	-
Transportation Programs	665,228	-	665,228	-
Natural Resource Programs	844,283	48	844,330	-
Education	1,784,441	-	1,784,441	1,763,555
Community Protection	69,139	-	69,139	-
Consumer Protection	85,896	-	88,678	-
Employment Services	280,256	-	280,256	-
Workers' Compensation	-	-	-	1,884,243
Residential Assistance	95,058	2,059	97,116	-
Debt Service	607	220,241	221,065	4,924
Capital Projects	32,897	-	32,897	116,592
OPEB	23,111	2,430	25,541	11,387
Other Purposes	894,940	-	894,960	-
Unrestricted	(1,524,443)	5,965,305	4,707,517	1,405,631
Total Net Position	\$ 14,338,550	\$ 6,737,736	\$ 21,076,286	\$ 10,897,159

State of Oregon

Statement of Activities
For the Year Ended June 30, 2019
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Education	\$ 6,418,578	\$ 25,583	\$ 791,596	\$ 29	\$ (5,601,370)
Human Services	13,745,007	1,002,665	9,148,596	-	(3,593,746)
Public Safety	1,711,657	77,101	188,327	6,657	(1,439,572)
Economic and Community Development	604,380	100,536	239,200	-	(264,645)
Natural Resources	970,404	419,569	331,352	660	(218,823)
Transportation	1,887,748	153,641	688,486	1,292	(1,044,329)
Consumer and Business Services	394,611	162,871	78,047	-	(153,694)
Administration	370,025	171,960	150,307	-	(47,758)
Legislative	59,681	1,355	501	-	(57,825)
Judicial	510,105	140,372	4,153	-	(365,581)
Interest on Long-term Debt	413,532	-	-	-	(413,532)
Total Governmental Activities	27,085,729	2,255,652	11,620,564	8,639	(13,200,874)
Business-type Activities:					
Housing and Community Services	50,329	48,184	11,847	-	9,701
Veterans' Loan	19,604	18,741	4,400	183	3,720
Lottery Operations	637,164	1,347,465	20,482	-	730,784
Unemployment Compensation	524,641	928,641	133,000	-	537,001
State Hospitals	440,355	131,367	-	-	(308,988)
Liquor Control	498,114	674,421	-	-	176,307
Other Business-type Activities	209,950	210,084	33,351	-	33,485
Total Business-type Activities	2,380,156	3,358,903	203,080	183	1,182,010
Total Primary Government	\$ 29,465,886	\$ 5,614,555	\$ 11,823,645	\$ 8,821	\$ (12,018,865)
Component Units:					
SAIF Corporation	\$ 650,376	\$ 562,013	\$ -	\$ -	\$ (88,362)
University of Oregon	967,308	556,321	555,062	80,803	224,878
Oregon State University	1,213,422	551,574	673,388	48,020	59,560
Portland State University	532,660	288,475	318,188	1,701	75,704
Other Component Units	3,716,802	2,940,482	1,002,603	34,505	260,788
Total Component Units	\$ 7,080,568	\$ 4,898,865	\$ 2,549,241	\$ 165,029	\$ 532,568

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

Statement of Activities
For the Year Ended June 30, 2019
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	
Changes in Net Position:				
Net (Expense) Revenue	\$ (13,200,874)	\$ 1,182,010	\$ (12,018,865)	\$ 532,568
General Revenues:				
Taxes:				
Personal Income Taxes	9,847,141	-	9,847,141	-
Corporate Income Taxes	910,929	-	910,929	-
Tobacco Taxes	250,156	-	250,156	-
Healthcare Provider Taxes	799,796	-	799,796	-
Insurance Premium Taxes	80,618	-	80,618	-
Marijuana Taxes	118,546	-	118,546	-
Other Taxes	549,703	19,156	568,859	-
Restricted for Transportation Purposes:				
Motor Fuel and Other Vehicle Taxes	1,424,423	-	1,424,423	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	72,016	-	72,016	-
Employer-Employee Taxes	155,364	-	155,364	-
Total Taxes	14,208,691	19,156	14,227,847	-
Unrestricted Investment Earnings	96,035	-	96,035	-
Contributions to Permanent Funds	132	-	132	-
Transfers - Internal Activities	598,875	(598,875)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	14,903,733	(579,720)	14,324,013	-
Change in Net Position	1,702,858	602,290	2,305,148	532,567
Net Position - Beginning	12,569,192	6,125,456	18,694,648	10,371,096
Prior Period Adjustments	66,501	9,989	76,490	975
Cumulative Effect of a Change in Accounting Principles	-	-	-	(7,483)
Net Position - Beginning - As Restated	12,635,692	6,135,446	18,771,138	10,364,590
Net Position - Ending	\$ 14,338,550	\$ 6,737,736	\$ 21,076,286	\$ 10,897,159

Balance Sheet
Governmental Funds
June 30, 2019
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	\$ 4,343,499	\$ 289,904	\$ 864,087
Investments	-	-	86,969
Custodial Assets	-	-	-
Securities Lending Collateral	132,049	8,573	26,501
Accounts and Interest Receivable (net)	7,631	379,471	69,530
Taxes Receivable (net)	1,255,114	225,223	84,970
Due from Other Funds	385,803	96,507	11,515
Due from Component Units	110	11,521	-
Due from Other Governments	23	-	-
Inventories	22,355	792	38,218
Prepaid Items	6,031	39	741
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	12,304	68,218	21,115
Loans Receivable (net)	-	283	23,162
Other Assets	-	-	-
Total Assets	\$ 6,164,919	\$ 1,080,530	\$ 1,226,807
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 395,165	\$ 320,204	\$ 155,535
Obligations Under Securities Lending	132,049	8,573	26,501
Due to Other Funds	248,030	165,203	18,206
Due to Component Units	6,393	29,770	1,814
Due to Other Governments	82,708	-	93,318
Unearned Revenue	-	-	21,077
Custodial Liabilities	10,038	52,224	1,132
Contracts, Mortgages, and Notes Payable	-	80,000	-
Advances from Other Funds	388	-	-
Advances from Component Units	-	-	-
Total Liabilities	874,772	655,974	317,582
Deferred Inflows of Resources:			
Unavailable Revenue	686,489	73,832	24,042
Total Deferred Inflows of Resources	686,489	73,832	24,042
Fund Balances:			
Nonspendable	24,703	882	38,969
Restricted by:			
Federal Laws and Regulations	3,104	19,424	36,304
Oregon Constitution	862,385	2,792	370,706
Enabling Legislation	59,381	191,863	114,937
Debt Covenants	25,914	24,713	324,267
Donors and Other External Parties	-	10,664	-
Committed	703,834	50,872	-
Assigned	13,009	49,514	-
Unassigned	2,911,326	-	-
Total Fund Balances	4,603,657	350,724	885,183
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,164,919	\$ 1,080,530	\$ 1,226,807

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

State of Oregon

Educational Support	Common School	Other	Total
\$ 832,271	\$ 63,669	\$ 2,304,293	\$ 8,697,723
99,112	1,750,098	221,292	2,157,471
-	38,008	14,760	52,767
25,443	9,792	56,856	259,213
91,930	17,192	212,428	778,182
359	-	31,420	1,597,086
84,913	29	153,791	732,558
77,333	-	12,985	101,949
1,645	-	-	1,668
-	-	13,271	74,636
3	-	1,373	8,188
-	300	-	300
1,057,679	-	-	1,057,679
86	27	406,697	508,447
-	-	701,592	725,036
-	-	1,911	1,911
\$ 2,270,775	\$ 1,879,114	\$ 4,132,669	\$ 16,754,815

\$ 94,367	\$ 43,000	\$ 203,296	\$ 1,211,567
25,443	9,792	56,856	259,213
763	219	83,443	515,863
64,309	-	15,568	117,854
44,516	-	68,887	289,429
-	-	11,598	32,675
1	344,564	21,422	429,382
-	-	27,875	107,875
-	-	300	688
2,312	-	-	2,312
231,710	397,575	489,245	2,966,858

444	27	407,392	1,192,226
444	27	407,392	1,192,226

3	-	28,919	93,478
8,092	-	882,047	948,971
283,972	1,114,781	175,147	2,809,784
1,129,453	366,731	577,413	2,439,777
569,755	-	816,361	1,761,011
5,889	-	29,209	45,762
37,266	-	633,804	1,425,776
4,190	-	93,133	159,846
-	-	-	2,911,326
2,038,622	1,481,512	3,236,033	12,595,731

\$ 2,270,775	\$ 1,879,114	\$ 4,132,669	\$ 16,754,815
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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019
(In Thousands)

Total fund balances of governmental funds \$ 12,595,731

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	\$ 1,982,318	
Buildings, property, and equipment	3,661,622	
Construction in progress	943,209	
Infrastructure	15,084,139	
Works of Art and Other Nondepreciable Assets	1,943	
Accumulated depreciation and amortization	<u>(7,579,562)</u>	
Total capital assets		14,093,669

Capital assets retired from service but not immediately sold or otherwise disposed of are removed from capital assets and reclassified as foreclosed and deeded property. 5,851

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. 1,192,226

Gain or loss on debt refunding is reported as a deferred inflow of resources or a deferred outflow of resources, respectively, for governmental activities in the Statement of Net Position but are reported as expenditures in the funds.

Deferred outflows-loss on refunding		71,508
Deferred inflows-gain on refunding		(564)

The net pension liability and pension-related deferred inflows and outflows of resources are not financial resources and therefore are not reported in the funds. These consist of:

Net pension liability		(2,634,782)
Deferred outflows-related to pensions		1,019,082
Deferred inflows-related to pensions		(147,835)

The net and total OPEB liability, net OPEB asset, and OPEB-related deferred inflows and outflows of resources are not financial resources and therefore are not reported in the funds. These consist of:

Net OPEB asset		20,912
Net OPEB liability		(22,250)
Total OPEB liability		(97,842)
Deferred outflows-related to OPEB		20,564
Deferred inflows-related to OPEB		(9,479)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. 302,415

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	(103,856)	
Compensated absences payable	(214,129)	
Claims and judgments payable	(857,208)	
Arbitrage rebate payable	(151)	
Contracts, mortgages and notes payable	(271,426)	
Bonds and COPs payable	(10,576,180)	
Obligations under capital leases	(706)	
Pollution remediation obligation	<u>(46,997)</u>	
Total long-term liabilities		(12,070,653)

Net position of governmental activities \$ 14,338,550

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

State of Oregon

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019
(In Thousands)

	General	Health and Social Services	Public Transportation
REVENUES			
Personal Income Taxes	\$ 9,937,610	\$ -	\$ -
Corporate Income Taxes	910,929	-	-
Tobacco Taxes	62,617	187,567	-
Healthcare Provider Taxes	-	799,796	-
Insurance Premium Taxes	80,618	-	-
Motor Fuel and Other Vehicle Taxes	-	-	1,423,580
Employer-Employee Taxes	75,426	-	-
Workers' Compensation Insurance Taxes	-	-	-
Marijuana Taxes	-	117,798	-
Other Taxes	369,690	-	2,877
Licenses and Fees	121,586	18,620	93,910
Federal	4,083	8,264,633	671,270
Rebates and Recoveries	1,382	567,156	5,616
Charges for Services	26,442	15,230	26,918
Fines, Forfeitures, and Penalties	19,366	2,544	7,062
Rents and Royalties	648	5	4,407
Investment Income	96,035	6,586	29,031
Sales	1,355	3,883	11,029
Assessments	-	-	-
Donations and Grants	2,704	859	-
Contributions to Permanent Funds	-	-	-
Tobacco Settlement Proceeds	-	69,915	-
Unclaimed and Escheat Property Revenue	-	-	-
Other	2,961	385,200	1,404
Total Revenues	11,713,453	10,439,791	2,277,104
EXPENDITURES			
Current:			
Education	257,513	-	-
Human Resources	1,980,229	10,282,319	-
Public Safety	1,067,167	-	-
Economic and Community Development	55,467	-	-
Natural Resources	205,085	-	-
Transportation	6,361	-	1,399,443
Consumer and Business Services	6,245	-	-
Administration	159,794	2,531	-
Legislative	54,536	-	-
Judicial	368,959	1,726	-
Intergovernmental	5,583,254	353,955	659,307
Capital Outlay	25,431	646	34,352
Debt Service:			
Principal	161,881	-	-
Interest	127,431	-	-
Other Debt Service	231	15	377
Total Expenditures	10,059,584	10,641,192	2,093,479
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,653,868	(201,400)	183,625
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	1,533,090	179,884	140,119
Transfers to Other Funds	(1,466,779)	(172,394)	(291,518)
Insurance Recoveries	376	-	128
Long-term Debt Issued	29,265	4,515	31,245
Debt Issuance Premium	6,185	-	7,324
Total Other Financing Sources (Uses)	102,136	12,005	(112,701)
Net Change in Fund Balances	1,756,005	(189,396)	70,924
Fund Balances - Beginning	2,879,037	463,813	811,558
Prior Period Adjustments	(32,158)	76,160	-
Fund Balances - Beginning - As Restated	2,846,879	539,973	811,558
Change in Inventories	773	147	2,701
Fund Balances - Ending	\$ 4,603,657	\$ 350,724	\$ 885,183

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

State of Oregon

Educational Support	Common School	Other	Total
\$ -	\$ -	\$ -	\$ 9,937,610
-	-	-	910,929
-	-	-	250,184
-	-	-	799,796
-	-	-	80,618
-	-	-	1,423,580
-	-	79,835	155,261
-	-	72,016	72,016
-	-	-	117,798
1,122	-	165,523	539,212
611	533	440,254	675,514
407,548	370	1,774,171	11,122,076
45	29	25,473	599,701
7,258	300	129,260	205,408
-	87	89,706	118,765
170	6,142	5,745	17,117
77,026	101,686	77,161	387,524
14,798	188	160,819	192,072
-	-	49,404	49,404
11,279	-	28,115	42,958
-	-	132	132
-	-	-	69,915
-	15,081	-	15,082
646	-	57,361	447,572
520,503	124,417	3,154,975	28,230,243
68,608	-	84,803	410,924
-	-	896,156	13,158,705
-	-	284,591	1,351,758
-	-	374,224	429,691
-	30,825	517,903	753,813
-	-	7,136	1,412,939
-	-	360,179	366,424
6,929	-	26,525	195,779
-	-	2,185	56,720
-	-	23,554	394,240
814,112	-	659,172	8,069,800
1,069	163	95,868	157,529
73,036	-	273,235	508,152
74,181	-	256,295	457,907
2,133	-	2,112	4,867
1,040,068	30,988	3,863,937	27,729,247
(519,565)	93,429	(708,963)	500,996
623,621	108,530	914,784	3,500,028
(390,777)	(75,675)	(541,666)	(2,938,809)
-	1,486	332	2,322
418,975	-	466,477	950,477
70,102	-	43,658	127,269
721,920	34,341	883,586	1,641,287
202,356	127,771	174,624	2,142,283
1,837,553	1,353,741	3,132,050	10,477,751
(1,287)	-	(70,017)	(27,301)
1,836,266	1,353,741	3,062,033	10,450,450
-	-	(624)	2,998
\$ 2,038,622	\$ 1,481,512	\$ 3,236,033	\$ 12,595,731

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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, 2019
(In Thousands)**

Net change in fund balances of total governmental funds \$ 2,142,283

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

Capital outlay	\$ 846,799	
Depreciation expense	(446,884)	
Excess of capital outlays over depreciation		399,915

The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net position. (16,420)

A portion of the settlement activities were not recognized in the governmental funds because the activity was inconsistent with the current financial resources measurement focus and modified accrual basis of accounting. 6,903

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. (1,077,746)

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. 508,152

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. 29,648

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 OPEB asset	10,505	
Accounts and interest payable	18,610	
Compensated absences payable	(17,036)	
Claims and judgments payable	15,302	
Contracts, mortgages, and notes payable	12,000	
Net pension liability	(309,340)	
Pollution remediation obligation	(915)	
Net OPEB liability	5,203	
Total OPEB liability	(5,704)	
Total		(271,376)

Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds. (52)

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. (50,817)

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. 2,998

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported within governmental activities. 29,371

Change in net position of governmental activities \$ 1,702,858

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

Statement of Net Position
Proprietary Funds
June 30, 2019
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,631	\$ 109,175	\$ 317,109
Cash and Cash Equivalents - Restricted	5,353	3,913	-
Investments	-	11,333	10,512
Investments - Restricted	69,953	-	-
Securities Lending Collateral	2,102	4,164	31,908
Accounts and Interest Receivable (net)	4,274	1,459	27,706
Due from Other Funds	114	91	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	1,486
Prepaid Items	5	6	2,065
Loans Receivable (net)	28,944	10,434	-
Foreclosed and Deeded Property	1,017	-	-
Total Current Assets	124,392	140,576	390,786
Noncurrent Assets:			
Cash and Cash Equivalents	-	-	125,390
Cash and Cash Equivalents - Restricted	60,017	29,012	-
Investments	-	-	113,452
Investments - Restricted	207,645	-	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	683	4,889
Loans Receivable (net)	925,663	357,507	-
Net OPEB Asset	31	30	334
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	236	10,107	229,778
Construction in Progress	-	3	1,885
Infrastructure	-	-	-
Works of Art and Other Nondepreciable Assets	-	627	-
Less Accumulated Depreciation and Amortization	(193)	(5,718)	(165,985)
Total Noncurrent Assets	1,193,400	392,250	309,743
Total Assets	1,317,792	532,826	700,529
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	5,222	297	-
Loss on Refunding	1,436	-	-
Related to Pensions	1,386	1,254	14,514
Related to OPEB	41	29	326
Total Deferred Outflows of Resources	8,085	1,580	14,840

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

Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds	
Unemployment Compensation	Other	Total			
\$ 4,684,593	\$ 496,068	\$ 5,619,576	\$	453,042	
108	4,981	14,356		24,215	
-	11,454	33,300		-	
-	-	69,953		64,338	
151	15,247	53,572		24,530	
251,115	45,457	330,011		119,525	
478	12,463	13,146		11,807	
-	6,276	6,276		-	
5,919	-	5,919		-	
-	43,436	44,922		1,236	
-	981	3,056		2,551	
-	32,099	71,477		-	
-	-	1,017		-	
4,942,363	668,462	6,266,580		701,244	
-	-	125,390		-	
3,297	5,364	97,690		104	
-	-	113,452		-	
-	-	207,645		-	
-	-	-		388	
-	85,054	85,054		-	
47,820	46	53,437		148	
-	426,910	1,710,079		-	
-	2,036	2,430		2,199	
-	9,291	9,291		10,317	
-	620,522	860,644		635,273	
-	971	2,859		21,690	
-	3,661	3,661		767	
-	162	789		215	
-	(144,125)	(316,021)		(383,866)	
51,116	1,009,890	2,956,399		287,235	
4,993,480	1,678,353	9,222,979		988,480	
-	-	5,519		-	
-	2,744	4,180		850	
-	92,044	109,199		106,110	
-	2,081	2,477		2,108	
-	96,870	121,375		109,069	

(continued on next page)

Statement of Net Position

Proprietary Funds

June 30, 2019

(In Thousands)

(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	18,033	1,137	12,412
Obligations Under Securities Lending	2,102	4,164	31,908
Due to Other Funds	65	-	180,384
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	878	-	498
Compensated Absences Payable	191	218	3,122
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	32,925
Custodial Liabilities	-	3,913	-
Contracts, Mortgages, and Notes Payable	42	56	2,471
Bonds/COPs Payable	40,660	13,340	-
Obligations Under Capital Lease	-	-	929
Total Current Liabilities	61,971	22,828	264,648
Noncurrent Liabilities:			
Compensated Absences Payable	98	112	1,608
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	114,263
Arbitrage Rebate Payable	-	9,638	-
Custodial Liabilities	-	-	-
Contracts, Mortgages, and Notes Payable	422	560	10,174
Bonds/COPs Payable	1,013,120	363,340	-
Obligations Under Capital Lease	-	-	3,719
Net Pension Liability	3,181	3,275	38,217
Net OPEB Liability	34	32	359
Total OPEB Liability	182	116	1,345
Derivative Instrument Liabilities	5,222	297	-
Total Noncurrent Liabilities	1,022,259	377,372	169,685
Total Liabilities	1,084,230	400,200	434,333
DEFERRED INFLOWS OF RESOURCES			
Loan Origination	4,597	-	-
Related to Pensions	179	184	2,148
Related to OPEB	15	13	148
Total Deferred Inflows of Resources	4,791	197	2,296
NET POSITION			
Net Investment in Capital Assets	43	5,019	52,109
Restricted for:			
Natural Resource Programs	-	-	-
Residential Assistance	2,059	-	-
Debt Service	220,241	-	-
Capital Projects	-	-	-
OPEB	31	30	334
Unrestricted	14,482	128,960	226,297
Total Net Position	\$ 236,856	\$ 134,009	\$ 278,740

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

State of Oregon

Business-type Activities - Enterprise Funds			
Unemployment Compensation	Other	Total	Governmental Activities Internal Service Funds
57,508	40,221	129,311	39,674
151	15,247	53,572	24,530
8,413	25,439	214,300	26,957
-	1,105	1,105	-
4,658	404	5,062	-
-	574	1,949	173
-	11,246	14,776	15,853
-	865	865	44,740
-	-	32,925	-
108	20,888	24,909	12,037
-	2,134	4,703	6,580
-	17,335	71,335	5,553
-	-	929	1,096
70,837	135,457	555,742	177,193
-	5,666	7,484	8,167
-	-	-	216,355
-	-	114,263	-
-	-	9,638	1
3,297	2,138	5,435	-
-	21,548	32,705	22,697
-	178,857	1,555,317	63,441
-	-	3,719	1,338
-	236,383	281,055	277,626
-	2,166	2,591	2,384
-	10,287	11,930	9,063
-	-	5,519	-
3,297	457,044	2,029,657	601,072
74,134	592,501	2,585,399	778,266
-	-	4,597	-
-	13,286	15,797	15,604
-	935	1,111	978
-	14,221	21,505	16,583
-	490,481	547,653	225,115
-	48	48	-
-	-	2,059	-
-	-	220,241	3
-	-	-	11,321
-	2,036	2,430	2,199
4,919,346	675,935	5,965,020	64,062
\$ 4,919,346	\$ 1,168,500	\$ 6,737,450	\$ 302,700

Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included within the business-type activities.

	\$ 285
Net position of business-type activities	<u>\$ 6,737,736</u>

State of Oregon

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
OPERATING REVENUES:			
Assessments	\$ -	\$ -	\$ -
Licenses and Fees	-	96	-
Federal	-	-	-
Rebates and Recoveries	-	3	-
Charges for Services	7,722	3,048	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	455	-
Sales	-	-	1,346,471
Loan Interest Income	40,505	14,992	-
Other	7	169	1,266
Gain (Loss) on Foreclosed Property	45	38	-
Total Operating Revenues	48,280	18,801	1,347,737
OPERATING EXPENSES:			
Salaries and Wages	5,713	4,030	61,732
Services and Supplies	8,668	4,110	308,016
Cost of Goods Sold	-	-	-
Distributions to Other Governments	200	-	-
Special Payments	4,998	-	231,601
Bond and COP Interest	31,556	11,213	-
Depreciation and Amortization	8	150	34,764
Bad Debt Expense	-	-	-
Total Operating Expenses	51,143	19,503	636,112
Operating Income (Loss)	(2,863)	(702)	711,624
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	11,847	4,400	20,482
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	-	108
Gain (Loss) on Debt Extinguishment	985	-	-
Insurance Recovery	-	-	1
Settlement Activities	-	-	-
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Other Interest Expense	(32)	(42)	(658)
Other Nonoperating Items	(96)	(60)	(272)
Total Nonoperating Revenues (Expenses)	12,703	4,297	19,660
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	9,841	3,596	731,285
Capital Contributions	-	183	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(261)	(182)	(724,055)
Change in Net Position	9,579	3,596	7,230
Net Position - Beginning	227,277	130,412	271,510
Prior Period Adjustments	-	-	-
Net Position - Beginning - As Restated	227,277	130,412	271,510
Net Position - Ending	\$ 236,856	\$ 134,009	\$ 278,740

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

State of Oregon

Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
Unemployment Compensation	Other	Total		
\$ 918,645	\$ -	\$ 918,645	\$ -	
-	8,752	8,848	-	
25,555	22,542	48,097	-	
-	291	294	22,805	
-	259,369	270,140	1,323,264	
784	459	1,243	1,388	
-	188	643	44,776	
-	697,861	2,044,332	3,318	
-	20,138	75,635	-	
10,804	28,969	41,214	2,249	
-	-	84	-	
955,788	1,038,569	3,409,174	1,397,801	
-	384,706	456,181	375,566	
-	209,902	530,696	983,401	
-	361,913	361,913	-	
-	77,053	77,253	-	
523,768	88,720	849,086	29,602	
-	7,242	50,011	2,042	
-	16,342	51,264	31,774	
-	229	229	-	
523,768	1,146,106	2,376,632	1,422,385	
432,020	(107,537)	1,032,542	(24,584)	
107,445	10,810	154,983	16,714	
-	19,156	19,156	-	
-	(677)	(570)	(793)	
-	-	985	-	
-	-	1	338	
-	24	24	142	
-	-	-	26	
-	-	-	(444)	
-	(1,636)	(2,369)	(1,057)	
(1,591)	(180)	(2,199)	(197)	
105,854	27,496	170,011	14,728	
537,874	(80,041)	1,202,554	(9,856)	
-	-	183	-	
-	340,981	340,981	63,265	
-	(215,358)	(939,856)	(25,608)	
537,873	45,582	603,861	27,801	
4,381,472	1,112,928	6,123,600	267,848	
-	9,989	9,989	7,051	
4,381,472	1,122,918	6,133,589	274,899	
\$ 4,919,346	\$ 1,168,500	\$ 6,737,450	\$ 302,700	

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.

\$ (1,571)

Change in net position of business-type activities

\$ 602,290

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 8,876	\$ 997	\$ 1,344,892
Receipts from Other Funds for Services	-	2,856	-
Loan Principal Repayments	113,960	42,121	-
Loan Interest Received	38,765	13,876	-
Grant Receipts	-	-	-
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(5,931)	(4,440)	(34,830)
Payments to Suppliers	(5,841)	(2,944)	(324,917)
Payments to Other Funds for Services	-	(563)	-
Payments to Prize Winners	-	-	(325,714)
Claims Paid	-	-	-
Loans Made	(233,253)	(75,650)	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(5,473)	749	88,893
Net Cash Provided (Used) in Operating Activities	(88,897)	(22,998)	748,324
Cash Flows from Noncapital Financing Activities:			
Repayments on Advances Made	-	-	-
Proceeds from Bond/COP Sales	216,176	44,437	-
Principal Payments on Bonds/COPs	(103,615)	(22,990)	-
Principal Payments on Loans	(37)	(49)	(310)
Repayments on Advances Received	-	-	-
Interest Payments on Bonds/COPs	(29,029)	(11,576)	-
Interest Payments on Loans	(32)	(42)	(267)
Interest Receipts on Advances Made	-	-	-
Bond/COP Issuance Costs	(1,678)	(710)	-
Taxes and Assessments Received	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(243)	(183)	(732,337)
Net Cash Provided (Used) in Noncapital Financing Activities	81,542	8,886	(732,914)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPs	-	-	-
Principal Payments on Loans	-	-	(2,080)
Interest Payments on Bonds/COPs	-	-	-
Interest Payments on Loans	-	-	-
Acquisition of Capital Assets	-	(215)	(8,303)
Payments on Capital Leases	-	-	(1,240)
Proceeds from Disposition of Capital Assets	-	-	434
Insurance Recoveries for Capital Assets	-	-	1
Capital Contributions	-	183	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	(32)	(11,188)
Cash Flows from Investing Activities:			
Purchases of Investments	(510,891)	-	(3,381)
Proceeds from Sales and Maturities of Investments	512,301	-	10,991
Interest on Investments and Cash Balances	6,172	3,682	9,956
Interest Income from Securities Lending	109	68	308
Interest Expense from Securities Lending	(96)	(60)	(272)
Interest Expense	-	-	(15)
Loan Principal Repayments	-	-	-
Loan Interest Received	-	-	-
Loans Made	-	-	-
Net Cash Provided (Used) in Investing Activities	7,595	3,690	17,587
Net Increase (Decrease) in Cash and Cash Equivalents	241	(10,455)	21,809
Cash and Cash Equivalents - Beginning	77,761	152,555	420,691
Cash and Cash Equivalents - Ending	\$ 78,002	\$ 142,100	\$ 442,499

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	Other	Total	Governmental Activities Internal Service Funds	
\$ -	\$ 908,828	\$ 2,263,592	\$ 44,916	
-	108,203	111,059	1,568,760	
-	-	156,081	-	
-	-	52,641	-	
24,671	-	24,671	-	
916,619	-	916,619	-	
-	(372,271)	(417,472)	(333,606)	
-	(518,913)	(852,614)	(455,358)	
-	(47,677)	(48,240)	(74,661)	
-	-	(325,714)	-	
(514,394)	(91,575)	(605,968)	(745,524)	
-	-	(308,903)	-	
-	(80,940)	(80,940)	-	
13,139	(483)	96,824	(30,268)	
440,036	(94,829)	981,636	(25,741)	
-	-	-	663	
-	-	260,613	-	
-	(19,375)	(145,980)	-	
-	(1,874)	(2,271)	(3,778)	
-	(13,347)	(13,347)	-	
-	(8,005)	(48,610)	-	
-	(1,636)	(1,977)	(1,296)	
-	-	-	26	
-	-	(2,388)	-	
-	19,138	19,138	-	
-	-	-	1	
-	337,261	337,261	7,335	
-	(226,370)	(959,134)	(28,866)	
-	85,791	(556,695)	(25,915)	
-	-	-	8,578	
-	-	-	(5,279)	
-	-	(2,080)	(2,309)	
-	-	-	(2,829)	
-	-	-	(178)	
-	(4,488)	(13,007)	(33,763)	
-	-	(1,240)	(1,307)	
-	26	460	7,976	
-	-	1	338	
-	586	769	-	
-	(3,876)	(15,096)	(28,772)	
-	-	(514,273)	(9,046)	
-	-	523,292	16,577	
105,584	9,942	135,336	15,160	
1,860	205	2,551	230	
(1,591)	(180)	(2,199)	(197)	
-	-	(15)	-	
-	53,150	53,150	-	
-	17,427	17,427	-	
-	(53,133)	(53,133)	-	
105,854	27,411	162,137	22,725	
545,889	14,498	571,981	(57,704)	
4,142,108	491,916	5,285,031	535,064	
\$ 4,687,997	\$ 506,413	\$ 5,857,012	\$ 477,361	

(continued on next page)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (2,863)	\$ (702)	\$ 711,624
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	8	150	34,764
Amortization of Bond/COP Premium and Discount	(935)	(444)	-
Noncash Services Received Pursuant to Settlement Activities	-	-	-
Amortization of Other Bond/COP Related Costs	162	-	-
Bad Debt Expense	-	-	-
Interest Receipts Reported as Operating Revenue	-	-	-
Interest Payments Reported as Operating Expense	28,983	11,576	-
Bond/COP Issuance Costs Reported as Operating Expense	1,678	559	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	(320)	55	87,515
Due from Other Funds	(89)	4	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	109
Prepaid Items	(3)	(1)	(176)
Net Contracts, Notes and Other Receivables	-	3,110	(1,014)
Loans Receivable	(120,400)	(36,528)	-
Net OPEB Asset	(20)	(16)	(230)
Foreclosed and Deeded Property	825	-	-
Accounts and Interest Payable	4,011	132	2,441
Due to Other Funds	11	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	(121)	-	75
Compensated Absences Payable	(55)	(32)	494
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	(94,692)
Arbitrage Rebate Payable	-	(961)	-
Custodial Liabilities	-	468	-
Contracts, Mortgages, and Notes Payable	-	-	-
Net Pension Liability	(95)	(616)	8,407
Net OPEB Liability	(8)	(17)	(18)
Total OPEB Liability	58	8	(15)
Net Changes in Deferred Outflows of Resources:			
Loss on Refunding	-	-	-
Related to Pensions	(202)	105	(2,886)
Related to OPEB	(14)	(3)	(38)
Net Changes in Deferred Inflows of Resources:			
Loan Origination	336	-	-
Related to Pensions	151	152	1,899
Related to OPEB	6	4	66
Total Adjustments	(86,034)	(22,297)	36,700
Net Cash Provided (Used) by Operating Activities	\$ (88,897)	\$ (22,998)	\$ 748,324
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ 5,286	\$ (650)	\$ 10,218
Capital Leases	-	-	-
Capital Assets Acquired Through Long-term Contracts	-	-	219
Foreclosed Property	584	-	-
Loan Modification	532	-	-
Noncash Assets Exchanged for Other Liabilities	-	-	-

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

Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds	
Unemployment Compensation	Other	Total		
\$ 432,020	\$ (107,537)	\$ 1,032,542	\$	(24,584)
-	16,342	51,264		31,774
-	(1,426)	(2,805)		(839)
-	24	24		142
-	-	162		-
-	229	229		-
-	(17,427)	(17,427)		-
-	8,005	48,564		2,829
-	-	2,236		-
2,690	(7,550)	82,390		(51,471)
94	7,384	7,392		(9,033)
-	(99)	(99)		-
498	-	498		-
-	(1,385)	(1,276)		(129)
-	(197)	(377)		(258)
9,065	-	11,161		(131)
-	2,048	(154,880)		-
-	(1,286)	(1,551)		(1,393)
-	-	825		-
13,502	(7,644)	12,441		805
(19,514)	61	(19,443)		18,394
-	386	386		-
1,251	404	1,655		-
-	(317)	(363)		(40,310)
-	1,602	2,009		1,907
-	(8,335)	(8,335)		17,223
-	-	(94,692)		-
-	-	(961)		-
430	(170)	728		(14,256)
-	(253)	(253)		(35)
-	22,211	29,907		47,228
-	(545)	(588)		(530)
-	711	761		921
-	470	470		5
-	(12,049)	(15,032)		(17,875)
-	(331)	(386)		(201)
-	-	336		-
-	11,497	13,699		13,679
-	350	426		396
8,016	12,708	(50,907)		(1,158)
\$ 440,036	\$ (94,829)	\$ 981,636	\$	(25,741)
\$ -	\$ (657)	\$ 14,198	\$	1,296
-	-	-		453
-	-	219		-
-	-	584		-
-	-	532		-
-	-	-		4,858

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$ 2,930,710	\$ 48,165	\$ 7,429,224	\$ -
Investments:				
Fixed Income	16,277,259	862	45,990	-
Public Equity	29,403,271	23	-	-
Real Estate	8,966,133	-	-	-
Annuity Contracts	-	65	-	-
Private Equity	17,259,958	-	-	-
Alternatives Portfolio	7,218,604	-	-	-
Opportunity Portfolio	1,717,804	-	-	-
Total Investments	80,843,028	950	45,990	-
Custodial Assets	-	6,113	-	1,832,214
Securities Lending Collateral	908,543	1,490	193,855	-
Receivables:				
Employer Contributions	57,348	-	-	-
Plan Member Contributions	1,645	-	-	-
Interest and Dividends	155,434	-	28,871	-
Member Loans	12,705	-	-	-
Investment Sales	964,124	-	-	-
Transitional Liability	453,336	-	-	-
Accounts	-	882	-	9,872
From Other Funds	12,559	14	-	-
From Other Governments	-	568	-	-
Loans	-	-	37,784	-
Net Contracts, Notes, and Other Receivables	-	-	-	93,851
Total Receivables	1,657,149	1,464	66,655	103,724
Prepaid Items	6,156	-	-	-
Receivership Assets	-	-	-	20,863
Capital Assets (net of \$28,445 accumulated depreciation):				
Land	944	-	-	-
Buildings, Property, and Equipment	23,911	-	-	-
Total Assets	86,370,442	58,182	7,735,724	1,956,801
LIABILITIES				
Accounts and Interest Payable	2,491,780	118	71,587	77
Obligations Under Securities Lending	908,748	1,490	193,855	-
Due to Other Funds	12,485	478	-	-
Due to Other Governments	-	-	-	9,763
Unearned Revenue	1,023	-	-	-
Custodial Liabilities	89,792	1,944	-	1,946,961
Contracts, Mortgages, and Notes Payable	-	1,152	-	-
Total Liabilities	3,503,828	5,182	265,442	1,956,801
NET POSITION				
Restricted for Pension Benefits	80,115,716	-	-	-
Restricted for Other Postemployment Benefits	675,581	-	-	-
Restricted for Other Employee Benefits	2,075,318	-	-	-
Amount Held in Trust for Pool Participants	-	-	7,470,282	-
Amount Held in Trust for Individuals, Organizations, and Other Governments	-	53,000	-	-
Total Net Position	\$ 82,866,614	\$ 53,000	\$ 7,470,282	\$ -

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, 2019
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	\$ 1,783,808	\$ -	\$ -
Plan Members	798,038	-	-
Total Contributions	2,581,845	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	3,633,798	(768)	59,349
Interest, Dividends, and Other Investment Income	2,000,500	1,251	229,935
Total Investment Income	5,634,298	483	289,284
Less Investment Expense	934,436	19	9,982
Net Investment Income	4,699,862	464	279,302
Gifts, Grants, and Contracts	-	1	-
Veterans' Income	-	11,004	-
Unclaimed and Escheat Property Revenue	-	1,156	-
Other Income	18,916	1,719	-
Share Transactions:			
Participant Contributions	-	-	20,364,536
Participant Withdrawals	-	-	19,722,451
Net Share Transactions	-	-	642,085
Total Additions	7,300,624	14,344	921,387
DEDUCTIONS			
Benefits	5,424,492	-	-
Death Benefits	4,084	-	-
Contributions Refunded	11,904	-	-
Healthcare Premium Subsidies	36,721	-	-
Distribution to Other Governments	-	674	-
Special Payments to State Agencies	-	70	-
Distribution to Participants	-	-	216,886
Administrative Expenses	54,881	10,064	-
Payments in Accordance with Trust Agreements	-	2,919	-
Total Deductions	5,532,081	13,726	216,886
Change in Net Position:			
Restricted for Pension Benefits	1,585,684	-	-
Restricted for Other Postemployment Benefits	63,687	-	-
Restricted for Other Employee Benefits	119,171	-	-
Amount Held in Trust for Pool Participants	-	-	704,501
Amount Held in Trust for Individuals, Organizations, and Other Governments	-	618	-
Net Position - Beginning	81,098,072	52,383	6,765,781
Net Position - Ending	\$ 82,866,614	\$ 53,000	\$ 7,470,282

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

Statement of Net Position
Discretely Presented Component Units
June 30, 2019
(In Thousands)

	SAIF Corporation	University of Oregon
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 65,425	\$ 192,268
Cash and Cash Equivalents - Restricted	-	84,937
Investments	4,467,486	-
Securities Lending Collateral	143,445	5,417
Accounts and Interest Receivable (net)	382,612	75,675
Pledges, Contributions, and Grants Receivable (net)	-	393,578
Due from Other Governments	-	-
Due from Primary Government	8,861	21,763
Inventories	46	4,338
Prepaid Items	-	26,241
Total Current Assets	<u>5,067,875</u>	<u>804,217</u>
Noncurrent Assets:		
Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - Restricted	-	97,156
Investments	-	1,331,258
Investments - Restricted	-	25
Advances to Primary Government	-	-
Net Contracts, Notes, and Other Receivables	-	40,038
Pledges, Contributions, and Grants Receivable (net)	-	-
Net OPEB Asset	794	2,452
Other Assets	-	-
Capital Assets:		
Land	2,922	85,791
Buildings, Property, and Equipment	147,447	2,122,186
Construction in Progress	-	268,374
Infrastructure	-	52,745
Works of Art and Other Nondepreciable Assets	-	46,680
Less Accumulated Depreciation and Amortization	<u>(26,789)</u>	<u>(863,845)</u>
Total Noncurrent Assets	<u>124,374</u>	<u>3,182,860</u>
Total Assets	<u>5,192,249</u>	<u>3,987,077</u>
DEFERRED OUTFLOWS OF RESOURCES		
Hedging Derivatives	-	438
Goodwill	-	-
Loss on Refunding	-	-
Asset Retirement Obligations	-	-
Related to Pensions	30,135	116,825
Related to OPEB	1,103	3,049
Total Deferred Outflows of Resources	<u>31,238</u>	<u>120,312</u>

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

State of Oregon

Oregon State University	Portland State University	Other	Total
\$ 196,509	\$ 105,596	\$ 174,038	\$ 733,836
32,051	-	52,403	169,391
-	-	325,690	4,793,176
12,627	6,737	3,454	171,680
107,232	42,838	529,808	1,138,165
41,475	15,014	74,511	524,578
-	-	8,082	8,082
11,346	32,044	44,623	118,636
8,944	593	50,009	63,930
14,874	5,178	36,922	83,215
425,058	208,000	1,299,540	7,804,689
1,781	-	2,113	3,894
26,205	-	43,270	166,631
788,752	235,290	1,407,931	3,763,231
103,078	2,534	724,938	830,575
-	900	1,412	2,312
17,497	67	63,328	120,930
69,226	-	354,839	424,065
2,626	1,167	4,348	11,387
-	250	17,832	18,082
65,064	67,256	111,550	332,583
1,895,366	872,623	4,646,546	9,684,168
118,629	75,081	137,051	599,135
50,872	32,170	37,035	172,822
29,956	3,944	6,498	87,078
(877,092)	(443,181)	(2,356,932)	(4,567,839)
2,291,960	848,101	5,201,759	11,649,054
2,717,018	1,056,101	6,501,297	19,453,742
-	-	7,330	7,768
-	-	523	523
-	-	22,306	22,306
15,922	-	-	15,922
115,906	53,266	213,223	529,355
2,971	1,359	3,152	11,634
134,799	54,625	246,534	587,508

(continued on next page)

Statement of Net Position
Discretely Presented Component Units
June 30, 2019
(In Thousands)
(continued from previous page)

	SAIF Corporation	University of Oregon
LIABILITIES		
Current Liabilities:		
Accounts and Interest Payable	161,739	121,741
Obligations Under Securities Lending	143,475	5,417
Obligations Under Life Income Agreements	-	52,960
Due to Other Governments	1,114	-
Due to Primary Government	9,234	32,898
Unearned Revenue	239,424	53,779
Compensated Absences Payable	5,926	27,101
Reserve for Loss and Loss Adjustment Expense	300,713	-
Claims and Judgments Payable	-	-
Custodial Liabilities	-	20,720
Contracts, Mortgages, and Notes Payable	655	3,822
Bonds/COPs Payable	-	1,024
Obligations Under Capital Lease	-	1,172
Asset Retirement Obligation	-	-
Total Current Liabilities	<u>862,280</u>	<u>320,635</u>
Noncurrent Liabilities:		
Unearned Revenue	-	1,753
Obligations Under Life Income Agreements	-	-
Compensated Absences Payable	-	1,543
Reserve for Loss and Loss Adjustment Expense	2,237,900	-
Claims and Judgments Payable	-	-
Custodial Liabilities	-	-
Contracts, Mortgages, and Notes Payable	8,351	34,549
Net Pension Liability	90,082	305,554
Bonds/COPs Payable	-	197,068
Obligations Under Capital Lease	-	46,424
Advances from Primary Government	-	479,035
Asset Retirement Obligation	-	-
Net OPEB Liability	803	2,210
Total OPEB Liability	10,100	13,135
Derivative Instrument Liabilities	-	-
Total Noncurrent Liabilities	<u>2,347,236</u>	<u>1,081,271</u>
Total Liabilities	<u>3,209,516</u>	<u>1,401,906</u>
DEFERRED INFLOWS OF RESOURCES		
Hedging Derivatives	-	-
Gain on Refunding	-	-
Life income agreements and pending funds	-	-
Related to Pensions	5,063	17,174
Related to OPEB	291	1,103
Total Deferred Inflows of Resources	<u>5,354</u>	<u>18,277</u>
Net Position		
Net Investment in Capital Assets	123,579	878,571
Restricted-Nonexpendable	-	1,713,935
Restricted for:		
Education	-	18,465
Workers' Compensation	1,884,243	-
Debt Service	-	-
Capital Projects	-	99,143
OPEB	794	2,452
Unrestricted	-	(25,361)
Total Net Position	<u>\$ 2,008,616</u>	<u>\$ 2,687,205</u>

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

State of Oregon

Oregon State University	Portland State University	Other	Total
94,144	35,635	307,292	720,551
12,627	6,737	3,454	171,710
24,910	-	1,164	79,034
-	-	20,448	21,562
22,758	16,961	26,532	108,384
72,557	51,990	107,091	524,841
25,472	9,440	68,043	135,982
-	-	-	300,713
-	-	33,221	33,221
1,753	42,865	1,747	67,085
28,209	3,523	3,647	39,856
367	-	23,163	24,554
-	-	3,992	5,164
565	-	-	565
283,362	167,151	599,794	2,233,222
-	-	-	1,753
-	2,114	23,235	25,349
5,977	1,098	1,829	10,447
-	-	-	2,237,900
-	-	39,682	39,682
-	-	2,797	2,797
42,052	14,947	35,191	135,090
302,317	130,218	607,973	1,436,144
320,577	-	923,345	1,440,990
-	-	1,940	48,364
281,805	210,009	171,883	1,142,733
18,550	-	-	18,550
2,821	1,249	921	8,004
16,082	6,794	18,606	64,717
-	-	13,871	13,871
990,180	366,428	1,841,274	6,626,389
1,273,542	533,579	2,441,070	8,859,613
-	-	643	643
-	-	1,834	1,834
-	-	120,137	120,137
32,878	22,725	77,020	154,860
1,680	1,163	2,766	7,003
34,558	23,888	202,400	284,477
787,485	383,064	1,533,382	3,706,081
5,396	5,348	280,068	2,004,747
799,913	127,580	817,597	1,763,555
-	-	-	1,884,243
3,508	-	1,416	4,924
5,533	3,572	8,344	116,592
2,626	1,167	4,348	11,387
(60,743)	32,528	1,459,207	1,405,631
\$ 1,543,718	\$ 553,259	\$ 4,104,361	\$ 10,897,159

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2019
(In Thousands)

	SAIF Corporation	University of Oregon	Oregon State University
Operating Revenues:			
Federal Revenue	\$ -	\$ 98,482	\$ 212,209
Charges for Services	-	385,387	340,451
Rents and Royalties	-	-	-
Sales	-	225,749	236,345
Premiums Earned (net)	523,681	-	-
Gifts, Grants, and Contracts	-	230,519	125,167
Other Revenues	38,332	9,015	15,464
Total Operating Revenues	<u>562,013</u>	<u>949,152</u>	<u>929,636</u>
Operating Expenses:			
Salaries and Wages	-	663,640	785,591
Services and Supplies	-	190,170	328,865
Loss and Loss Adjustment Expense	224,197	-	-
Policyholders' Dividends	159,939	-	-
Underwriting Expenses	156,276	-	-
Mortgage Assistance Payments	-	-	-
Depreciation and Amortization	-	65,553	59,294
Special Payments	-	47,945	39,672
Interest	-	-	-
Other Expenses	454	-	-
Total Operating Expenses	<u>540,866</u>	<u>967,308</u>	<u>1,213,422</u>
Operating Income (Loss)	<u>21,147</u>	<u>(18,156)</u>	<u>(283,786)</u>
Nonoperating Revenues (Expenses):			
Investment Income	(109,510)	115,581	53,172
State Appropriations	-	74,397	238,422
Other Grants	-	36,083	44,418
Gain/(Loss) on Disposition of Assets	-	735	(596)
Other Interest Expense	-	(30,220)	(25,085)
Other	-	(34,345)	(15,005)
Total Nonoperating Revenues (Expenses)	<u>(109,510)</u>	<u>162,231</u>	<u>295,326</u>
Income (Loss) Before Capital Contributions	<u>(88,362)</u>	<u>144,075</u>	<u>11,540</u>
Capital Contributions	-	80,803	48,020
Change in Net Position	<u>(88,362)</u>	<u>224,878</u>	<u>59,560</u>
Net Position - Beginning	2,101,730	2,462,327	1,486,888
Prior Period Adjustments	-	-	-
Cumulative Effect of Change in Accounting Principles	(4,753)	-	(2,730)
Net Position - Beginning - As Restated	<u>2,096,977</u>	<u>2,462,327</u>	<u>1,484,158</u>
Net Position - Ending	<u>\$ 2,008,616</u>	<u>\$ 2,687,205</u>	<u>\$ 1,543,718</u>

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

State of Oregon

Portland State University	Other	Total	Adjustments to Recast	Statement of Activities
\$ 45,603	\$ 11,143	\$ 367,437	\$ (367,437)	\$ -
193,994	2,728,401	3,648,233	1,250,632	4,898,865
-	1,298	1,298	(1,298)	-
94,551	64,114	620,759	(620,759)	-
-	-	523,681	(523,681)	-
43,098	664,494	1,063,278	1,485,963	2,549,241
6,817	123,172	192,800	(192,800)	-
384,063	3,592,622	6,417,486	1,030,620	7,448,106
349,179	2,291,617	4,090,027	-	4,090,027
116,348	1,124,974	1,760,357	-	1,760,357
-	-	224,197	-	224,197
-	-	159,939	-	159,939
-	-	156,276	-	156,276
-	31,579	31,579	-	31,579
27,543	216,268	368,658	-	368,658
39,590	20,330	147,537	-	147,537
-	32,034	32,034	-	32,034
-	-	454	109,510	109,964
532,660	3,716,802	6,971,058	109,510	7,080,568
(148,597)	(124,180)	(553,572)	921,110	367,538
15,945	153,204	228,392	(228,392)	-
158,058	136,165	607,042	(607,042)	-
55,484	37,597	173,582	(173,582)	-
1,884	(37)	1,986	(1,986)	-
(10,968)	(7,180)	(73,453)	73,453	-
2,197	30,714	(16,439)	16,439	-
222,600	350,463	921,110	(921,110)	-
74,003	226,283	367,539	-	367,539
1,701	34,505	165,029	-	165,029
75,704	260,788	532,568	-	532,568
477,555	3,842,596	10,371,096	-	10,371,096
-	975	975	-	975
-	-	(7,483)	-	(7,483)
477,555	3,843,572	10,364,589	-	10,364,589
\$ 553,259	\$ 4,104,361	\$ 10,897,159	\$ -	\$ 10,897,159

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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, and courts 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 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, 2018, financial information of SAIF is included in this report. Because SAIF has a fiscal year different from the State, balances outstanding between SAIF and the State do not agree. SAIF reports \$8.9 million as Due from Primary Government while the State reports a Due to Component Unit of \$9.4 million for SAIF. Additionally, SAIF reports a Due to Primary Government of \$9.2 million, but the State reports a Due from Component Unit for SAIF of \$9.6 million.

The University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Western Oregon University (WOU), Southern Oregon University (SOU), Eastern Oregon University (EOU), and the Oregon Institute of Technology (OIT) are each independent public bodies, legally separate from the State. Each university is governed by a citizen board appointed by the Governor. The universities are primarily financed through student tuition and fees, sales and services of auxiliary enterprises, and federal, state, and local grants and contracts. The financial information presented for the universities include the related university's foundation. These universities also receive General Fund moneys from the State and use proprietary fund accounting principles.

Each of these universities has one or more legally separate foundations, which are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support. These foundations qualify as discretely presented component units of the individual universities. Prior to the universities becoming independent of the State, the university foundations were discretely presented component units of the State. In accordance with generally accepted accounting principles for governments, the State has reported as its discretely presented component unit the consolidated balances and activities of the university and foundation, net of any entries to eliminate balances and activities between the university and its foundation. For EOU, its foundation's fiscal year ends December 31, and as a result, there are no eliminating entries for the consolidated EOU. Any balances or activity between EOU and its foundation are not considered to be significant.

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 State Fair Council is an independent public corporation, charged with creating a sustainable business model for the Oregon State Fair and Exposition Center that can capitalize on sponsorships, rapidly changing

State of Oregon Notes to the Financial Statements

market conditions, and streamlined contracting and employment practices. The State Fair Council is a governmental entity performing governmental functions and exercising governmental powers. The Governor appoints members of the Council, and may remove them at will. It is financed primarily through fees for renting the fairground property and facilities and operating the annual Oregon State Fair. The December 31, 2018, financial information is included in this report.

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 (OHCS) 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 OHCS.

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, and to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008, as amended (EESA), and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. During the most recent fiscal year OAHAC administered only the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and its financial statements are prepared in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05, *Financial Statements for Not-for-Profit Organizations*. The December 31, 2018, financial information of OAHAC is included in this report. Because OAHAC has a fiscal year different from the State, balances outstanding between OAHAC and the State do not agree. OAHAC reports \$244 thousand as Due to Primary Government but the State does not report a Due from Component Unit for OAHAC.

SAIF, UO, OSU, and PSU are reported as major component units due to the significant transactions with the primary government. The remaining component units are reported as nonmajor. Readers may obtain complete financial statements for SAIF, UO, OSU, PSU, OHSU, WOU, SOU, EOU, OIT, the State Fair Council, 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 moneys or appropriation from the State, and the State has no financial accountability for OUNC.

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*.

State of Oregon
Notes to the Financial Statements

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.

The State has chosen to report its basic financial statements, required supplementary information, combining fund financial statements, and statistical section in amounts that round to the nearest one thousand dollars. The natural round of all amounts, including subtotals and totals, has been maintained.

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. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the General Fund also accounts for and reports the balances and activities of funds from which specific restricted or committed revenues comprise less than a substantial portion of the funds' "inflows". The State considers 30% as "substantial" for financial reporting purposes. Prior to the implementation of GASB Statement No. 54, the *Oregon Rainy Day Fund* was 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

State of Oregon
Notes to the Financial Statements

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 along with rebates and recoveries.

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 *Educational Support 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. Among the activities of this fund are capital project loans and grants provided to the State's eight public universities, all of which are reported as discretely presented component units of the State. The principal funding sources for these programs include federal grants, investment income and transfers from other funds.

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, and unclaimed property receipts.

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 *Veterans' Loan 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.

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 assessments collected from employers to provide payment of benefits to the unemployed.

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.

State of Oregon
Notes to the Financial Statements

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 *Investment Trust Fund* accounts for the portion of cash and investment pools managed by the Oregon State Treasury belonging to entities other than the State. Oregon reports the State's portion of the pools 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 Oregon Short Term Fund (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:

State of Oregon
Notes to the Financial Statements

- 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 and generally reflects the last reported sales price. For investments that do not have an active market, such as private placements or commingled investment vehicles, the value is stated at the net asset value (NAV) of units held, or its equivalent, as reported by the fund manager or general partner.

Investments – Oregon Public Employees Retirement Fund

Investments in private equities are recorded at fair value, as of June 30, 2019, as determined by Oregon Public Employees Retirement System (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, 2019, 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, 2019, 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 as provided by 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).

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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 fair 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

When the Department of Consumer and Business Services is granted the authority by the court system to protect the assets and liabilities of an insurance company under receivership in accordance with Oregon Revised Statutes, the net amount is reported 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 thousand 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 acquisition 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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable. Plan investments are reported at fair value.

P. Postemployment Benefits Other Than Pension (OPEB)

For purposes of measuring the net OPEB asset, net OPEB liability, related deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable. Plan investments are reported at fair value.

Q. Fund Equity

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 balances 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.

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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. Refer to Note 19 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, 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 and the Education Stability Fund, and both are reported in the General Fund. The resources in both funds may be expended only when specific non-routine budget shortfalls occur. Refer to Note 19 for additional information about the stabilization funds.

R. Changes in Accounting Principle

For the fiscal year ended June 30, 2019, the State implemented one new accounting standard issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* has been issued to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Refer to Note 8 for additional information.

S. Pending Changes in Accounting Principle

Two new accounting standards are effective for the fiscal year ending June 30, 2020.

GASB Statement No. 84, *Fiduciary Activities* improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

The State is currently evaluating the impact of these standards on future 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

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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% of the moneys contributed to the Oregon Public Employees Retirement Fund (OPERF) and not more than 65% of the other trust and endowment fund managed by the Council or the Treasury. The Deferred Compensation Fund, the Education Stability Fund, and the 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 St 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](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

The Treasurer 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 external participants 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:

<https://www.oregon.gov/treasury/invested-for-oregon/pages/oregon-intermediate-term-investments.aspx#OLGIF>

The Treasurer maintains the Oregon Local Government Intermediate Fund (OLGIF), an investment pool available for use by local governments, and is reported in an investment trust fund. A separate financial report for the OLGIF 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:

<https://www.oregon.gov/treasury/invested-for-oregon/pages/oregon-intermediate-term-investments.aspx#OLGIF>

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. Per the statute, depositories are required to

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report public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limits to the Treasury. The FDIC or NCUA assigns each bank or credit union a capitalization category quarterly: well-capitalized, adequately-capitalized, or under-capitalized. Depositories submit monthly or weekly reports to the Treasury depending on their capitalization category. Well-capitalized depositories report monthly; adequately and under-capitalized depositories report weekly. In addition to uninsured public fund balances, depositories are also required to report their net worth, leverage, and capital ratios. Based on this information, each depository's minimum collateral required to be pledged with the custodian as well as the maximum liability in the pool of all depositories are calculated for the next reporting period. The maximum liability is reported to the depository, and the Treasury.

Unless otherwise directed by the Treasury, a well-capitalized depository is required to pledge collateral valued at no less than 10% of its last reported uninsured public funds deposits. Per ORS Chapter 295, the Treasury may direct a well-capitalized depository to increase its collateral to a percentage greater than 10% - up to 100%. An adequately- or under-capitalized depository is required to pledge collateral valued at no less than 110% of its last reported uninsured public funds deposits. This percentage may not be decreased until such time the depository becomes well-capitalized.

There are three exceptions to the minimum collateral requirement calculation, and these exceptions must be collateralized at 100%:

1. A depository may not accept public fund deposits from a single 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% 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 a total public funds balance in excess of a percentage of the depository's net worth based on its capitalization category (100% for under-capitalized, 150% for adequately-capitalized, 200% for well-capitalized) unless approved for a period of up to 90 days by the Treasury. During this period, any public fund balances exceeding these limits must be collateralized at 100%.
3. A depository may not hold more than 30% of the aggregate public funds reported by all depositories in the pool unless the depository is well-capitalized and the excess is collateralized at 100%.

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

As of June 30, 2019, \$942.9 million in other depository balances were exposed to custodial credit risk as the balances were uninsured and uncollateralized. In addition, \$1.6 million in depository balances were exposed to custodial credit risk as the balances were uninsured but collateralized with securities by the pledging financial institution.

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.

B. Investments – Primary Government (Excluding the OPERF)

Investments Managed by Treasury

Investments of the primary government (excluding 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.

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Interest Rate Risk

Investment policy for fixed income portfolios under the direct management of the Treasurer generally limits the time horizon of the portfolio to an average maturity of one to five years. In addition, externally managed fixed income investment funds are required by policy to maintain an average bond duration level within 20% 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.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Investments held by Treasury:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
 - o **Investments managed by Treasury:** funds priced using a fair value per share published daily and validated with a sufficient level of observable activity; investments in real estate, including real estate investment trusts, when their value is based on an active market price; and equity securities, including exchange-traded derivatives, when their value is based on quoted prices from an active market.
 - o **Investments not managed by Treasury:** funds priced using a fair value per share that is published daily and validated with a sufficient level of observable activity; and equity securities, including exchange-traded derivatives, when their value is based on quoted prices from an active market.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
 - o **Investments managed by Treasury:** investments with remaining maturities of fewer than 90 days are carried at amortized cost, which approximates fair value; investments with maturities of greater than 90 days, debt securities, and investments not valued at Net Asset Value (NAV) are valued using the latest bid prices or evaluated quotes from independent pricing vendors, which use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions; certain non-U.S. government commercial paper is reported at amortized cost as independent vendor pricing was not available; and where observable activity is limited, yet supports that the NAV represents an exit value of the security at the measurement date.
 - o **Investments not managed by Treasury:** debt securities are valued using the latest bid prices or evaluated quotes from independent pricing vendors, which use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions; and where

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observable activity is limited, yet supports that the NAV represents an exit value of the security at the measurement date.

- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.
 - o **Investments managed by Treasury:** when independent price sources are not available, debt securities are priced based on the last traded price or a valuation provided by the investment manager; in the absence of quoted market prices, such as equity securities that trade infrequently or not at all, valuations are based on the last traded price or prices provided by investment managers; and funds that do not meet the criteria to be measured at NAV because the NAV per share (or its equivalent) was not calculated in a manner consistent with the Financial Accounting Standards Board (FASB) measurement principles for investment companies.
 - o **Investments not managed by Treasury:** when independent price sources are not available, debt securities are priced based on last traded price or a valuation provided by the investment manager; and funds that do not meet the criteria to be measured at NAV because the NAV per share (or its equivalent) was not calculated in a manner consistent with the FASB measurement principles for investment companies. Real estate property investments are valued by appraisals using market sales approach and income approach.

Investments that are measured at NAV as a practical expedient, such as private equity, real estate open ended funds, and alternative equities, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the FASB measurement principles for investment companies. In the Common School Fund, private equity consists of 14 funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged-buyouts, venture capital, growth equity, fund of funds, co-investments and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 12 to 14 years.

Common School Fund investments in real estate open ended funds have been valued based on the NAV per share (or its equivalent) as provided by the fund manager and consist of investments in two open ended funds that permit quarterly redemption of shares, subject to certain requirements being met. Alternative equity funds seek to provide diversification and inflation hedging characteristics in the Common School Fund and consist of three investments in commingled funds which permit monthly redemption of shares, subject to certain requirements being met. The fair values of the investment have been determined using NAV per share (or its equivalent) as provided by the fund manager.

In the Educational Support Fund, private equity consists of 51 current funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged buyouts, venture capital, growth equity, natural resources, and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These investments can never be redeemed with the fund. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 10 to 15 years.

Investments of the Oregon Short Term Fund (OSTF)

The OSTF is a short-term cash 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 an 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% of the portfolio mature or reset within 93 days; not more than 25% 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

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reset date or the put date is used instead of maturity date. For asset-backed securities, the weighted average life will be used as a proxy for the maturity date.

Interest rate and credit risk for the OSTF investments as of June 30, 2019 (in thousands):

Investment Type	Credit Rating	Investment Maturities			Balance at June 30, 2019
		93 Days or less	94 to 366 Days	One to Three Years	
U.S. Treasuries	Exempt	\$ 1,145,693	\$ 1,105,935	\$ 778,036	\$ 3,029,664
U.S. Federal agency debt	AAA	123,959	80,167	534,574	738,700
	AA	54,877	-	-	54,877
Total U.S. Federal agency debt		178,836	80,167	534,574	793,577
U.S. Federal agency discount notes	Not rated ³	216,070	-	-	216,070
Corporate commercial paper	A-1+	429,938	-	-	429,938
	A-1	163,090	-	-	163,090
Total corporate commercial paper		593,028	-	-	593,028
Corporate bonds	AAA	2,350	-	-	2,350
	AA	1,968,832	420,689	505,868	2,895,389
	A	4,278,948	688,412	1,133,660	6,101,020
	BBB ¹	-	14,213	60,798	75,011
Total corporate bonds		6,250,130	1,123,314	1,700,326	9,073,770
Municipal commercial paper	A-1+	564,986	-	-	564,986
	A-1	31,258	-	-	31,258
Total municipal commercial paper		596,244	-	-	596,244
Municipal bonds	AA	195,005	52,191	10,964	258,160
	A	128,000	-	-	128,000
Total municipal bonds		323,005	52,191	10,964	386,160
Non-U.S. government commercial paper	A-1+	363,089	123,924	-	487,013
Non-U.S. government debt	AAA	143,980	14,949	239,234	398,163
	AA	306,855	9,977	289,229	606,061
Total non-U.S. government debt		450,835	24,926	528,463	1,004,224
Asset-backed securities	AAA	2,154,945	1,400,473	805,561	4,360,979
Negotiable certificates of deposit	AA	150,033	50,131	-	200,164
	A	100,000	50,056	-	150,056
Total negotiable certificates of deposit		250,033	100,187	-	350,220
Commingled investment pool	Not rated ⁴	-	-	211,012	211,012
Time certificates of deposit	Not rated ²	250	-	-	250
Total		\$ 12,522,158	\$ 4,011,117	\$ 4,568,936	\$ 21,102,211

¹ Securities rated BBB on this table have been downgraded during the past fiscal year. The positions have been reviewed and retained at the Director of Capital Markets' discretion per the rules below.

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

³ Federal agency discount note securities which are not rated by the credit rating agencies as they carry an implicit guarantee of the U.S. Government.

⁴ The Oregon Local Government Intermediate Fund (OLGIF) is not rated by the credit ratings agencies. The composite credit quality rating of the OLGIF's holdings was AA at June 30, 2019.

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 minimum ratings for corporate notes at the time of purchase are a S&P rating of A-, a Moody's rating of A3, or a Fitch rating 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; minimum ratings are S&P of A-1, Moody's of P-1, and Fitch of F-1. Foreign government securities are required to have a minimum credit rating from S&P of AA-, Moody's of Aa3, or

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Fitch of AA-. Asset-backed securities are required to have long-term ratings of AAA, Aaa, or AAA, or short-term ratings of A-1+, P-1, or F-1+ by S&P, Moody's, and Fitch, respectively. Fund policies allow securities downgraded below the minimum required ratings at the time of purchase to be retained at the Director of Capital Markets' discretion. Rating groups were determined using the lowest actual rating from S&P, Moody's, or Fitch.

The fair value measurement for investments held in the OSTF at June 30, 2019 (in thousands):

	Level 1	Level 2	Level 3	Balance at June 30, 2019
Investments:				
U.S. Treasuries	\$ -	\$ 2,944,801	\$ -	\$ 2,944,801
U.S. Federal agency debt	-	793,577	-	793,577
Corporate commercial paper	-	49,942	-	49,942
Corporate bonds	-	9,071,420	-	9,071,420
Municipal commercial paper	-	156,172	-	156,172
Municipal bonds	-	75,155	-	75,155
Non-U.S. government commercial paper	-	415,822	-	415,822
Non-U.S. government debt	-	998,085	-	998,085
Asset-backed securities	-	4,360,979	-	4,360,979
Negotiable certificates of deposit	-	350,220	-	350,220
Total	\$ -	\$ 19,216,173	\$ -	\$ 19,216,173

The OSTF's investment in the Oregon Local Government Intermediate Fund (OLGIF) is priced using a net asset value and the value of OLGIF's underlying investments are marked to market daily. The OSTF held approximately 90% of the outstanding units of OLGIF at June 30, 2019.

Investments of the Oregon Intermediate Term Pool (OITP)

The OITP provides qualified participants with a vehicle to invest funds over a long-term investment horizon. The investment objective of OITP is to maximize total return (i.e., principal and income) within stipulated risk parameters. The external portion of the OITP is reported within an investment trust fund. The OITP staff manages interest rate risk by limiting the duration of investments held by the Pool. The portfolio guidelines require that the portfolio's modified duration, a measure of interest rate risk, shall not exceed three years. The weighted average duration for the Pool at June 30, 2019, was 3.23 years. The maximum maturity for any single investment should not be greater than 10.25 years from settlement date, with exceptions for asset-backed securities, mortgage-backed securities, and commercial mortgage-backed securities. These securities use weighted average life (WAL) as a proxy for maturity and are limited to a WAL of five years, or less, at the time of purchase.

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The credit rating for the investments held within the OITP and using the weighted average modified duration method at June 30, 2019 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2019	Weighted Average Modified Duration (in years)
U.S. Federal agency debt ¹	AA	\$ 3,585	
	Not Rated	5,628	
Total U.S. Federal agency debt¹		9,213	3.68
U.S. Federal agency commercial mortgage-backed securities ¹	Not Rated	1,067	1.57
U.S. Federal agency residential mortgage-backed securities ¹	Not Rated	15,100	2.16
U.S. Treasury debt	AAA	52,934	3.43
Non-U.S. government debt	A	522	4.24
Asset-backed securities	AAA	2,562	2.80
Corporate bonds	AAA	2,425	
	AA	1,659	
	A	12,890	
	BBB	16,706	
	BB	621	
Total corporate bonds		34,301	3.51
Commercial mortgage-backed securities	AAA	2,337	3.25
Municipal bonds	AA	1,486	3.06
External investment pool ²	Not Rated	5,647	0.55
Total		\$ 125,169	

¹ U.S. federal debt carries an implicit guarantee of the U.S. Government. For credit rules, federal debt is considered to be the highest quality, except when rated differently.

² The Oregon Short Term Fund (OSTF) is not rated by the credit ratings agencies. The composite credit quality rating of the OSTF's holdings was AA at June 30, 2019.

OITP guidelines require that all investments meet minimum ratings requirements at the time of purchase. Minimum required ratings are subject to investment type as dictated by the Pool's guidelines. Corporate notes and municipal debt must be rated investment grade or higher at time of purchase. Foreign government securities are required to have a minimum credit rating from S&P of AA-, Moody's of Aa3, or Fitch of AA-. Structured securities such as asset-backed and mortgage-backed securities must be rated AAA at the time of purchase. Pool guidelines allow securities downgraded below investment grade to be retained at the Director of Capital Markets' discretion.

Fair value measurement for the OITP at June 30, 2019 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Balance at June 30, 2019
U.S. Federal agency debt	\$ -	\$ 9,213	\$ -	\$ 9,213
U.S. Federal agency commercial mortgage-backed securities	-	1,067	-	1,067
U.S. Federal agency residential mortgage-backed securities	-	15,100	-	15,100
U.S. Treasury debt	-	52,934	-	52,934
Non-U.S. government debt	-	522	-	522
Asset-backed securities	-	2,562	-	2,562
Corporate bonds	-	34,301	-	34,301
Commercial mortgage-backed securities	-	2,337	-	2,337
Municipal bonds	-	1,486	-	1,486
Total	\$ -	\$ 119,522	\$ -	\$ 119,522

Investments of the Oregon Local Government Intermediate Fund (OLGIF)

The OLGIF is an external commingled investment pool for local governments offered by the Oregon State Treasury. The OLGIF provides qualified local government participants with a vehicle to invest assets over an

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intermediate time horizon (three to five years). The OLGIF is reported within an investment trust fund. The OLGIF staff manages interest rate risk by limiting the duration of investments held by the Fund. The portfolio guidelines require that the portfolio maintain a weighted average duration, a measure of interest rate risk, of plus or minus 20% relative to the duration of the Barclays Capital 1-5 Year Government/Credit Index (Benchmark). The duration for the Fund and the Benchmark at June 30, 2019, was 2.68 years and 2.66 years, respectively. The maximum maturity for any single investment should not be greater than 10.25 years from settlement date, with exceptions for asset-backed securities, mortgage-backed securities, and commercial mortgage-backed securities. These securities use weighted average life (WAL) as a proxy for maturity and are limited to a WAL of five years, or less, at the time of purchase.

The credit rating for the investments held within the OLGIF and using the weighted average modified duration method at June 30, 2019 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2019	Weighted Average Modified Duration (in years)
U.S. Treasury securities	Exempt	\$ 95,344	3.74
U.S. Treasury TIPS	Exempt	2,342	3.44
U.S. Federal agency debt	AA	3,905	1.29
Short Term Investment Fund ¹	Not Rated	14,164	N/A
Certificate of Deposit	AA	2,530	0.08
Asset-backed securities	AAA	5,464	0.25
Corporate bonds	AAA	3,200	
	AA	11,957	
	A	35,743	
	BBB	51,159	
	BB	6,250	
Total corporate bonds		<u>108,309</u>	2.37
Commercial mortgage-backed securities	AAA	7,224	2.02
Municipal bonds	AAA	667	0.08
Total		<u><u>\$ 239,949</u></u>	

¹ The Short Term Investment Fund (STIF) is not rated by the credit ratings agencies. The average quality of the STIF holdings was A1P1 and the weighted average maturity of the STIF was 42 days at June 30, 2019.

OLGIF guidelines require that all investments meet minimum ratings requirements at the time of purchase. Minimum required ratings are subject to investment type as dictated by the Fund's guidelines. Corporate notes and municipal debt must be rated investment grade or higher at time of purchase. Foreign government securities are required to have a minimum credit rating from S&P of AA-, Moody's of Aa3, or Fitch of AA-. Structured securities such as asset-backed and mortgage-backed securities must be rated AAA at the time of purchase.

Fund guidelines allow securities downgraded below investment grade to be retained at the discretion of the external manager. At no time should the weighted average credit quality of the Fund be more than one rating category below that of the Benchmark. At June 30, 2019, the weighted average credit quality of both the Fund and of the Benchmark was AA.

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Fair value measurement for the OLGIF at June 30, 2019 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Balance at June 30, 2019
U.S. Treasury securities	\$ -	\$ 95,344	\$ -	\$ 95,344
U.S. Treasury TIPS	-	2,342	-	2,342
U.S. Federal agency debt	-	3,905	-	3,905
Short Term Investment Fund	-	14,164	-	14,164
Certificate of Deposit	-	2,530	-	2,530
Asset-backed securities	-	5,464	-	5,464
Corporate bonds	-	108,309	-	108,309
Commercial mortgage-backed securities	-	7,224	-	7,224
Municipal bonds	-	667	-	667
Total	\$ -	\$ 239,949	\$ -	\$ 239,949

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Investments of the Governmental Funds, Managed by Treasury

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, 2019 (in thousands):

Reporting Fund ¹	Investment Type	Credit Rating ²	Investment Maturities (in years)				Balance at June 30, 2019
			Less than 1	1 to 5	6 to 10	More than 10 or none	
Public Transportation	Asset-backed securities	AAA	\$ 1,975	\$ 8,887	\$ -	\$ -	\$ 10,862
	U.S. Federal agency debt	AA	2,008	1,041	-	-	3,049
	U.S. Federal agency mortgages	Not rated	-	1,553	-	-	1,553
	Collateralized mortgage-backed securities	AAA	1,253	-	-	-	1,253
	Municipal bonds	AAA	460	1,502	-	-	1,962
		AA	10,144	2,000	-	-	12,143
	Total municipal bonds		10,603	3,501	-	-	14,105
	Corporate bonds	AA	10,258	1,269	500	-	12,028
		A	15,498	14,840	-	-	30,337
		BBB	3,067	8,627	-	-	11,694
	Total corporate bonds		28,823	24,736	500	-	54,059
	Non-U.S. government debt	A	-	2,088	-	-	2,088
	Total Public Transportation		44,662	41,806	500	-	86,969
Employment Services	U.S. Treasury securities ²	Exempt	3,039	9,970	-	-	13,009
	U.S. Federal agency debt	AA	6,012	8,568	-	-	14,580
		Not rated	-	5,103	5,195	-	10,298
			6,012	13,671	5,195	-	24,878
	U.S. Federal agency mortgages	Not rated	-	1,987	668	-	2,655
	Collateralized mortgage obligations	AA	2,746	-	-	-	2,746
	Asset-backed securities	AAA	11,793	5,742	868	-	18,402
	Municipal bonds	AAA	-	1,502	-	-	1,502
		AA	2,500	4,757	-	-	7,257
	Total municipal bonds		2,500	6,259	-	-	8,759
	Corporate bonds	AAA	-	3,076	1,629	-	4,706
		AA	13,113	1,562	-	-	14,675
		A	10,097	11,845	640	-	22,582
		BBB	16,332	8,044	1,538	-	25,914
		BB	-	-	1,943	-	1,943
	Total corporate bonds		39,542	24,527	5,750	-	69,819
	Oregon Intermediate Term Pool ³	Not rated	-	21,470	-	-	21,470
	Non-U.S. government debt	AAA	-	4,555	-	-	4,555
		A	-	522	-	-	522
			-	5,077	-	-	5,077
	Total Employment Services		65,631	88,703	12,481	-	166,815
Environmental Management	Oregon Intermediate Term Pool ³	Not rated	-	1,448	-	-	1,448
Permanent	Oregon Intermediate Term Pool ³	Not rated	-	6,954	-	-	6,954
Residential Assistance	U.S. Treasury securities ²	Exempt	-	4,783	-	-	4,783
	U.S. Federal agency debt	AA	-	-	-	10,767	10,767
	Total Residential Assistance		-	4,783	-	10,767	15,549
Business Development	Oregon Intermediate Term Pool ³	Not rated	-	28,003	-	-	28,003
Total			\$ 110,293	\$ 171,696	\$ 12,982	\$ 10,767	\$ 305,737

¹ Refer to the separate Common School Fund schedule.

² Investments of \$17,792 of U.S. Treasury securities are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

³ Refer to the separate Oregon Intermediate Term Pool schedule.

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Notes to the Financial Statements

Fair value measurement for the investments at Treasury held within the governmental funds, excluding the Common School Fund, at June 30, 2019 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Total
Public Transportation	Asset-backed securities	\$ -	\$ 10,862	\$ -	\$ 10,862
	U.S. Federal agency debt	-	3,049	-	3,049
	U.S. Federal agency mortgages	-	1,553	-	1,553
	Collateralized mortgage-backed securities	-	1,253	-	1,253
	Municipal bonds	-	14,105	-	14,105
	Corporate bonds	-	54,059	-	54,059
	Non-U.S. government debt	-	2,088	-	2,088
	Total Public Transportation	-	86,969	-	86,969
Employment Services	U.S. Treasury securities	-	13,009	-	13,009
	U.S. Federal agency debt	-	24,878	-	24,878
	U.S. Federal agency mortgages	-	2,655	-	2,655
	Collateralized mortgage obligations	-	2,746	-	2,746
	Asset-backed securities	-	18,402	-	18,402
	Municipal bonds	-	8,759	-	8,759
	Corporate bonds	-	69,819	-	69,819
	Non-U.S. government debt	-	5,077	-	5,077
	Total Employment Services	-	145,346	-	145,346
Residential Assistance	U.S. Treasury securities	-	4,783	-	4,783
	U.S. Federal agency debt	-	10,767	-	10,767
	Total Residential Assistance	-	15,549	-	15,549
Total Debt Investments		\$ -	\$ 247,864	\$ -	247,864

Investments valued at Net Asset Value (NAV):

Employment Services	Oregon Intermediate Term Pool	21,470
Environmental Management	Oregon Intermediate Term Pool	1,448
Permanent	Oregon Intermediate Term Pool	6,954
Business Development	Oregon Intermediate Term Pool	28,003
Total Investments valued at NAV		<u>57,874</u>
Total		<u>\$ 305,737</u>

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The credit rating for the Common School Fund's investments held at Treasury and using the segmented time distribution method at June 30, 2019 (in thousands):

Investment Type	Credit Rating ¹	Investment Maturities (in years)				Balance at June 30, 2019
		Less than 1	1 to 5	6 to 10	More than 10 or none	
U.S. Treasury securities	Exempt	\$ -	\$ 6,506	\$ 6,609	\$ 9,214	\$ 22,330
U.S. Treasury TIPS	Exempt	-	-	-	4,444	4,444
U.S. Federal agency debt	AA	100	-	-	-	100
U.S. Federal agency mortgages	AAA	167	-	-	-	167
	Not rated	5,605	-	660	71,085	77,349
Total U.S. government debt		5,871	6,506	7,268	84,743	104,389
Non-U.S. government debt	AA	-	1,674	585	-	2,260
	A	1,251	1,933	1,760	2,357	7,301
	BBB	182	1,740	2,534	7,482	11,939
	BB	-	397	-	472	868
	B	-	460	-	363	823
Total non-U.S. government debt		1,433	6,204	4,879	10,674	23,191
Corporate bonds	AAA	-	249	1,443	277	1,969
	AA	20	1,371	2,058	1,104	4,553
	A	7,767	4,306	6,083	3,272	21,428
	BBB	5,144	9,870	19,186	19,670	53,870
	BB	798	4,017	2,318	2,247	9,380
	B	-	41	-	35	75
Total corporate bonds		13,729	19,855	31,088	26,604	91,276
Asset-backed securities	AAA	942	-	-	-	942
	AA	1,701	-	-	-	1,701
	A	2,898	-	-	-	2,898
	BBB	835	-	-	-	835
	B	98	-	-	-	98
	CCC	73	-	-	-	73
	CC	570	-	-	-	570
	Not Rated	40	-	-	-	40
Total asset-backed securities		7,157	-	-	-	7,157
Collateralized mortgage obligations	AAA	1	-	-	-	1
	AA	104	-	-	-	104
	A	1,177	-	-	-	1,177
	BBB	1,502	-	-	-	1,502
	BB	90	-	-	-	90
	B	226	-	-	-	226
	D	75	-	-	-	75
Total collateralized mortgage obligations		3,175	-	-	-	3,175

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(Continued from previous page)

Investment Type	Credit Rating ¹	Investment Maturities (in years) (continued)				Balance at June 30, 2019
		Less than 1	1 to 5	6 to 10	More than 10 or none	
Collateralized mortgage-backed securities	AAA	1,114	-	-	32	1,146
	AA	1,292	-	-	332	1,625
	A	62	-	-	-	62
	CCC	50	-	-	44	94
	C	399	-	-	-	399
	D	153	-	-	57	210
	Not rated	608	-	-	-	608
Total collateralized mortgage-backed securities		3,678	-	-	466	4,144
Domestic fixed income funds	Not rated	-	-	-	240,014	240,014
		\$ 35,043	\$ 32,565	\$ 43,236	\$ 362,501	473,344
Domestic equity securities						291,339
International equity securities						315,402
Domestic equity funds						109,121
International equity funds						93,875
Private equity holdings						214,427
Domestic real estate investment trusts						3,318
International real estate investment trusts						2,006
Real estate open ended funds						126,924
Alternative equity funds						114,424
International rights and warrants						77
						<u>1,270,913</u>
Total						<u>\$ 1,744,258</u>

¹ Investments of \$22,330 in U.S. Treasury securities, \$4,444 in U.S. Treasury Inflation Protected Securities (TIPS), and \$22,638 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.

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Fair value measurement for the investments at Treasury held by the Common School Fund at June 30, 2019 (in thousands):

Investment type	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ -	\$ 22,330	\$ -	\$ 22,330
U.S. Treasury TIPS	-	4,444	-	4,444
U.S. Federal agency debt	-	100	-	100
U.S. Federal agency mortgages	-	77,516	-	77,516
Non-U.S. government debt	-	23,191	-	23,191
Corporate bonds	-	91,276	-	91,276
Asset-backed securities	-	7,157	-	7,157
Collateralized mortgage obligations	-	3,175	-	3,175
Collateralized mortgage-backed securities	-	4,144	-	4,144
Domestic fixed income funds	-	240,014	-	240,014
Total Debt Investments	-	473,344	-	473,344
Domestic equity securities	291,339	-	-	291,339
International equity securities	315,290	-	112	315,402
Domestic equity funds	-	109,121	-	109,121
International equity funds	9,252	84,623	-	93,875
Domestic real estate investment trusts	3,318	-	-	3,318
International real estate investment trusts	2,006	-	-	2,006
International rights and warrants	77	-	-	77
Total Equity securities and derivatives	621,282	193,744	112	815,138
Total	\$ 621,282	\$ 667,089	\$ 112	1,288,483

Investments measured at Net Asset Value (NAV)

Private equity holdings	214,427
Real estate open ended funds	126,924
Alternative equity funds	114,424
Total investments measured at NAV	455,775
Total Investments at fair value	<u>\$ 1,744,258</u>

Disclosures regarding redemption and investments valued at NAV per share (or its equivalent), held by the Common School Fund, including unfunded commitments at June 30, 2019 (in thousands):

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments¹	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	\$ 214,427	\$ 46,649	N/A	N/A
Real estate open ended funds	126,924	-	Quarterly	15 - 45 days
Alternative equity	114,424	25,000	Monthly	3 - 10 days
Total	<u>\$ 455,775</u>	<u>\$ 71,649</u>		

¹ Excludes new commitments not yet funded at June 30, 2019.

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Investments of the Proprietary Funds, Managed by Treasury

The credit rating for the investments at Treasury held by proprietary funds and using the segmented time distribution method at June 30, 2019 (in thousands):

Reporting Fund	Investment Type	Credit Rating ²	Investment Maturities (in years)				Balance at June 30, 2019
			Less than 1	1 to 5	6 to 10	More than 10 or none	
Housing and Community Services ¹	U.S. Treasury securities	Exempt	\$ -	\$ -	\$ 119	\$ 1,027	\$ 1,146
	U.S. Federal agency debt	AA	-	-	-	558	558
Total Housing and Community Services			-	-	119	1,585	1,704
Veterans' Loan	Oregon Intermediate Term Pool ³	Not rated	-	11,333	-	-	11,333
Lottery Operations	U.S. Treasury strips	Exempt	10,179	36,358	36,965	37,627	121,128
	U.S. Federal agency strips	Not rated	334	2,437	65	-	2,836
Total Lottery Operations			10,512	38,795	37,030	37,627	123,964
Special Public Works	Oregon Intermediate Term Pool ³	Not rated	-	11,454	-	-	11,454
Central Services	U.S. Treasury securities	Exempt	5,064	2,001	-	-	7,065
	U.S. Federal agency debt	AA	1,004	-	5,113	-	6,117
		Not rated	-	2,552	3,121	-	5,673
Total U.S. Federal agency debt			1,004	2,552	8,234	-	11,790
	U.S. Federal agency mortgages	Not rated	1,395	137	-	-	1,532
	Asset-backed securities	AAA	752	4,749	306	-	5,807
	Corporate bonds	AAA	2,008	2,021	543	-	4,572
		AA	3,000	1,795	-	-	4,796
		A	5,061	5,589	-	-	10,649
		BBB	8,197	5,071	2,057	-	15,324
Total corporate bonds			18,266	14,476	2,600	-	35,342
	Non-U.S. government debt	AAA	-	2,542	-	-	2,542
		A	-	261	-	-	261
Total non-U.S. government debt			-	2,803	-	-	2,803
Total Central Services			26,482	26,717	11,140	-	64,338
Total			\$ 36,994	\$ 88,300	\$ 48,288	\$ 39,212	\$ 212,794

¹ \$287,585 in investments are held outside Treasury. Refer to the separate schedule.

² Investments of \$8,211 in U.S. Treasury securities and \$121,128 in U.S. Treasury Strips are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

³ Refer to the separate Oregon Intermediate Term Pool schedule.

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The fair value measurement for the investments at Treasury held by proprietary funds at June 30, 2019 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Balance at June 30, 2019
Housing and Community Services	U.S. Treasury securities	\$ -	\$ 1,146	\$ -	\$ 1,146
	U.S. Federal agency debt	-	558	-	558
Total Housing and Community Services		-	1,704	-	1,704
Lottery Operations	U.S. Treasury strips	-	121,128	-	121,128
	U.S. Federal agency strips	-	2,836	-	2,836
Total Lottery Operations		-	123,964	-	123,964
Central Services	U.S. Treasury securities	-	7,065	-	7,065
	U.S. Federal agency debt	-	11,790	-	11,790
	U.S. Federal agency mortgages	-	1,532	-	1,532
	Asset-backed securities	-	5,807	-	5,807
	Corporate bonds	-	35,342	-	35,342
	Non-U.S. government debt	-	2,803	-	2,803
Total Central Services		-	64,338	-	64,338
Total Debt Investments		\$ -	\$ 190,007	\$ -	190,007
Investments valued at NAV					
Veterans' Loan	Oregon Intermediate Term Pool				11,333
Special Public Works	Oregon Intermediate Term Pool				11,454
Total Investments Valued at NAV					22,787
Total					\$ 212,794

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The fair value measurement for investments held outside Treasury at June 30, 2019 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Balance at June 30, 2019
Common School	U.S. Treasury securities	\$ 8	\$ -	\$ -	\$ 8
	U.S. Treasury strips	8	-	-	8
	U.S. Federal agency debt	-	79	-	79
	Municipal bonds	-	63	-	63
	Corporate bonds	-	71	-	71
	Alternative equities	-	-	22	22
	Mutual funds	14,204	-	-	14,204
	Domestic equity securities	21,553	48	-	21,602
	International equity securities	841	-	-	841
	Real Estate	-	-	5,840	5,840
Total Common School		36,614	261	5,862	42,737
Housing and Community Services	U.S. Treasury securities	-	28,916	-	28,916
	U.S. Federal agency debt	-	246,977	-	246,977
	Money market mutual funds	11,692	-	-	11,692
Total Housing and Community Services		11,692	275,893	-	287,585
Private Purpose Trust	U.S. Treasury securities	-	112	-	112
	Domestic equity securities	23	-	-	23
Total Private Purpose Trust		23	112	-	135
Agency	U.S. Treasury securities	-	15,748	-	15,748
Total Debt Investments		\$ 48,329	\$ 292,015	\$ 5,862	346,205
Investments reported at NAV:					
Educational Support	Private equities				99,112
Revenue Bond	Guaranteed investment contracts				2,523
Private Purpose Trust	Domestic mutual funds - debt				750
	Annuity contracts				65
Total					\$ 448,656

Disclosures regarding redemption and investments valued at NAV per share (or its equivalent), held by the Educational Support Fund, including unfunded commitments at June 30, 2019 (in thousands):

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equities	\$ 99,112	\$ 53,815	N/A	N/A

Interest Rate Sensitive Investments

As of June 30, 2019, the primary government held approximately \$120.3 million in debt instruments backed primarily by collateralized mortgage-backed securities and federal agency 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 \$4.4 billion of asset-backed securities collateralized primarily by credit card accounts, automobile loans and equipment leases.

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% 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

State of Oregon
Notes to the Financial Statements

on concentration of credit risk. At June 30, 2019, there were no issuers that exceeded 5% of the primary government's holdings (excluding OPERF).

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. On June 30, 2019, 74.2% of the Housing and Community Service Fund's total investments are Federal Home Loan Bank securities, 6% are Federal Farm Credit Bank, and 5.2% are Federal National Mortgage Association (FNMA) securities.

Within the major governmental funds, the Public Transportation Fund's investments included \$6 million (6.9%) in Berkshire Hathaway, \$5 million (5.8%) in Citigroup, \$4.7 million (5.4%) in New York Transitional Finance Authority, and \$4.5 million (5.2%) in Sumitomo Mitsui Financial Group.

The aggregated nonmajor governmental funds' total investments included \$17.1 million (7.7%) in Federal Home Loan Mortgage Corporation (FHLMC).

The Central Services Fund held \$5.2 million (8.2%) of its investments in FNMA.

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, 2019 (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars)					
	International		Non-US		Rights and Warrants	Total
	Deposits	Equity Securities	Government Debt	International Real Estate		
Argentine peso	\$ 55	\$ -	\$ 134	\$ -	\$ -	\$ 189
Australian dollar	-	13,943	-	-	-	13,943
British pound sterling	15	31,484	-	-	-	31,499
Canadian dollar	31	13,016	-	413	-	13,460
Chinese yuan	174	-	73	-	-	247
Danish krone	1	5,494	-	-	-	5,495
Euro	149	91,390	-	-	77	91,616
Hong Kong dollar	59	23,679	-	1,140	-	24,878
Israeli new shekel	6	1,310	-	-	-	1,315
Japanese yen	526	54,005	-	-	-	54,531
Mexican peso	844	1,718	6,206	125	-	8,893
Norwegian krone	-	1,386	-	-	-	1,386
Russian ruble	199	-	3,464	-	-	3,663
Singapore dollar	-	1,594	-	-	-	1,594
Swedish krona	1	4,969	-	-	-	4,970
Swiss franc	1	22,294	-	-	-	22,295
Total	\$ 2,060	\$ 266,282	\$ 9,877	\$ 1,678	\$ 77	\$ 279,975

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Notes to the Financial Statements

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

The Council establishes policies for the investment and reinvestment 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 managers provide additional guidelines that vary from manager to manager.

Investments in the OPERF as of June 30, 2019 (in thousands):

Investment Type	Fair Value
U.S. Treasury obligations	\$ 6,332,088
U.S. Treasury obligations - strips	15,767
U.S. Treasury obligations - TIPS	197,035
U.S. Federal agency mortgage securities	1,225,759
U.S. Federal agency mortgage TBAs	367,409
U.S. Federal agency debt	70,210
U.S. Federal agency strips	36,117
International debt securities	997,885
Non-government debt securities	270,420
Corporate bonds	2,184,138
Bank loans	1,535,736
Municipal bonds	13,122
Collateralized mortgage obligations	428,993
Asset-backed securities	340,420
Guaranteed investment contracts ¹	249,191
Domestic fixed income funds	2,012,887
Global fixed income funds	83
Total debt securities	16,277,259
Derivatives in asset positions	360,856
Domestic equity securities	12,868,318
International equity securities	9,936,798
Domestic equity funds	1,957,330
Global equity funds	480,891
International equity funds	3,134,945
Target date funds	645,995
Oregon Savings Growth Plan - self directed	18,137
Real estate and real estate investment trusts	8,966,133
Private equity	17,259,958
Alternative portfolio	7,218,604
Opportunity portfolio	1,717,804
Total investments	\$ 80,843,028

¹ Guaranteed investment contracts are stated at contract value.

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% 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, 2019, the weighted average duration of the fixed income portfolio was 4.3 years and no individual fixed income investment manager's portfolio was outside the policy guidelines.

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At June 30, 2019, the OPERF held approximately \$1.7 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 \$367.4 million in to-be-announced federal agency-issued mortgage pools. An additional \$340.4 million of debt instruments are asset-backed securities backed primarily by automobiles, consumer credit receivables, heavy equipment leases, and student loan receivables.

Debt investments of the OPERF as of June 30, 2019 (in thousands):

Investment Type	Balance at June 30, 2019	Effective Weighted Duration Rate (in years)
U.S. Treasury obligations	\$ 6,332,088	7.22
U.S. Treasury obligations - strips	15,767	0.73
U.S. Treasury obligations - TIPS	197,035	8.46
U.S. Federal agency mortgage securities	1,225,759	3.52
U.S. Federal agency mortgage TBAs	367,409	3.81
U.S. Federal agency debt	70,210	7.20
U.S. Federal agency strips	36,117	1.14
International debt securities	997,885	2.86
Non-U.S. government debt securities	269,965	6.98
Corporate bonds	2,184,088	5.68
Bank loans	1,521,059	0.11
Municipal bonds	13,122	9.57
Collateralized mortgage obligations	428,993	2.90
Asset-backed securities	340,420	1.75
Domestic fixed income funds	2,012,887	3.93
No effective duration:		
Non-U.S. government debt securities	455	N/A
Corporate bonds	50	N/A
Bank loans	14,676	N/A
Global Fixed Income Funds	83	N/A
Guaranteed investment contracts	249,191	N/A
Total debt securities	16,277,259	
Cash equivalent - Mutual Funds - STIF	623,857	42 days ¹
Cash equivalent - Oregon Short Term Fund	1,706,259	226 Days ¹
Total subject to interest rate risk	\$ 18,607,375	

¹ Weighted average maturity, pools are not rated.

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Council has no formal policy regarding credit risk. As of June 30, 2019, the fair value of below grade investments, excluding unrated securities, is \$2.3 billion, or 24.7%, of total securities subject to credit risk and 14.2% of total debt securities. The weighted quality rating average is A. Unrated securities include \$158.5 million in bank loans, \$2 billion in domestic and global fixed income funds, \$249.2 million in guaranteed investment contracts, and \$168.9 million in other debt securities.

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Notes to the Financial Statements

Credit ratings for debt securities within the OPERF as of June 30, 2019 (in thousands):

Credit Rating	Balance at June 30, 2019
AAA	\$ 696,367
AA	261,251
A	654,579
BBB	1,578,474
BB	447,862
B	1,469,624
CCC	389,878
CC	5,379
Not rated	2,589,550
Not rated - U.S. Federal agency ¹	1,281,666
Total subject to credit risk	9,374,630
U.S. government guaranteed securities	6,902,629
Total	\$ 16,277,259

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the OPERF will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. There is no formal policy regarding the holding of securities by a custodian or counterparty. As of June 30, 2019, no investments were exposed to custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. Policy states that no more than 25% of the fixed income manager positions may be invested in non-dollar denominated securities. As of June 30, 2019, approximately 0.8% of the debt investment portfolio was invested in non-dollar denominated securities. Policies for the non-fixed portion of the OPERF portfolio do not limit non-dollar denominated investments. OPERF utilizes a currency overlay manager to reduce risk through offsetting investments in the developed foreign currency market for international equity portfolios.

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The OPERF's exposure to foreign currency risk as of June 30, 2019 (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars)						Total
	Cash and Cash Equivalents	Debt Securities	Public Equity	Derivatives in Asset Positions	Real Estate	Alternative Portfolio	
Argentine peso	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8
Australian dollar	1,821	-	376,257	-	25,098	-	403,177
Brazilian real	1,281	455	242,742	-	434	-	244,912
British pound sterling	13,167	4,315	1,583,380	1,153	1,049	-	1,603,064
Canadian dollar	1,111	-	526,045	292	3,449	-	530,897
Chilean peso	626	-	16,282	115	-	-	17,022
Chinese yuan	5,799	804	130,550	-	-	-	137,152
Colombian peso	76	-	7,451	-	-	-	7,528
Czech koruna	16	-	6,809	-	-	-	6,825
Danish krone	119	2	208,767	-	-	-	208,888
Egyptian pound	367	-	11,701	-	-	-	12,067
Euro	14,244	26,857	1,917,043	31,880	1,878	1,040,439	3,032,340
Hong Kong dollar	3,012	-	612,538	111	18,844	-	634,505
Hungarian forint	390	-	17,720	-	-	-	18,110
Indian rupee	1,829	-	165,429	-	-	-	167,258
Indonesian rupiah	331	-	50,044	4	-	-	50,379
Israeli new shekel	272	-	93,548	-	796	-	94,616
Japanese yen	10,361	55,469	1,258,958	56,320	10,821	-	1,391,930
Kenya shilling	71	-	1,963	-	-	-	2,035
Malaysian ringgit	708	-	57,984	-	-	-	58,691
Mexican peso	2,400	15,130	61,322	-	20,479	-	99,331
Moroccan dirham	-	-	1,750	-	-	-	1,750
New Zealand dollar	76	-	29,519	-	1,077	-	30,671
Nigerian naira	325	-	5,357	-	-	-	5,682
Norwegian krone	1,089	-	82,762	505	-	-	84,356
Pakistani rupee	18	-	2,719	-	-	-	2,737
Peruvian nuevo sol	2	13,212	15	-	-	-	13,230
Philippine peso	96	-	23,979	5	-	-	24,080
Polish zloty	432	-	23,858	-	-	-	24,290
Qatar riyal	3	-	1,066	-	-	-	1,069
Romanian leu	-	-	2,804	-	-	-	2,804
Russian ruble	-	8,371	20,764	-	-	-	29,136
Singapore dollar	368	-	75,864	-	9,454	-	85,686
South African rand	287	-	183,315	-	-	-	183,602
South Korean won	563	-	383,002	-	112	-	383,677
Swedish krona	537	-	201,771	2,688	-	-	204,996
Swiss franc	582	-	544,196	-	-	-	544,779
Taiwan dollar	508	-	256,104	-	-	-	256,612
Thai baht	636	-	68,843	-	754	-	70,234
Turkish lira	128	-	45,821	-	535	-	46,484
United Arab Emirates dirham	3	-	10,433	-	-	-	10,436
Vietnamese dong	319	-	9,817	-	-	-	10,136
Zimbabwe dollar	101	-	-	-	-	-	101
Total	\$ 64,082	\$ 124,615	\$ 9,320,289	\$ 93,075	\$ 94,781	\$ 1,040,439	\$ 10,737,281

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Fair Value Measurement

Fair value measurement levels for investments in the OPERF as of June 30, 2019 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury obligations	\$ -	\$ 6,332,088	\$ -	\$ 6,332,088
U.S. Treasury obligations - strips	-	15,767	-	15,767
U.S. Treasury obligations - TIPS	-	197,035	-	197,035
U.S. Federal Agency mortgage securities	-	1,225,759	-	1,225,759
U.S. Federal Agency mortgage TBAs	-	367,409	-	367,409
U.S. Federal Agency debt	-	70,210	-	70,210
U.S. Federal Agency strips	-	36,117	-	36,117
Non-government debt securities	-	270,420	-	270,420
Corporate bonds	-	2,729,160	39,377	2,768,537
Bank loans	-	1,603,235	89,207	1,692,443
Municipal bonds	-	13,122	-	13,122
Collateralized mortgage obligations	-	436,838	-	436,838
Asset-backed securities	-	585,158	4,196	589,354
Domestic fixed income funds	-	2,012,887	-	2,012,887
Global fixed income funds	-	-	83	83
Total debt securities¹	-	15,895,205	132,863	16,028,068
Public Equity:				
Domestic equity securities	12,783,662	-	84,656	12,868,318
International equity securities	9,897,972	-	38,826	9,936,798
Domestic equity funds	-	1,957,330	-	1,957,330
Global equity funds	-	480,891	-	480,891
International equity funds	1,029,679	2,105,115	151	3,134,945
Target date funds	-	645,995	-	645,995
Oregon Savings Growth Plan - self directed	18,137	-	-	18,137
Total public equity	23,729,450	5,189,331	123,633	29,042,414
Real estate investment trusts	962,784	-	228	963,012
Total investments by fair value level	\$ 24,692,234	\$ 21,084,536	\$ 256,725	46,033,495
Investments Measured at Net Asset Value (NAV)				
Real estate:				
Real estate investments				6,702,903
Real estate open ended funds				1,300,217
Total real estate				8,003,121
Private equity				17,259,958
Alternative portfolio:				
Alternative diversifying strategies				3,241,701
Alternative infrastructure				2,348,481
Alternative natural resources				1,628,422
Total alternative equity				7,218,604
Opportunity portfolio:				
Opportunity private investments				551,332
Opportunity open ended funds				1,166,471
Total opportunity portfolio				1,717,804
Total investments measured at NAV				34,199,486
Total investments measured at fair value				\$ 80,232,981

¹ Guaranteed Investment Contracts are excluded from the table as these are stated at contract value.

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Investments Measured at Net Asset Value

Disclosures regarding redemption and investments valued at NAV per share (or its equivalent) including unfunded commitments at June 30, 2019 (in thousands):

	Fair Value	Unfunded Commitments¹	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate:				
Real estate investments	\$ 6,702,903	\$ 1,647,807	N/A	N/A
Real estate open ended funds	1,300,217	-	Quarterly	15 - 90 days
Private equity	17,259,958	10,024,214	N/A	N/A
Alternative portfolio:				
Alternative Diversifying Strategies	3,241,701	-	Monthly	2 - 75 days
Alternative Infrastructure	2,348,481	2,687,458	N/A	N/A
Alternative Natural Resources	1,628,422	832,206	N/A	N/A
Opportunity portfolio:				
Opportunity private investments	551,332	303,301	N/A	N/A
Opportunity open ended funds	1,166,471	390,599	Monthly/Quarterly	5 - 90 days
Total	\$ 34,199,486	\$ 15,885,586		

¹ Excludes unfunded commitments associated with investments included in the fair value hierarchy (Levels 1, 2, and 3) and new commitments not yet funded at June 30, 2019.

Equity securities are generally valued based on quoted prices from an active market and are therefore categorized in Level 1. In the absence of quoted market prices, such as equity securities that trade infrequently or not at all, valuations are based on the last traded price or a price provided by investment managers and are generally categorized in Level 3.

Debt securities classified as Level 2, are valued using the latest bid prices or evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. When independent price sources are not available, debt securities are priced based on the last traded price or a valuation provided by the investment manager and are categorized in Level 3.

Fund investments (e.g., mutual/commingled/open-ended funds), valued using a unit price that is published daily and validated with a sufficient level of observable activity are categorized in Level 1. If observable activity is limited, yet supports that the unit price or net asset value (NAV) represents an exit value of the security at the measurement date, the securities are categorized in Level 2. Investments that are measured at NAV as a practical expedient, such as most private equity, alternative, opportunity and real estate investments, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Funds not meeting this criteria are categorized in Level 3.

Investments in real estate, other than real estate investment trusts which are generally valued based on an active market price and are categorized in Level 1, have been valued based on the NAV per share (or its equivalent), as provided by the general partner. This type includes 68 commingled real estate funds, structured as limited partnerships, where the funds have a finite term. Distributions from the funds will be received as the underlying investments of the funds are liquidated. Liquidation is expected to take place during the five year period following the termination of the investment period which extends to 2035. Investments in real estate also include 13 joint ventures where the investments are expected to be held for the long term and generate cash flow that will represent a significant component of the total return. Real estate also includes investments in seven open ended funds that permit quarterly redemption of shares, subject to certain requirements being met.

Private equity consists of approximately 261 funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged buyouts, venture capital, growth equity,

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fund-of-funds, co-investments, and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 12 to 14 years.

The Alternative Portfolio investments seek to provide diversification and inflation hedging characteristics to the OPERF and include investments with a focus on infrastructure and natural resources. The Alternatives Portfolio consists of 55 investments in commingled funds organized as limited partnerships and limited liability companies. The fair values of the investments have been determined using a NAV per share (or its equivalent) of the investments. For alternative infrastructure and natural resource investments, which include 48 of the 55 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 10 to 14 years. Alternative diversifying strategies permit periodic redemption of shares, subject to certain requirements being met, and consist of seven funds investing in diversifying hedge fund strategies.

The Opportunity Portfolio includes strategies that fall outside of other asset classes and include 15 funds investing in a broad range of performing and distressed debt and debt related securities as well as royalties and insurance-based investments. The fair values of the investments have been determined using a NAV per share (or its equivalent) of the investments. For nine of the 15 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 10 to 14 years. The remaining six funds are open ended, permitting periodic redemption of shares.

D. Repurchase Agreements

Investments in repurchase agreements made with cash collateral securities lending transactions had the following fair values at June 30, 2019:

- \$92.6 million, or 12.6% of the Oregon Short Term Investment Fund, the cash collateral pool for all agencies, excluding OPERF.
- \$167.2 million, or 18.6% of the OPERF cash collateral pool.

E. 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, 2019.

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, letters of credit, 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% of the fair value of the loaned U.S. securities, international fixed income securities, or 105% 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.

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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, 2019, is effectively one day. On June 30, 2019, 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, 2019, 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	\$ 1,716,726	\$ 1,680,989	\$ 523,266
Domestic equity securities	952,837	939,408	567,571
International equity securities	218,756	206,584	89,515
Domestic fixed income securities	268,872	263,628	276,809
International fixed income securities	1,546	1,508	1,546
Total	\$ 3,158,738	\$ 3,092,119	\$ 1,458,707

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 Employment Benefit Trust Funds in the statement of fiduciary net position.

F. 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, 2019, the primary government had restricted assets of \$2.2 billion in deposits and \$1.1 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 Oregon State Treasury (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 (OHCS D) 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. OHCS D had five swaps at the end of the fiscal year. The fair value of the swaps on June 30, 2019, totaled negative \$5.2 million and the notional amount totaled \$118.4 million. Hedging derivatives with positive fair values are shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred inflows of resources and derivative instrument assets. Hedging derivatives with negative fair values are 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 of the hedging derivatives decreased by \$6.6 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

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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 fair value is categorized as Level 2 within the fair value hierarchy described in Note 2.

The terms, fair values, counterparties, and credit ratings of OHCSO's outstanding swaps as of June 30, 2019 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Term Date	Counterparty	Counterparty Rating ²
Multifamily housing revenue bonds								
2004 B	\$ 12,610	12/16/04	3.89%	64% of 1 mo LIBOR ¹ + .27%	\$ (144)	7/1/46	Merrill Lynch Capital Services ³	A2 A- A+
Mortgage revenue bonds								
2015 C	33,600	9/6/18	2.75%	70.0% of 1 mo LIBOR + .05%	(2,176)	7/1/45	Royal Bank of Canada	Aa2 AA- AA
2016 B	13,140	1/1/19	1.71%	66.5% of 1 mo LIBOR + .08%	(8)	1/1/33	Royal Bank of Canada	Aa2 AA- AA
2016 C	15,000	1/1/19	2.00%	66.5% of 1 mo LIBOR + .15%	(48)	7/1/37	Royal Bank of Canada	Aa2 AA- AA
2017 C	44,000	7/1/19	2.41%	70.0% of 1 mo LIBOR + .05%	(2,846)	7/1/39	Bank of America, N.A.	Aa2 A+ AA-
	<u>\$ 118,350</u>				<u>\$ (5,222)</u>			

¹ London Interbank Offered Rate

² Moody's / S&P / Fitch

³ Termination payments are guaranteed by Merrill Lynch Derivative Products AG (MLDP).

The multifamily housing revenue bonds (MF) 2004 B swap has a call option where OHCSO has the right to "call" (cancel) the swap in whole or in part semiannually on or after July 1, 2015. The mortgage revenue bonds (MRB) swaps include options giving OHCSO the right to call the swaps in whole or in part, depending on the exercise date, semiannually on or after July 1, 2023 (2016 B and 2016 C), January 1, 2025 (2015 C), and July 1, 2026 (2017 C). 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 OHCSO's tax-exempt bonds are determined weekly by a remarketing agent. OHCSO is exposed to basis risk when the variable rates received, which are based on the one month London Interbank Offered Rate (LIBOR) rate, do not offset the variable rates paid on the bonds. As of June 30, 2019, the one-month LIBOR was 2.4%. OHCSO's variable rates as of June 30, 2019, can be found in Note 8.

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. OHCSO 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 OHCSO would then be exposed to interest rate risk. Also, if any of the swaps had a negative value at termination, OHCSO 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. OHCSO is not exposed to rollover risk because the swap termination dates match the associated bond maturity dates.

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Debt service requirements of the variable rate debt and net swap payments of OHCSO, using interest rates as of June 30, 2019 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2020	\$ 255	\$ 2,096	\$ 746	\$ 3,097
2021	265	1,924	904	3,093
2022	275	1,918	904	3,097
2023	290	1,913	898	3,101
2024	295	1,907	892	3,094
2025-2029	23,100	8,805	4,064	35,970
2030-2034	29,895	6,918	3,367	40,181
2035-2039	34,340	4,499	2,472	41,311
2040-2044	21,860	1,972	1,170	25,002
2045-2047	7,775	175	117	8,067
Total	\$ 118,350	\$ 32,126	\$ 15,536	\$ 166,012

OHCSO's swaps, except for the MF 2004 B swap, 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, 2019, of the swaps that include these provisions is negative \$5.1 million. At June 30, 2019, the bonds subject to these provisions are rated Aa2 by Moody's; the bonds are not rated by S&P.

Department of Veterans' Affairs

The Veterans' Loan Fund, a major enterprise fund managed by the Department of Veterans' Affairs (DVA), has an interest rate swap in connection with its Loan Program General Obligation Veterans' Welfare Bonds, 2015 Series P (Veterans' Welfare Bonds Series 95). The swap and underlying floating-rate bonds together create "synthetic" fixed-rate debt. During fiscal year 2019, the DVA did not enter into, terminate, or have any maturities of derivatives. During the fiscal year, the fair value of hedging derivatives decreased by \$701 thousand.

The fair value balance of the 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. The fair value is categorized as Level 2 within the fair value hierarchy described in Note 2.

Because of interest rate decreases after the swap was executed, the fair value as of June 30, 2019, 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, using the forward interest rates implied by the yield curve for the floating leg of the swap and the fixed rate of the swap for the fixed leg of the swap. 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, 2019 (dollars 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 95 bonds, specifically related to changes in municipal tax-exempt interest rates	\$ 25,140	8/1/2016	12/1/2036	2.27%	66.3% of 1-month LIBOR + .09%	\$ (297)

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The Series 95 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 December 1, 2020. 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 Royal Bank of Canada (counterparty), which is rated AA- and Aa2 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	\$ 100
A+	A1	\$ 20,000	100
A	A2	10,000	100
A-	A3	5,000	100
BBB+ or below or not rated	Baa1 or below or not rated	-	100 ¹

¹ Minimum Transfer Amount shall be \$0 if, and for so long as, neither Moody's nor S&P rate the long-term unsecured, unsubordinated, debt securities of Royal Bank of Canada.

Since the fair value of the swap as of June 30, 2019, 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 Treasury 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, 2019, the interest rate on the variable rate hedged debt is 1.88%, while the 66.3% of one-month LIBOR plus 0.09% is 1.71%.

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, 2019, the following table presents the debt service requirements of the variable rate debt (on the notional amount of the swap) and the net swap payments (in thousands):

Year Ending	Interest Rate		Swaps (Net)		Total
June 30,	Principal	Interest			
2020	\$ -	\$ 473	\$ 146	\$	620
2021	-	472	148		620
2022	-	473	146		619
2023	-	473	146		619
2024	-	473	146		620
2025-2029	9,220	1,969	617		11,805
2030-2034	10,450	1,048	330		11,828
2035-2037	5,470	142	47		5,659
Total	\$ 25,140	\$ 5,523	\$ 1,727	\$	32,390

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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	\$ 100
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)

Common School Fund

In the Common School Fund (CSF) portfolio, forward currency exchange contracts may be used to gain exposure or hedge against 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 the 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 table shows the foreign currency exchange contracts within the Common School Fund as of June 30, 2019 (in thousands):

Currency	Options	Currency Forward Contracts		Total Exposure
		Net Receivables	Net Payables	
Australian dollar	\$ -	\$ 38	\$ (68)	\$ (30)
British pound sterling	-	(7)	(18)	(25)
Canadian dollar	-	224	(51)	173
Chinese yuan	-	-	5	5
Danish krone	-	74	(87)	(13)
Euro	77	92	(48)	121
Hong Kong dollar	-	5	(4)	1
Israeli new shekel	-	45	(42)	3
Japanese yen	-	18	(96)	(78)
Mexican peso	-	-	(6)	(6)
New Zealand dollar	-	164	(156)	8
Norwegian krone	-	92	(33)	59
Singapore dollar	-	77	-	77
Swedish krona	-	54	(89)	(35)
Swiss franc	-	8	(76)	(69)
Total	\$ 77	\$ 883	\$ (771)	\$ 189

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 specific company, at a pre-established price on or within a predetermined 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 the over-the-counter markets. Both are subject to general market risk and liquidity risk.

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The fair value of derivative instruments within the CSF portfolio as of June 30, 2019 (in thousands):

Investment Derivatives	Net Appreciation in Fair Value ^{1,3}	Classification	Fair Value	Notional Value²
Foreign exchange forwards	\$ (822)	Long term instruments	\$ 112	\$ 163,296
Rights	(1)	Common stock	77	202
Warrants	(4)	Common stock	-	-
Total	\$ (827)		\$ 189	\$ 163,498

¹ Negative values (in brackets) refer to losses.

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

³ Excludes futures margin payments.

The fair value of derivative instruments is reported on the balance sheet as investments, accounts and interest receivable, and accounts and interest payable. Changes in fair value of derivative instruments during the fiscal year 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 OPERF 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 derivative instruments held by OPERF are considered investments. The fair value of the derivative investments is reported in public 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.

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The following schedule presents the related net appreciation/(depreciation) in fair value amounts and the notional amounts of derivative instruments outstanding as of June 30, 2019 (in thousands):

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value of Investments^{1, 3}	Classification	Fair Value	Notional Value²
Credit Default Swaps Bought	\$ (1,536)	Public Equity	\$ (1,723)	\$ 160,974
Credit Default Swaps Written	1,056	Public Equity	(6,739)	78,054
Fixed Income Futures Long	85,548	Public Equity	-	2,042,500
Fixed Income Futures Short	(30,146)	Public Equity	-	(314,956)
Fixed Income Options Bought	3,426	Public Equity	9,212	596,182
Fixed Income Options Written	(3,127)	Public Equity	(11,380)	(2,670,596)
Foreign Currency Options Bought	(1,039)	Public Equity	52	8,770
Foreign Currency Options Written	775	Public Equity	(33)	(17,540)
Futures Options Bought	(527)	Public Equity	681	3,151
Futures Options Written	3,622	Public Equity	(1,152)	(3,487)
Foreign Exchange Forwards	57,301	Receivables/Payables	(5,193)	6,019,228
Index Futures Long	45,638	Public Equity	-	4,249
Index Futures Short	25,455	Public Equity	-	(70)
Pay Fixed Interest Rate Swaps	(48,188)	Public Equity	(32,318)	1,719,754
Receive Fixed Interest Rate Swaps	27,418	Public Equity	12,460	1,604,172
Rights	230	Public Equity	1,170	15,716
Total Return Swaps Bond	(2,888)	Public Equity	(407)	100,583
Total Return Swaps Equity	(3,432)	Public Equity	585	(52,142)
Warrants	1,044	Public Equity	9,314	1,716
Total	\$ 160,631		\$ (25,471)	\$ 9,296,260

¹ Negative values (in brackets) refer to losses.

² Notional may be a dollar amount or size of underlying for futures, rights, warrants, and options. Negative values refer to short positions.

³ Excludes futures margin payments.

The following table shows the fair value measurement for investment derivative instruments as of June 30, 2019 (in thousands):

Investment Derivative Instruments¹	Level 1	Level 2	Level 3	Total
Credit Default Swaps	\$ -	\$ 929	\$ -	\$ 929
Foreign Exchange Forwards	-	20,759	-	20,759
Forwards	-	-	266,580	266,580
Interest Rate Swaps	-	71,507	-	71,507
Options	681	9,264	-	9,945
Rights and Warrants	9,287	-	1,197	10,485
Total Return Swaps	1,411	-	-	1,411
Total Assets	11,379	102,458	267,778	381,615
Credit Default Swaps	-	(9,390)	-	(9,390)
Foreign Exchange Forwards	-	(25,952)	-	(25,952)
Interest Rate Swaps	-	(91,366)	-	(91,366)
Options	-	(12,565)	-	(12,565)
Total Return Swaps	-	(1,233)	-	(1,233)
Total Liabilities	-	(140,506)	-	(140,506)
Total	\$ 11,379	\$ (38,048)	\$ 267,778	\$ 241,110

¹ Refer to Note 2 for more information on the fair value hierarchy.

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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 the 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-traded 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 fair 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 predetermined 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.

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Counterparty Credit Risk

The following schedule presents a summary of counterparty credit rating relating to derivative instruments in asset positions as of June 30, 2019:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
JP Morgan Chase Bank N.A. London	32.20%	A+	AA	Aa2
JP Morgan CME	15.43%	A-	AA-	A2
JP Morgan Chase Bank, N.A.	9.54%	A+	AA	Aa2
UBS AG	6.93%	A+	AA-	Aa3
NatWest Markets PLC	6.19%	A-	A	Baa2
State Street Bank and Trust Company	5.49%	AA-	AA	Aa3
Barclays Bank CME	4.40%	A	A+	A2
Citibank N.A.	3.09%	A+	A+	Aa3
Bank of New York	2.36%	A	AA-	A1
Morgan Stanley CME	2.00%	BBB+	A	A3
Barclays Bank PLC Wholesale	1.85%	A	A+	A2
Morgan Stanley Co Incorporated	1.08%	BBB+	A	A3
Toronto Dominion Bank	1.01%	AA-	AA-	Aa3
Citigroup Global Markets INC	0.89%	BBB+	A	A3
Citigroup Global Markets CME	0.88%	BBB+	A	A3
Standard Chartered Bank	0.74%	A	A+	A1
National Australia Bank Limited	0.73%	AA-	AA-	Aa3
Australia and New Zealand Banking Group	0.60%	AA-	AA-	Aa3
BNP Paribas SA	0.56%	A+	A+	Aa3
Credit Suisse International	0.54%	A+	A	A1
HSBC Bank USA	0.47%	AA-	AA-	Aa3
Citigroup Global Markets LCH	0.44%	BBB+	A	A3
Brown Brothers Harriman & Co.	0.42%	NR	A+	NR
Citigroup	0.41%	BBB+	A	A3
JP Morgan Chase Bank N.A.	0.41%	A+	AA	Aa2
Royal Bank of Scotland PLC	0.29%	A-	A	Baa2
Bank of Montreal	0.21%	A+	AA-	Aa2
Royal Bank of Canada	0.20%	AA-	AA	A2
Bank of America, N.A.	0.16%	A+	AA-	Aa2
Commonwealth Bank of Australia Sydney	0.13%	AA-	AA-	Aa3
Morgan Stanley and Co. Inc.	0.12%	BBB+	A	A3
State Street Bank London	0.11%	A	AA-	A1
Goldman Sachs & Co. LLC	0.09%	BBB+	A	A3
Morgan Stanley and Co. International PLC	0.02%	BBB+	A	A3
Credit Suisse First Boston International	0.01%	A+	A	A1
Total	100.00%			

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Interest Rate Risk

As of June 30, 2019, 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, 2019 (in thousands):

Investment Type	Fair Value	Investment Maturity (in years)			
		Less Than 1	1 - 5	6 -10	More than 10
Credit Default Swaps Bought	\$ (1,723)	\$ -	\$ (2,138)	\$ -	\$ 415
Credit Default Swaps Written	(6,739)	-	133	-	(6,872)
Fixed Income Options Bought	9,212	5,484	2,509	1,051	168
Fixed Income Options Written	(11,380)	(8,248)	(2,622)	(511)	-
Pay Fixed Interest Rate Swaps	(32,318)	-	(10,020)	(8,027)	(14,271)
Receive Fixed Interest Rate Swaps	12,460	(682)	9,066	1,327	2,749
Total Return Swaps Bond	(407)	(407)	-	-	-
Total Return Swaps Equity	585	585	-	-	-
Total	\$ (30,310)	\$ (3,268)	\$ (3,072)	\$ (6,160)	\$ (17,811)

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The following schedule presents derivative instruments that were highly sensitive to interest rate changes as of June 30, 2019 (in thousands):

Investment Type	Reference Rate	Fair Value	Notional Value
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.75000%	\$ (1,351)	\$ 11,385
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 1.37000%	(421)	3,530
Pay Fixed Interest Rate Swaps	Receive Variable 6-month NOK NIBOR, Pay Fixed 2.18625%	(598)	18,709
Pay Fixed Interest Rate Swaps	Receive Variable 12-month GBP UKRPI, Pay Fixed 3.41250%	(23)	11,893
Pay Fixed Interest Rate Swaps	Receive Variable 12-month GBP UKRPI, Pay Fixed 3.45000%	(48)	11,893
Pay Fixed Interest Rate Swaps	Receive Variable 12-month USCPI, Pay Fixed 2.24900%	(660)	17,815
Pay Fixed Interest Rate Swaps	Receive Variable 3-month GBP LIBOR, Pay Fixed 1.38500%	(1,021)	167,058
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.3300%	(4,948)	22,701
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.04536%	(993)	17,988
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.00000%	(1,758)	11,396
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.42000%	(159)	10,819
Pay Fixed Interest Rate Swaps	Receive Variable 6-month JPY LIBOR, Pay Fixed 0.67250%	(520)	6,219
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.87500%	(2,587)	19,980
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.57500%	(125)	6,790
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.57200%	(1,236)	31,060
Pay Fixed Interest Rate Swaps	Receive Variable 6-month JPY LIBOR, Pay Fixed 0.33600%	(9)	343
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.50000%	(129)	7,790
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.51500%	(299)	17,360
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.89750%	(360)	2,410
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.55000%	(100)	5,690
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.57500%	(318)	17,270
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.48000%	(162)	9,660
Pay Fixed Interest Rate Swaps	Receive Variable 6-month GBP LIBOR, Pay Fixed 1.51500%	(591)	13,211
Pay Fixed Interest Rate Swaps	Receive Variable 6-month GBP LIBOR, Pay Fixed 1.50100%	(273)	6,287
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.63100%	(402)	31,175
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.54000%	(167)	9,660
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.62150%	(76)	1,810
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.62800%	(142)	3,360
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.43000%	(266)	17,640
Pay Fixed Interest Rate Swaps	Receive Variable 6-month JPY LIBOR, Pay Fixed 0.71500%	(11)	228
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.75000%	(2,389)	22,644
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.50000%	(3,188)	75,141
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.15550%	(14)	1,320
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.16100%	(23)	1,140
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.35670%	(200)	6,050
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.33827%	(206)	6,070
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.39350%	(97)	9,750
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.40300%	(98)	9,750
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.04000%	(42)	6,833
Pay Fixed Interest Rate Swaps	Receive Variable 3-month SEK LIBOR, Pay Variable 3-month SEK LIBOR	-	145,502
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.31150%	(95)	3,500
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.31700%	(72)	2,630
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.36000%	(466)	16,530
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.35900%	(436)	15,480
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.35800%	(620)	22,050
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.36250%	(456)	16,095
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.09800%	(157)	22,002
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.05000%	(58)	9,350
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.10000%	(67)	9,350
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.50750%	(94)	7,760
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.35950%	(121)	8,290
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.11000%	(84)	11,434

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Investment Type	Reference Rate	Fair Value	Notional Value
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.30000%	(566)	99,714
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.27700%	(195)	29,790
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.35000%	(247)	8,540
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.23050%	(71)	5,820
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.55350%	(61)	1,210
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.30700%	(1,155)	84,600
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.37650%	(112)	8,220
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.37050%	(74)	5,470
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.48000%	(52)	1,110
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.46650%	(109)	2,400
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.00650%	(88)	22,850
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 1.83500%	(168)	27,410
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 1.75000%	(317)	26,880
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.87000%	(87)	34,670
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.03300%	(49)	11,879
Pay Fixed Interest Rate Swaps	Receive Variable 3-month SEK LIBOR, Pay Variable 3-month SEK LIBOR	-	53,309
Pay Fixed Interest Rate Swaps	Receive Variable 3-month SEK LIBOR, Pay Variable 3-month SEK LIBOR	-	99,164
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.78500%	(15)	11,540
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.75350%	(1)	850
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.87500%	(26)	8,260
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.99700%	(31)	8,760
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.77000%	(116)	66,050
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.37000%	(64)	2,260
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.87450%	(31)	4,550
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.14000%	(27)	5,352
Pay Fixed Interest Rate Swaps	Receive Variable 6-month JPY LIBOR, Pay Fixed 0.29500%	(1)	325
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.07000%	(12)	2,020
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.89000%	(7)	4,410
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.78950%	(5)	3,590
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.08500%	(11)	5,398
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.61500%	14	7,750
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.32500%	-	440
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.00650%	(2)	610
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.73200%	59	46,340
Pay Fixed Interest Rate Swaps	Receive Variable 0-month FEDL, Pay Fixed 1.55000%	42	61,804
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.6700%	5	8,620
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.12987%	(4)	2,995
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 0.12763%	(3)	2,995
Subtotal - Pay Fixed Interest Rate Swaps		(32,318)	1,719,754
Receive Fixed Interest Rate Swaps	Receive Fixed 3.08000%, Pay Variable 3-month LIBOR	308	1,910
Receive Fixed Interest Rate Swaps	Receive Fixed 7.35050%, Pay Variable 1-month MXN TIIE	(271)	64,948
Receive Fixed Interest Rate Swaps	Receive Fixed 7.33000%, Pay Variable 1-month MXN TIIE	(27)	44,530
Receive Fixed Interest Rate Swaps	Receive Fixed 1.37750%, Pay Variable 6-month NOK NIBOR	(682)	169,048
Receive Fixed Interest Rate Swaps	Receive Fixed 0.87800%, Pay Variable 6-month Euro EURIBOR	20	277
Receive Fixed Interest Rate Swaps	Receive Fixed 2.89600%, Pay Variable 3-month LIBOR	1,176	25,160
Receive Fixed Interest Rate Swaps	Receive Fixed 3.48500%, Pay Variable 12-month GBP UKRPI	(12)	11,893
Receive Fixed Interest Rate Swaps	Receive Fixed 3.50500%, Pay Variable 12-month GBP UKRPI	19	11,893
Receive Fixed Interest Rate Swaps	Receive Fixed 2.16400%, Pay Variable 12-month USCPI	364	17,815
Receive Fixed Interest Rate Swaps	Receive Fixed 3.00000%, Pay Variable 3-month LIBOR	1,881	15,458
Receive Fixed Interest Rate Swaps	Receive Fixed 2.83360%, Pay Variable 3-month LIBOR	79	3,386
Receive Fixed Interest Rate Swaps	Receive Fixed 0.36400%, Pay Variable 6-month Euro EURIBOR	57	4,231
Receive Fixed Interest Rate Swaps	Receive Fixed 2.52050%, Pay Variable 3-month LIBOR	325	19,100
Receive Fixed Interest Rate Swaps	Receive Fixed 2.52600%, Pay Variable 3-month LIBOR	2,722	156,480
Receive Fixed Interest Rate Swaps	Receive Fixed 2.50850%, Pay Variable 3-month LIBOR	46	2,720
Receive Fixed Interest Rate Swaps	Receive Fixed 2.48350%, Pay Variable 3-month LIBOR	45	2,720
Receive Fixed Interest Rate Swaps	Receive Fixed 2.57000%, Pay Variable 3-month LIBOR	373	9,390

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Investment Type	Reference Rate	Fair Value	Notional Value
Receive Fixed Interest Rate Swaps	Receive Fixed 0.01600%, Pay Variable 6-month Euro EURIBOR	38	5,182
Receive Fixed Interest Rate Swaps	Receive Fixed 2.62000%, Pay Variable 3-month LIBOR	374	8,900
Receive Fixed Interest Rate Swaps	Receive Fixed 2.49750%, Pay Variable 3-month LIBOR	46	2,730
Receive Fixed Interest Rate Swaps	Receive Fixed 2.46200%, Pay Variable 3-month LIBOR	89	5,450
Receive Fixed Interest Rate Swaps	Receive Fixed 2.45950%, Pay Variable 3-month LIBOR	67	4,110
Receive Fixed Interest Rate Swaps	Receive Fixed 0.56000%, Pay Variable 6-month Euro EURIBOR	82	2,038
Receive Fixed Interest Rate Swaps	Receive Fixed 0.05900%, Pay Variable 6-month Euro EURIBOR	42	10,420
Receive Fixed Interest Rate Swaps	Receive Fixed 2.66100%, Pay Variable 3-month LIBOR	24	385
Receive Fixed Interest Rate Swaps	Receive Fixed 2.67000%, Pay Variable 3-month LIBOR	24	385
Receive Fixed Interest Rate Swaps	Receive Fixed 2.43050%, Pay Variable 3-month LIBOR	87	5,490
Receive Fixed Interest Rate Swaps	Receive Fixed 2.43350%, Pay Variable 3-month LIBOR	88	5,490
Receive Fixed Interest Rate Swaps	Receive Fixed 2.24700%, Pay Variable 3-month LIBOR	79	6,440
Receive Fixed Interest Rate Swaps	Receive Fixed 2.22950%, Pay Variable 3-month LIBOR	99	8,270
Receive Fixed Interest Rate Swaps	Receive Fixed 2.60000%, Pay Variable 3-month LIBOR	245	4,260
Receive Fixed Interest Rate Swaps	Receive Fixed 2.06300%, Pay Variable 3-month LIBOR	37	4,240
Receive Fixed Interest Rate Swaps	Receive Fixed 2.03320%, Pay Variable 3-month LIBOR	227	27,670
Receive Fixed Interest Rate Swaps	Receive Fixed 2.17877%, Pay Variable 3-month LIBOR	229	11,750
Receive Fixed Interest Rate Swaps	Receive Fixed 2.05550%, Pay Variable 3-month LIBOR	43	4,960
Receive Fixed Interest Rate Swaps	Receive Fixed 2.04850%, Pay Variable 3-month LIBOR	75	8,850
Receive Fixed Interest Rate Swaps	Receive Fixed 2.24950%, Pay Variable 3-month LIBOR	18	1,410
Receive Fixed Interest Rate Swaps	Receive Fixed 2.52000%, Pay Variable 3-month LIBOR	22	440
Receive Fixed Interest Rate Swaps	Receive Fixed 2.52000%, Pay Variable 3-month LIBOR	22	440
Receive Fixed Interest Rate Swaps	Receive Fixed 2.20950%, Pay Variable 3-month LIBOR	65	5,500
Receive Fixed Interest Rate Swaps	Receive Fixed 1.78000%, Pay Variable 6-month NOK NIBOR	59	127,596
Receive Fixed Interest Rate Swaps	Receive Fixed 2.25000%, Pay Variable 3-month LIBOR	610	97,879
Receive Fixed Interest Rate Swaps	Receive Fixed 2.24350%, Pay Variable 3-month LIBOR	55	4,425
Receive Fixed Interest Rate Swaps	Receive Fixed 2.26600%, Pay Variable 3-month LIBOR	57	4,425
Receive Fixed Interest Rate Swaps	Receive Fixed 2.25500%, Pay Variable 3-month LIBOR	28	2,213
Receive Fixed Interest Rate Swaps	Receive Fixed 2.52000%, Pay Variable 3-month LIBOR	41	825
Receive Fixed Interest Rate Swaps	Receive Fixed 2.25450%, Pay Variable 3-month LIBOR	28	2,212
Receive Fixed Interest Rate Swaps	Receive Fixed 2.31800%, Pay Variable 3-month LIBOR	39	3,170
Receive Fixed Interest Rate Swaps	Receive Fixed 2.25000%, Pay Variable 3-month LIBOR	398	31,810
Receive Fixed Interest Rate Swaps	Receive Fixed 2.21250%, Pay Variable 3-month LIBOR	52	4,430
Receive Fixed Interest Rate Swaps	Receive Fixed 2.31400%, Pay Variable 3-month LIBOR	68	5,470
Receive Fixed Interest Rate Swaps	Receive Fixed 2.27100%, Pay Variable 3-month LIBOR	64	5,480
Receive Fixed Interest Rate Swaps	Receive Fixed 2.26500%, Pay Variable 3-month LIBOR	63	5,480
Receive Fixed Interest Rate Swaps	Receive Fixed 2.28850%, Pay Variable 3-month LIBOR	65	5,480
Receive Fixed Interest Rate Swaps	Receive Fixed 2.50000%, Pay Variable 3-month LIBOR	32	660
Receive Fixed Interest Rate Swaps	Receive Fixed 2.29300%, Pay Variable 3-month LIBOR	33	2,740
Receive Fixed Interest Rate Swaps	Receive Fixed 2.30000%, Pay Variable 3-month LIBOR	34	2,740
Receive Fixed Interest Rate Swaps	Receive Fixed 2.28500%, Pay Variable 3-month LIBOR	33	2,745
Receive Fixed Interest Rate Swaps	Receive Fixed 2.44500%, Pay Variable 3-month LIBOR	53	1,220
Receive Fixed Interest Rate Swaps	Receive Fixed 2.20900%, Pay Variable 3-month LIBOR	62	6,825
Receive Fixed Interest Rate Swaps	Receive Fixed 2.20600%, Pay Variable 3-month LIBOR	62	6,825
Receive Fixed Interest Rate Swaps	Receive Fixed 2.44650%, Pay Variable 3-month LIBOR	40	1,240
Receive Fixed Interest Rate Swaps	Receive Fixed 2.16400%, Pay Variable 3-month LIBOR	57	6,830
Receive Fixed Interest Rate Swaps	Receive Fixed 2.16900%, Pay Variable 3-month LIBOR	57	6,830
Receive Fixed Interest Rate Swaps	Receive Fixed 2.00650%, Pay Variable 3-month LIBOR	88	22,850
Receive Fixed Interest Rate Swaps	Receive Fixed 2.24100%, Pay Variable 3-month LIBOR	88	8,940
Receive Fixed Interest Rate Swaps	Receive Fixed 1.99750%, Pay Variable 3-month CAD CDOR	202	50,698
Receive Fixed Interest Rate Swaps	Receive Fixed 2.11950%, Pay Variable 3-month LIBOR	49	5,500
Receive Fixed Interest Rate Swaps	Receive Fixed 2.08600%, Pay Variable 3-month LIBOR	23	2,750
Receive Fixed Interest Rate Swaps	Receive Fixed 2.08700%, Pay Variable 3-month LIBOR	23	2,750
Receive Fixed Interest Rate Swaps	Receive Fixed 2.19350%, Pay Variable 3-month LIBOR	44	6,240
Receive Fixed Interest Rate Swaps	Receive Fixed 2.18600%, Pay Variable 3-month LIBOR	43	6,240
Receive Fixed Interest Rate Swaps	Receive Fixed 2.20350%, Pay Variable 3-month LIBOR	72	10,010
Receive Fixed Interest Rate Swaps	Receive Fixed 0.08100%, Pay Variable 6-month Euro EURIBOR	10	4,282

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State of Oregon
Notes to the Financial Statements

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Investment Type	Reference Rate	Fair Value	Notional Value
Receive Fixed Interest Rate Swaps	Receive Fixed 2.08200%, Pay Variable 3-month LIBOR	98	17,510
Receive Fixed Interest Rate Swaps	Receive Fixed 0.02250%, Pay Variable 3-month SEK STIBOR	103	53,309
Receive Fixed Interest Rate Swaps	Receive Fixed 2.02500%, Pay Variable 3-month LIBOR	39	8,770
Receive Fixed Interest Rate Swaps	Receive Fixed 2.01350%, Pay Variable 3-month LIBOR	75	17,505
Receive Fixed Interest Rate Swaps	Receive Fixed 1.97100%, Pay Variable 3-month LIBOR	30	8,770
Receive Fixed Interest Rate Swaps	Receive Fixed 1.87600%, Pay Variable 3-month LIBOR	13	7,805
Receive Fixed Interest Rate Swaps	Receive Fixed 1.86250%, Pay Variable 3-month LIBOR	8	5,853
Receive Fixed Interest Rate Swaps	Receive Fixed 1.87950%, Pay Variable 3-month LIBOR	15	8,780
Receive Fixed Interest Rate Swaps	Receive Fixed 1.89350%, Pay Variable 3-month LIBOR	17	8,780
Receive Fixed Interest Rate Swaps	Receive Fixed 1.84200%, Pay Variable 3-month LIBOR	9	8,790
Receive Fixed Interest Rate Swaps	Receive Fixed 1.83000%, Pay Variable 3-month LIBOR	3	3,902
Receive Fixed Interest Rate Swaps	Receive Fixed 1.91450%, Pay Variable 3-month LIBOR	14	5,860
Receive Fixed Interest Rate Swaps	Receive Fixed 0.00000%, Pay Variable 3-month SEK LIBOR	139	99,164
Receive Fixed Interest Rate Swaps	Receive Fixed 1.83000%, Pay Variable 3-month LIBOR	3	13,440
Receive Fixed Interest Rate Swaps	Receive Fixed 1.83700%, Pay Variable 3-month LIBOR	2	6,720
Receive Fixed Interest Rate Swaps	Receive Fixed 1.84200%, Pay Variable 3-month LIBOR	3	6,855
Receive Fixed Interest Rate Swaps	Receive Fixed 1.86150%, Pay Variable 3-month LIBOR	5	6,653
Receive Fixed Interest Rate Swaps	Receive Fixed 0.11400%, Pay Variable 6-month Euro EURIBOR	6	2,676
Receive Fixed Interest Rate Swaps	Receive Fixed 0.13950%, Pay Variable 6-month Euro EURIBOR	16	8,598
Receive Fixed Interest Rate Swaps	Receive Fixed 1.84400%, Pay Variable 3-month LIBOR	7	12,540
Receive Fixed Interest Rate Swaps	Receive Fixed 1.74400%, Pay Variable 3-month LIBOR	31	11,170
Receive Fixed Interest Rate Swaps	Receive Fixed 0.13750%, Pay Variable 6-month Euro EURIBOR	24	13,347
Receive Fixed Interest Rate Swaps	Receive Fixed 1.89750%, Pay Variable 3-month LIBOR	7	4,390
Receive Fixed Interest Rate Swaps	Receive Fixed 1.88000%, Pay Variable 3-month LIBOR	6	4,390
Receive Fixed Interest Rate Swaps	Receive Fixed 1.82950%, Pay Variable 3-month LIBOR	2	4,410
Receive Fixed Interest Rate Swaps	Receive Fixed 1.83100%, Pay Variable 3-month LIBOR	2	4,410
Receive Fixed Interest Rate Swaps	Receive Fixed 2.06350%, Pay Variable 3-month LIBOR	8	970
Receive Fixed Interest Rate Swaps	Receive Fixed 1.85100%, Pay Variable 3-month LIBOR	7	8,780
Receive Fixed Interest Rate Swaps	Receive Fixed 1.62000%, Pay Variable 3-month LIBOR	1	3,262
Receive Fixed Interest Rate Swaps	Receive Fixed 0.23950%, Pay Variable 6-month Euro EURIBOR	(1)	2,706
Receive Fixed Interest Rate Swaps	Receive Fixed 0.24150%, Pay Variable 6-month Euro EURIBOR	(1)	2,706
Receive Fixed Interest Rate Swaps	Receive Fixed 1.81900%, Pay Variable 3-month LIBOR	2	8,800
Receive Fixed Interest Rate Swaps	Receive Fixed 0.19750%, Pay Variable 6-month Euro EURIBOR	7	13,495
Receive Fixed Interest Rate Swaps	Receive Fixed 1.50700%, Pay Variable 3-month LIBOR	(14)	17,820
Receive Fixed Interest Rate Swaps	Receive Fixed 1.58500%, Pay Variable 3-month LIBOR	(4)	2,780
Receive Fixed Interest Rate Swaps	Receive Fixed 2.10150%, Pay Variable 3-month LIBOR	-	620
Receive Fixed Interest Rate Swaps	Receive Fixed 1.75200%, Pay Variable 3-month LIBOR	(4)	4,430
Receive Fixed Interest Rate Swaps	Receive Fixed 1.71800%, Pay Variable 3-month LIBOR	(14)	8,840
Receive Fixed Interest Rate Swaps	Receive Fixed 0.67250%, Pay Variable 6-month JPY LIBOR	520	6,219
Receive Fixed Interest Rate Swaps	Receive Fixed 1.96700%, Pay Variable 3-month LIBOR	(1)	3,880
Receive Fixed Interest Rate Swaps	Receive Fixed 1.79450%, Pay Variable 3-month LIBOR	-	8,890
Subtotal - Receive Fixed Interest Rate Swaps		12,460	1,604,172
Total Interest Rate Swaps		\$ (19,859)	\$ 3,323,926

State of Oregon
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Foreign Currency Risk

OPERF is exposed to foreign currency risk on its derivative instruments. The following schedule presents a summary of derivative instruments subject to foreign currency risk as of June 30, 2019 (in thousands):

Currency Name	Currency Forward Contracts		Options/Rights/		Total
	Net Receivables	Net Payables	Warrants	Swaps	Exposure
Argentine peso	\$ 2,171	\$ -	\$ -	\$ -	\$ 2,171
Australian dollar	1,264	(386)	-	-	878
Brazilian real	278	(419)	-	-	(141)
British pound sterling	(1,562)	8,354	1,139	(1,949)	5,983
Canadian dollar	3,745	(4,487)	28	202	(512)
Chilean peso	110	(302)	115	-	(77)
Chinese yuan	-	(19)	-	-	(19)
Chinese yuan offshore	(40)	27	-	-	(14)
Danish krone	345	44	-	-	390
Egyptian pound	-	(18)	-	-	(18)
Euro	2,001	(79)	565	(286)	2,201
Hong Kong dollar	87	(133)	-	117	71
Hungarian forint	164	(40)	-	-	124
Indian rupee	250	(289)	-	-	(40)
Indonesian rupiah	-	-	4	-	4
Japanese yen	1,628	(11,614)	137	(74)	(9,923)
Mexican peso	614	(595)	-	(298)	(279)
Moroccan dirham	110	-	-	-	110
New Israeli sheqel	478	(1,056)	-	-	(578)
New Taiwan dollar	127	-	-	-	127
New Zealand dollar	2,837	(1,744)	-	-	1,093
Norwegian krone	162	(1,200)	-	(1,221)	(2,259)
Peruvian sol	22	(183)	-	-	(160)
Philippine peso	-	-	5	-	5
Polish zloty	206	(335)	-	-	(129)
Romanian leu	179	-	-	-	179
Russian ruble	1,065	(492)	-	-	573
Saudi riyal	1	(8)	-	-	(7)
Singapore dollar	217	(983)	-	-	(766)
South African rand	155	(100)	-	-	55
South Korean won	-	(420)	-	-	(420)
Swedish krona	1,250	248	-	(91)	1,407
Swiss franc	2,564	(9,877)	-	-	(7,312)
Thailand baht	102	(45)	-	-	58
Tunisian dinar	3	-	-	-	3
Turkish lira	225	201	-	-	426
United Arab Emirates dirham	-	(2)	-	-	(2)
Total Subject to					
Foreign Currency Risk	\$ 20,759	\$ (25,952)	\$ 1,993	\$ (3,599)	\$ (6,800)

4. RECEIVABLES AND PAYABLES

A. Taxes Receivable

The following table presents the types of taxes which are reported in the fund financial statements as taxes receivable (net). Some taxes receivable are not expected to be collected within one year of the date of the financial statements.

State of Oregon
Notes to the Financial Statements

Taxes receivables reported for governmental activities at June 30, 2019 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Other	Total
Governmental activities						
Personal income taxes	\$ 1,125,414	\$ -	\$ -	\$ -	\$ -	\$ 1,125,414
Corporate income taxes	155,022	-	-	-	-	155,022
Inheritance taxes	30,356	-	-	-	-	30,356
Cigarette taxes	2,744	13,231	-	-	-	15,976
Marijuana taxes	-	12,918	-	-	-	12,918
Healthcare provider taxes	-	199,737	-	-	-	199,737
Motor fuel taxes	-	-	51,775	-	-	51,775
Weight mile taxes	-	-	38,380	-	-	38,380
Employer-employee taxes	-	-	-	-	11,887	11,887
Other	29,026	-	125	461	19,954	49,565
Gross receivables	1,342,563	225,886	90,279	461	31,840	1,691,029
Allowance for doubtful accounts	(87,449)	(663)	(5,309)	(102)	(420)	(93,943)
Total receivables, net	\$ 1,255,114	\$ 225,223	\$ 84,970	\$ 359	\$ 31,420	\$ 1,597,086

B. Loans Receivable

The following tables disaggregate loans receivable balances reported in the fund financial statements as loans receivable (net).

Loans receivables reported for governmental activities at June 30, 2019 (in thousands):

	Health and Social Services	Public Transportation	Other	Total
Governmental activities				
Clean water state revolving fund	\$ -	\$ -	\$ 463,645	\$ 463,645
Oregon transportation infrastructure bank	-	23,162	-	23,162
Private forests program	-	-	1,016	1,016
Disabled and senior property tax assistance program	-	-	101,081	101,081
Business development	-	-	18,521	18,521
Multi-family housing units	-	-	114,439	114,439
Foreclosure prevention	-	-	19,645	19,645
Mental health housing facilities	26,783	-	-	26,783
Other	15	-	65	80
Gross receivables	26,798	23,162	718,411	768,371
Allowance for doubtful accounts	(26,515)	-	(16,819)	(43,335)
Total receivables, net	\$ 283	\$ 23,162	\$ 701,592	\$ 725,036

State of Oregon
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Loans receivables reported for business-type activities at June 30, 2019 (in thousands):

	Housing and Community Services	Veterans' Loans	Other	Total
Business-type activities				
Single-family mortgage program	\$ 827,126	\$ -	\$ -	\$ 827,126
Elderly and disabled housing units	66,759	-	-	66,759
Multi-family housing units	60,722	-	-	60,722
Veterans' home loans	-	368,031	-	368,031
Small energy loan program	-	-	37,383	37,383
Business development	-	-	23,278	23,278
Special public works	-	-	161,256	161,256
Wastewater financing	-	-	78,272	78,272
Safe drinking water	-	-	165,889	165,889
Oregon ports/brownfields	-	-	10,994	10,994
Gross receivables	954,607	368,031	477,072	1,799,710
Allowance for doubtful accounts	-	(90)	(18,064)	(18,154)
Total receivables, net	\$ 954,607	\$ 367,940	\$ 459,008	\$ 1,781,556

C. Receivables Other Than Taxes and Loans

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, 2019 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	\$ 6,990	\$ 83,267	\$ 12,830	\$ 2,229	\$ 5,738	\$ 113,938	\$ 224,993	\$ 119,046
Due from federal government	469	188,457	60,136	89,704	-	169,874	508,641	200
Interest	196	-	463	-	2,816	42,192	45,667	365
Broker receivable	-	-	-	-	8,637	-	8,637	-
Notes	-	-	-	-	-	100	100	-
Contracts	-	-	375	-	-	3,415	3,790	-
Mortgages	-	8,009	-	-	-	-	8,009	-
Benefit recoveries	2,914	56,484	-	-	-	-	59,398	221
Medicaid drug rebate	-	109,957	-	-	-	-	109,957	-
Forest fire claims	10	-	-	-	-	70,478	70,488	-
Fines, forfeitures, and penalties	40,379	38	-	-	137	135,960	176,514	45
Court fines and fees	-	-	-	-	-	1,150,003	1,150,003	-
Child support recoveries	-	-	-	-	-	333,689	333,689	-
Workers' compensation assessment	-	-	-	-	-	7,247	7,247	-
Other	198	25,154	18,634	86	-	28,111	72,183	82
Gross receivables	51,156	471,367	92,437	92,020	17,329	2,055,007	2,779,315	119,958
Allowance for doubtful accounts	(31,221)	(23,678)	(1,792)	(3)	(110)	(1,435,882)	(1,492,686)	(286)
Total receivables, net	\$ 19,935	\$ 447,689	\$ 90,645	\$ 92,017	\$ 17,219	\$ 619,125	\$ 1,286,629	\$ 119,673

State of Oregon
Notes to the Financial Statements

Receivables reported for business-type activities at June 30, 2019 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	Other	Total
Business-type activities						
General accounts	\$ 140	\$ 58	\$ 27,809	\$ 262,543	\$ 63,044	\$ 353,593
Due from federal government	-	-	-	1,778	1,880	3,658
Interest	4,134	1,401	-	-	9,032	14,567
Contracts	-	-	4,889	4,525	-	9,414
Benefit recoveries	-	-	-	55,550	-	55,550
Fines, forfeitures, and penalties	-	-	-	2,299	-	2,299
Other	-	683	-	-	-	683
Gross receivables	4,274	2,142	32,698	326,695	73,956	439,764
Allowance for doubtful accounts	-	-	(103)	(27,760)	(28,453)	(56,315)
Total receivables, net	\$ 4,274	\$ 2,142	\$ 32,595	\$ 298,934	\$ 45,503	\$ 383,448

Receivables reported for fiduciary funds at June 30, 2019 (in thousands):

	<u>Agency</u>
Fiduciary fund activities	
Restitution	\$ 620,020
Gross receivables	620,020
Allowance for doubtful accounts	(526,169)
Total receivables, net	\$ 93,851

D. 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, 2019 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	\$ 395,165	\$ 320,204	\$ 155,535	\$ 94,367	\$ 7,494	\$ 203,296	\$ 1,176,060	\$ 39,182
Interest	-	-	-	-	-	-	-	492
Broker payable	-	-	-	-	35,506	-	35,506	-
Pension-related debt	-	-	-	-	-	-	-	15,400
Loans	-	80,000	-	-	-	27,875	107,875	-
Notes	-	-	-	-	-	-	-	13,602
Contracts - retainage	-	-	-	-	-	-	-	275
Total payables	\$ 395,165	\$ 400,204	\$ 155,535	\$ 94,367	\$ 43,000	\$ 231,170	\$ 1,319,441	\$ 68,951

Payables reported for business-type activities at June 30, 2019 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	Other	Total
Business-type activities						
General accounts	\$ 1,292	\$ 139	\$ 12,412	\$ 57,508	\$ 37,534	\$ 108,885
Interest	16,741	998	-	-	2,687	20,425
Pension-related debt	464	616	3,725	-	23,682	28,487
Contracts	-	-	8,921	-	-	8,921
Total payables	\$ 18,497	\$ 1,753	\$ 25,057	\$ 57,508	\$ 63,903	\$ 166,719

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Payables reported for fiduciary funds at June 30, 2019 (in thousands):

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
Fiduciary fund activities				
General accounts	\$ 6,970	\$ 118	\$ 8,750	\$ 77
Benefits payable	417,140	-	-	-
Broker payable	2,054,815	-	62,837	-
Investment fees	10,766	-	-	-
Compensated absences	2,089	-	-	-
Mortgages	-	1,152	-	-
Total payables	\$ 2,491,780	\$ 1,270	\$ 71,587	\$ 77

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 State 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, 2019 and 2018, the Oregon State Lottery's share of MUSL's fees were \$26 thousand and \$40 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, 2019 and 2018 (in thousands):

	2019	2018
Assets	<u>\$ 507,711</u>	<u>\$ 486,936</u>
Liabilities	\$ 486,742	\$ 477,887
Net assets ¹ - unrestricted	<u>20,969</u>	<u>9,049</u>
Total liabilities and net assets¹	<u>\$ 507,711</u>	<u>\$ 486,936</u>
Revenue	\$ 18,637	\$ 10,422
Expenses	<u>6,716</u>	<u>6,517</u>
Excess revenues over expenses	<u>\$ 11,921</u>	<u>\$ 3,905</u>

¹ Because MUSL is organized as a non-profit, its financial statements have been prepared in accordance with accounting standards promulgated by the Financial Accounting Standards Board (FASB). Therefore, MUSL's financial statements use the term "net assets" rather than "net position" for equity.

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

6. CAPITAL ASSETS

A. Primary Government

Capital Assets Activity

Capital asset activity for the primary government for the year ended June 30, 2019 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,976,884	\$ 16,153	\$ 403	\$ 1,992,634
Construction in progress	816,004	634,315	485,420	964,899
Works of art and other nondepreciable assets	1,746	550	137	2,159
Total capital assets not being depreciated	2,794,634	651,018	485,960	2,959,692
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	4,100,717	277,984	81,807	4,296,895
Infrastructure	14,644,631	541,424	101,149	15,084,906
Total capital assets being depreciated	18,745,349	819,408	182,956	19,381,801
Less accumulated depreciation for:				
Buildings, property, and equipment	1,950,889	161,936	51,483	2,061,342
Infrastructure	5,684,871	316,721	99,507	5,902,086
Total accumulated depreciation	7,635,760	478,658	150,990	7,963,427
Total capital assets being depreciated, net	11,109,589	340,751	31,966	11,418,373
Total capital assets, net	\$ 13,904,223	\$ 991,768	\$ 517,926	\$ 14,378,065
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,424	\$ 22	\$ 155	\$ 9,291
Construction in progress	5,996	4,167	7,304	2,859
Works of art and other nondepreciable assets	759	30	-	789
Total capital assets not being depreciated	16,179	4,219	7,459	12,939
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	854,920	16,628	10,904	860,644
Infrastructure	3,661	-	-	3,661
Total capital assets being depreciated	858,580	16,628	10,904	864,304
Less accumulated depreciation for:				
Buildings, property, and equipment	273,685	51,167	9,830	315,022
Infrastructure	902	97	-	999
Total accumulated depreciation	274,587	51,264	9,830	316,021
Total capital assets being depreciated, net	583,993	(34,636)	1,074	548,283
Total capital assets, net	\$ 600,172	\$ (30,416)	\$ 8,534	\$ 561,222

State of Oregon
Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 944	\$ -	\$ -	\$ 944
Total capital assets not being depreciated	944	-	-	944
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	52,452	210	306	52,356
Total capital assets being depreciated	52,452	210	306	52,356
Less accumulated depreciation for:				
Buildings, property, and equipment	26,125	2,589	269	28,445
Total accumulated depreciation	26,125	2,589	269	28,445
Total capital assets being depreciated, net	26,327	(2,379)	37	23,911
Total capital assets, net	\$ 27,272	\$ (2,379)	\$ 37	\$ 24,855

Depreciation Expense

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

Governmental activities	Amount
Education	\$ 1,099
Human services	16,064
Public safety	40,389
Economic and community development	1,767
Natural resources	18,886
Transportation	346,388
Consumer and business services	1,721
Administration	11,774
Legislative	1,340
Judicial	7,456
Subtotal	446,884
Internal service funds	31,774
Total depreciation expense	\$ 478,658

Business-type activities	Amount
Housing and Community Services	\$ 8
Veterans' Loan	150
Lottery Operations	34,764
Other business-type activities	16,342
Total depreciation expense	\$ 51,264

Fiduciary activities	Amount
Pension and Other Employee Benefit Trust	\$ 2,589
Total depreciation expense	\$ 2,589

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.

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Notes to the Financial Statements

The State's construction commitments with contractors as of June 30, 2019 (in thousands):

Project	Spent-to-Date	Remaining Commitment	Remaining Commitment Source of Funds			
			General	Federal	Lottery	Other
Road and bridge construction	\$ 393,454	\$ 867,623	\$ -	\$ 614,688	\$ -	\$ 252,935
Building improvement and maintenance	24,736	69,064	-	450	-	68,614
Correctional facility construction and upgrades	11,552	9,329	6	-	-	9,323
Natural resources facilities	3,547	2,108	-	815	1,030	263
Military facilities	24,560	14,766	54	10,472	-	4,240
Rural airports	986	1,378	-	208	-	1,170
Capitol building improvements	41,852	11,166	-	-	-	11,166
Total construction commitments	\$ 500,686	\$ 975,435	\$ 60	\$ 626,634	\$ 1,030	\$ 347,710

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; special collections of old, rare, and fragile books at the State Library; 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	\$ 387
Natural resources	1,807
Transportation	128
Subtotal	2,322
Internal service funds	338
Total insurance recoveries	\$ 2,661
Business-type activities	
Lottery operations	\$ 1
Total insurance recoveries	\$ 1

Idle Impaired Capital Assets

At fiscal year-end, the Department of Corrections' Deer Ridge Correctional Institution, a minimum security facility with a carrying value of \$31.9 million, and the Oregon State Penitentiary minimum security facility with a carrying value of \$2.5 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.

B. Discretely Presented Component Units

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Notes to the Financial Statements

Under Oregon Revised Statutes 352.113, real property acquired by a university with a governing board shall be taken and held in the name of the State of Oregon acting by and through the governing board. In addition, legal title to all personal property acquired, constructed, remodeled, repaired, equipped, or furnished with the proceeds of bonds issued pursuant to Article XI-Q of the Oregon Constitution for the benefit of a university with a governing board must be taken and held in the name of the State of Oregon, acting by and through the governing board.

Changes in capital assets for universities that are considered major component units are included below (in thousands):

	Beginning Balance¹	Increases	Decreases	Ending Balance
University of Oregon				
<i>Capital assets not being depreciated:</i>				
Land	\$ 79,405	\$ 6,387	\$ -	\$ 85,791
Construction in progress	28,343	268,755	28,724	268,374
Works of art and other nondepreciable assets	43,291	3,394	5	46,680
Total capital assets not being depreciated	151,038	278,536	28,729	400,845
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	2,072,286	56,534	6,634	2,122,186
Infrastructure	52,853	-	107	52,745
Total capital assets being depreciated	2,125,139	56,534	6,741	2,174,931
Less accumulated depreciation for:				
Buildings, property, and equipment	772,526	63,424	5,542	830,408
Infrastructure	31,414	2,130	107	33,437
Total accumulated depreciation	803,940	65,554	5,649	863,845
Total capital assets being depreciated, net	1,321,198	(9,020)	1,092	1,311,086
Total capital assets, net	\$ 1,472,236	\$ 269,516	\$ 29,821	\$ 1,711,931

¹ Beginning balance restated to report prior year activity in the appropriate capital asset category.

	Beginning Balance	Increases	Decreases	Ending Balance
Oregon State University				
<i>Capital assets not being depreciated:</i>				
Land	\$ 49,293	\$ 15,771	\$ -	\$ 65,064
Construction in progress	77,142	98,166	56,679	118,629
Works of art and other nondepreciable assets	29,669	297	10	29,956
Total capital assets not being depreciated	156,104	114,234	56,689	213,649
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	1,816,954	89,225	10,813	1,895,366
Infrastructure	48,335	2,537	-	50,872
Total capital assets being depreciated	1,865,289	91,762	10,813	1,946,238
Less accumulated depreciation for:				
Buildings, property, and equipment	803,112	58,847	9,251	852,708
Infrastructure	22,133	2,251	-	24,384
Total accumulated depreciation	825,245	61,098	9,251	877,092
Total capital assets being depreciated, net	1,040,044	30,664	1,562	1,069,146
Total capital assets, net	\$ 1,196,148	\$ 144,898	\$ 58,251	\$ 1,282,795

State of Oregon
Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Portland State University				
<i>Capital assets not being depreciated:</i>				
Land	\$ 61,255	\$ 6,015	\$ 14	\$ 67,256
Construction in progress	19,921	58,191	3,031	75,081
Works of art and other nondepreciable assets	3,203	741	-	3,944
Total capital assets not being depreciated	84,379	64,947	3,045	146,281
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	859,959	17,156	4,492	872,623
Infrastructure	31,939	231	-	32,170
Total capital assets being depreciated	891,898	17,387	4,492	904,793
Less accumulated depreciation for:				
Buildings, property, and equipment	404,695	26,423	3,801	427,317
Infrastructure	14,512	1,352	-	15,864
Total accumulated depreciation	419,207	27,775	3,801	443,181
Total capital assets being depreciated, net	472,691	(10,388)	691	461,612
Total capital assets, net	\$ 557,070	\$ 54,559	\$ 3,736	\$ 607,893

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, 2019, were \$105.7 million for the primary government.

Future minimum rental payments for operating leases in effect as of June 30, 2019 (in thousands):

Year Ending June 30,	Amount
2020	\$ 100,806
2021	91,076
2022	80,463
2023	72,560
2024	68,231
2025-2029	235,065
2030-2034	115,103
2035-2039	29,517
2040-2044	172
Total future minimum rental payments	\$ 792,993

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.

State of Oregon
Notes to the Financial Statements

Carrying value of assets subject to an outstanding capital lease or lease purchase contract as of June 30, 2019 (in thousands):

Asset Class	Governmental Activities	Business-type Activities
Buildings, property, and equipment	\$ 15,916	\$ 6,737
Less accumulated depreciation	(13,079)	(2,165)
Total carrying value	\$ 2,837	\$ 4,571

Future minimum lease payments for capital leases and the related net present value as of June 30, 2019 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities
2020	\$ 1,594	\$ 1,240
2021	1,547	1,240
2022	242	1,240
2023	165	1,240
2024	112	475
2025-2029	-	23
Total future minimum lease payments	3,660	5,457
Less amounts representing interest	(519)	(809)
Present value of minimum lease payments	\$ 3,141	\$ 4,649

C. Lease Receivables

The State receives rental income from land, property, and equipment leased to non-state entities. For the year ended June 30, 2019, the State received rental income of \$4 million on leased assets with a cost of \$17.9 million, and a carrying value of \$14.1 million, net of \$3.8 million in accumulated depreciation. Certain leased assets are reported as investments in the governmental funds balance sheet and the governmental activities portion of the government-wide statement of net position.

Future minimum lease revenues for non-cancelable operating leases as of June 30, 2019 (in thousands):

Year Ending June 30,	Amount
2020	\$ 3,444
2021	2,768
2022	2,355
2023	1,930
2024	1,527
2025-2029	4,444
2030-2034	3,319
2035-2039	2,103
2040-2044	489
Total future minimum lease revenues	\$ 22,380

8. SHORT AND LONG-TERM DEBT

A. Short-Term Debt

During the year, the Oregon Military Department (OMD), the Oregon Department of Forestry (ODF) and the Oregon Health Authority (OHA) received loans from the Oregon Short Term Fund (OSTF). The OMD needed funds to cover cash flow requirements due to a delay in receiving federal fund reimbursements and State

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Active Duty National Guard Activations. The ODF needed funds to cover large fire costs that were paid by the department upfront and then reimbursed at a later date by external parties. The OHA needed funds to cover cash flow requirements at the end of the biennium.

Short-term debt activity for the year ended June 30, 2019 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Military treasury loan	\$ 500	\$ 7,000	\$ 4,625	\$ 2,875
Health Authority treasury loan	-	105,000	25,000	80,000
Forestry treasury loan	-	50,000	25,001	25,000
Tax anticipation notes	577,925	-	577,925	-
Total short-term debt activity	\$ 578,425	\$ 162,000	\$ 632,551	\$ 107,875

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. Obligations issued for highway construction pursuant to Article XI, Section 7, are financed through an appropriation from the General Fund. 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. Issuance of general obligation bonds to finance higher education building projects is authorized in Article XI-F (1) and these bonds are repaid with university resources. 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. 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% self-supporting and self-liquidating from revenues, gifts, federal grants, assessments, user charges, and other fees. Article XI-L provides authorization to finance capital costs of Oregon Health and Science University. Article XI-M provides authorization to finance seismic rehabilitation projects for public education buildings and XI-N for emergency service buildings. Article XI-O provides authorization to finance pension liabilities through the issuance of general obligation bonds. Article XI-P authorizes the State to issue general obligation bonds to provide funds to be advanced by grant or loan to school districts to finance the capital costs of the school districts. 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 the 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. The preceding bonds of business-type activities are fully self-supporting.

State of Oregon
Notes to the Financial Statements

Debt service requirements for general obligation bonds as of June 30, 2019 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal¹	Interest	Principal²	Interest
2020	\$ 356,296	\$ 298,529	\$ 29,820	\$ 18,909
2021	388,542	275,341	32,445	17,976
2022	389,075	255,945	28,345	16,943
2023	413,301	235,213	26,240	15,983
2024	419,605	214,417	25,785	15,079
2025-2029	1,787,222	737,241	124,395	61,980
2030-2034	1,012,127	398,929	101,700	40,844
2035-2039	813,940	171,173	84,600	24,818
2040-2044	286,680	32,375	61,055	10,814
2045-2049	7,450	224	25,145	2,146
Total	\$ 5,874,239	\$ 2,619,384	\$ 539,530	\$ 225,491

¹ Includes \$1.5 billion in pension bond debt.

² Includes a total of \$48.4 million of bonds with variable interest rates adjusted daily or weekly based on the rates determined by the remarketing agent, not to exceed 12%. The interest rates at the end of the fiscal year were 1.88% for \$25.1 million of these bonds, and 1.92% for \$23.3 million.

C. Revenue Bonds

Oregon Revised Statutes (ORS) authorizes 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, higher education and community college building improvements, preservation of affordable housing, and economic development in rural and distressed communities. Lottery revenue bonds have been issued for governmental 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/Wastewater Financing Fund. Loan repayments support the bonds associated with these business-type activities.

State of Oregon
Notes to the Financial Statements

Debt service requirements for revenue bonds as of June 30, 2019 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal ¹	Interest
2020	\$ 156,595	\$ 154,258	\$ 39,475	\$ 31,021
2021	164,845	147,672	34,305	29,741
2022	174,975	140,194	34,140	28,911
2023	182,605	132,012	35,785	28,025
2024	191,120	123,291	36,070	27,025
2025-2029	1,011,700	470,364	180,100	119,045
2030-2034	940,505	224,942	179,530	89,887
2035-2039	366,265	32,087	171,175	61,989
2040-2044	-	-	146,630	39,417
2045-2049	-	-	120,115	14,526
2050-2054	-	-	7,030	315
Total	\$ 3,188,610	\$ 1,424,820	\$ 984,355	\$ 469,902

¹ Includes bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent, not to exceed 12%. The interest rates at the end of the fiscal year were 1.92% for \$84.1 million of these bonds, 1.97% for \$15 million, 2% for \$77.6 million, and 2.02% for \$12.6 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, to decouple the Elliott State Forest from the Common School Fund so as to compensate the Fund for preservation of noneconomic benefits, and the acquisition, construction, or remodeling of State facilities. Certificates of participation have been issued for governmental activities.

Debt service requirements for certificates of participation as of June 30, 2019 (in thousands):

Year ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 25,650	\$ 15,238
2021	18,920	13,901
2022	19,615	13,047
2023	19,135	12,140
2024	19,230	11,248
2025-2029	69,660	44,120
2030-2034	93,050	25,993
2035-2039	46,190	4,845
Total	\$ 311,450	\$ 140,532

E. Direct Borrowings and Direct Placements

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements requires direct borrowings and direct placements of debt to be disclosed separately from other debt. Prior to the implementation of this standard, direct borrowings and direct placements were reported with general obligation bonds and revenue bonds. The State has issued direct borrowings and direct placements for governmental activities to finance pollution control and disposal activities, and to finance state and local highways, multi-modal, and light rail projects. Direct borrowings and direct placements have been issued for

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business-type activities to finance projects that serve elderly and disabled persons, and to provide loans for first-time home buyers, or affordable multifamily housing projects.

Debt service requirements for direct borrowings and direct placements as of June 30, 2019 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal ¹	Interest	Principal	Interest
2020	\$ 844	\$ 8,453	\$ 2,040	\$ 2,302
2021	853	8,427	385	2,259
2022	210	8,413	465	2,240
2023	215	8,407	850	2,216
2024	225	8,424	1,180	2,184
2025-2029	1,215	41,926	9,975	10,088
2030-2034	1,400	41,740	18,665	7,538
2035-2039	267,290	29,364	20,130	4,192
2040-2044	100,075	4,515	11,795	948
2045-2049	-	-	550	24
Total	\$ 372,327	\$ 159,668	\$ 66,035	\$ 33,991

¹ Includes a total of \$365.8 million of direct placements with variable interest rates adjusted monthly based on the London Interbank Offered Rate (LIBOR). The rate at the end of the fiscal year was 2.25% for \$265.7 million, and 2.29% for \$100.1 million.

F. Contracts, Mortgages and Notes Payable

With the implementation of *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, contracts, mortgages, and notes payable are now reported within this note disclosure as the balances meet the standard's definition of debt. In the prior year, this information was reported within Note 9. The liability for contracts, mortgages, and notes is generally liquidated through the General Fund, the Health and Social Services Fund, the Public Transportation Fund, and the Environmental Management Fund.

Debt service requirements for contracts, mortgages, and notes payable as of June 30, 2019 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities		Fiduciary Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 149,640	\$ 19,289	\$ 4,703	\$ 1,923	\$ 76	\$ 52
2021	33,461	16,683	4,551	1,737	59	48
2022	32,897	14,799	4,532	1,538	61	46
2023	33,341	12,627	4,723	1,324	64	43
2024	32,044	10,274	4,952	1,095	67	40
2025-2029	127,194	16,303	13,946	1,737	384	152
2030-2034	-	-	-	-	440	58
Total	\$ 408,577	\$ 89,975	\$ 37,408	\$ 9,354	\$ 1,152	\$ 439

G. Changes in Long-Term Debt

The beginning balance of general obligation bonds in the governmental activities has been restated for an error discovered during the current year. Refer to Note 19 for additional information.

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Changes in long-term debt for governmental activities for the year ended June 30, 2019 (in thousands):

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities						
Bonds/certificates payable:						
General obligation bonds	\$ 5,512,161	\$ (1,277)	\$ 695,280	\$ 331,925	\$ 5,874,239	\$ 356,296
Revenue bonds	3,548,520	(365,750)	156,630	150,790	3,188,610	156,595
Certificates of participation	240,800	-	100,610	29,960	311,450	25,650
Direct borrowings/placements payable	-	367,027	5,300	-	372,327	844
Adjusted by amounts:						
For issuance discounts	(579)	-	-	(555)	(24)	-
For issuance premiums	838,738	-	128,422	76,946	890,214	-
Accreted interest	12,971	-	-	4,612	8,359	-
Bonds/certificates/direct borrowings payable	10,152,610	-	1,086,242	593,679	10,645,174	539,385
Contracts, mortgages, and notes payable	319,221	-	177,439	88,083	408,577	149,640
Total	\$ 10,471,831	\$ -	\$ 1,263,681	\$ 681,761	\$ 11,053,751	\$ 689,024

Changes in long-term debt for business-type activities for the year ended June 30, 2019 (in thousands):

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities						
Bonds/certificates payable:						
General obligation bonds	\$ 543,420	\$ (1,530)	\$ 43,630	\$ 45,990	\$ 539,530	\$ 29,820
Revenue bonds	937,545	(71,670)	211,305	92,825	984,355	39,475
Direct borrowings/placements payable	-	73,200	-	7,165	66,035	2,040
Adjusted by amounts:						
For issuance discounts	(149)	-	-	(13)	(136)	-
For issuance premiums	35,489	-	5,678	4,298	36,868	-
Bonds/certificates/direct borrowings payable	1,516,305	-	260,613	150,265	1,626,652	71,335
Contracts, mortgages, and notes payable	41,793	-	232	4,617	37,408	4,703
Total	\$ 1,558,098	\$ -	\$ 260,845	\$ 154,882	\$ 1,664,060	\$ 76,038

Changes in long-term debt for fiduciary activities for the year ended June 30, 2019 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary activities					
Contracts, mortgages, and notes payable	\$ 1,677	\$ -	\$ 525	\$ 1,152	\$ 76

H. Debt Agreement Terms

Outstanding direct borrowings issued by the Oregon Department of Transportation contain a provision that in the event of default, if the agency is unable to make a payment, all outstanding amounts are due within five days, and the default interest rate shall be the current rate plus 3%.

The Oregon Housing and Community Services Department (OHCSO) mortgage revenue bond and housing revenue bond indentures identify the following events that would lead to a default: payment of principal is not made when due, payment of interest is not made when due, or OHCSO defaults in the performance of any other covenants or agreements included in the bond or indenture and such default continues for 90 days after written notice for remedy has been provided to OHCSO by the trustee. The trustee may give such notice at their discretion, or at the written request of the owners of not less than 25% in aggregate of the principal amount of the outstanding bonds.

If a default does occur for mortgage revenue bonds or housing revenue bonds the trustee may, or upon the written direction of the owners of not less than 51% of the bonds outstanding the trustee shall, declare via written notice to OHCSO that any principal and interest related to that bond is due and payable immediately.

OHCSO multifamily housing revenue bond indenture identifies the following events that would lead to a default: payment of principal is not made when due, payment of interest is not made when due, or OHCSO defaults in the performance of any other covenants or agreements included in the bond or indenture and such

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default continues for 60 days after written notice for remedy has been provided to OHCSO by the trustee, or written notice provided to OHCSO and the trustee by the owners of not less than 25% in aggregate of the principal amount of the outstanding bonds.

If a default occurs for a multifamily housing revenue bond the trustee may, or upon the written direction of the owners of not less than 25% of the bonds outstanding the trustee shall, proceed, in its own name, to protect and enforce the rights of the bond owners. Protecting and enforcing the rights of the bond owners could include declaring all outstanding bonds due and payable.

I. 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, 2019 (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
95	\$ 25,140	U.S. Bank National Association	4/9/2021	0.3300%	U.S. Bank National Association	0.05%
98B	23,300	U.S. Bank National Association	4/9/2021	0.3300%	U.S. Bank National Association	0.05%

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. The 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 SBPAs for Series 95 and 98B (Series 95 & 98B SBPAs), U.S. Bank National Association will commit to purchase any Series 95 or 98B unremarketed bonds, subject to certain conditions set forth in the SBPAs.

If a tender advance did occur under the Series 95 and 98B SBPAs, it would accrue interest at the bank's base rate (either the prime lending rate plus 1%, the federal funds rate plus 2%, the Securities Industry and Financial Markets Association (SIFMA) rate plus 1% or 7% 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% for the time period covering 31 days up to 90 days; or at the bank's base rate plus 1.5% for the time period thereafter. If the tender advance is in default, interest would accrue at the bank's base rate plus 3%. Interest on tender advances must generally be repaid before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be paid off on the earliest to occur 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 95 and 98B SBPAs, a default would have occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 95 and 98B SBPAs for fiscal year 2019. Therefore, no tender advances or draws were outstanding as of June 30, 2019.

Oregon Housing and Community Services Department

Included in Oregon Housing and Community Services Department's (OHCSO) long-term debt is \$189.4 million in variable rate demand bonds. OHCSO'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

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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.

OHCSO 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%. 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 90 days after the related purchase date (Bank of America, N.A.). There were no bank bonds on June 30, 2019.

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	\$ 12,610	Bank of America, N.A.	8/18/2020	0.5000%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.08%
MRB 2015 C	33,600	State Street Bank and Trust Company	9/1/2020	0.5500%	J.P. Morgan Securities, LLC	0.07%
MRB 2016 B	13,140	State Street Bank and Trust Company	9/1/2020	0.5500%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2016 C	15,000	State Street Bank and Trust Company	9/1/2020	0.5500%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2017 C	44,000	State Street Bank and Trust Company	9/1/2020	0.4500%	J.P. Morgan Securities, LLC	0.07%
MRB 2018 B	30,000	State Street Bank and Trust Company	6/5/2021	0.3800%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2018 E	41,000	State Street Bank and Trust Company	6/5/2021	0.3700%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%

J. 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 outstanding as of June 30, 2019 (in thousands):

Primary Government	Amount
Oregon Business Development Department	\$ 573,251
Oregon Facilities Authority	1,948,471
Housing and Community Services Department	455,448
Total no-commitment debt	\$ 2,977,170

K. 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 the 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 refunding issue that occurred between July 1, 2018, and June 30, 2019:

On November 28, 2018, the Oregon Department of Veterans' Affairs issued \$43.6 million of general obligation bonds, of which \$4.4 million was used to refund previously issued general obligation bonds.

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The current refunding of these bonds decreased the total debt service over the next four years by approximately \$247 thousand and resulted in an economic loss of approximately \$271 thousand.

L. Defeased Debt

The State has defeased certain general obligation and revenue bonds, as well as certificates of participation, by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the liability for defeased debt is not included in the State's financial statements. On June 30, 2019, \$540.3 million of debt outstanding is considered defeased.

9. OTHER LONG-TERM LIABILITIES

A. Primary Government

Changes in other long-term liabilities for governmental activities for the year ended June 30, 2019 (in thousands):

	Beginning Balance ¹	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 219,121	\$ 239,206	\$ 220,178	\$ 238,150	\$ 157,039
Claims and judgments payable	1,116,381	137,229	135,308	1,118,302	120,992
Arbitrage rebate payable	99	158	104	153	-
Custodial liabilities	444,289	19,217,612	19,220,482	441,419	141,422
Obligations under capital lease	4,274	453	1,587	3,141	1,409
Pollution remediation obligation	46,082	14,594	13,680	46,997	14,723
Total other long-term liabilities	\$ 1,830,246	\$ 19,609,253	\$ 19,591,338	\$ 1,848,161	\$ 435,585

¹ As part of the implementation of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the category Contracts, Mortgages, and Notes Payable is now reported within Note 8.

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 Educational Support Fund and the Public Transportation Fund. The custodial liabilities are expected to be primarily liquidated by the Common School Fund and the Health and Social Services 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, the Public Transportation Fund, and the Common School Fund.

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Changes in other long-term liabilities for business-type activities for the year ended June 30, 2019 (in thousands):

	Beginning Balance¹	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 20,251	\$ 26,988	\$ 24,979	\$ 22,260	\$ 14,776
Claims and judgments payable	9,200	83,240	91,575	865	865
Lottery prize awards payable	241,880	239,044	333,736	147,188	32,925
Arbitrage rebate payable	10,600	-	961	9,638	-
Custodial liabilities	29,622	1,060,314	1,059,592	30,344	24,909
Obligations under capital lease	5,512	-	863	4,649	929
Derivative instruments liability	138	5,381	-	5,519	-
Total other long-term liabilities	\$ 317,203	\$ 1,414,968	\$ 1,511,707	\$ 220,463	\$ 74,404

¹ As part of the implementation of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the category Contracts, Mortgages, and Notes Payable is now reported within Note 8.

Changes in other long-term liabilities for fiduciary fund activities for the year ended June 30, 2019 (in thousands):

	Beginning Balance¹	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Custodial liabilities	\$ 2,060,821	\$ 13,487,287	\$ 13,509,412	\$ 2,038,696	\$ 1,934,806
Total other long-term liabilities	\$ 2,060,821	\$ 13,487,287	\$ 13,509,412	\$ 2,038,696	\$ 1,934,806

¹ As part of the implementation of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the category Contracts, Mortgages, and Notes Payable is now reported within Note 8.

B. Discretely Presented Component Units

The State of Oregon has issued various debt instruments to fund capital projects for its university component units, which are the University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Oregon Health and Science University (OHSU), Western Oregon University (WOU), Southern Oregon University (SOU), Eastern Oregon University (EOU), and Oregon Institute of Technology (OIT). These debt instruments include general obligation bonds, certificates of participation (COPs), and lottery revenue bonds, which are liabilities of the State, and are disclosed in greater detail in Note 8. These universities have entered into debt management agreements with the State, through the Higher Education Coordinating Commission to repay the State for certain debt instruments identified above. Pursuant to the debt management agreements, the universities have reported a payable to the State and the State has reported a receivable from the universities.

In addition, many of the universities have borrowed from the Oregon Department of Energy through the Small Scale Energy Loan Program (SELP) for energy conservation projects.

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Changes in notes payable to the State of Oregon for the State's major component units, which are UO, OSU, and PSU are included below (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
University of Oregon					
Higher Education Coordinating Commission Loans	\$ 483,418	\$ -	\$ 18,341	\$ 465,077	\$ 18,568
Oregon Department of Energy Loans (SELP)	36,536	-	1,955	34,581	2,053
Advances from primary government	\$ 519,954	\$ -	\$ 20,296	499,658	20,623
Other current liabilities owed to primary government				12,276	12,276
Total				\$ 511,934	\$ 32,898
Oregon State University					
Higher Education Coordinating Commission Loans	\$ 300,129	\$ 100	\$ 15,296	\$ 284,933	\$ 13,682
Oregon Department of Energy Loans (SELP)	11,966	-	734	11,232	678
Advances from primary government	\$ 312,095	\$ 100	\$ 16,030	296,165	14,360
Other current liabilities owed to primary government				8,398	8,398
Total				\$ 304,563	\$ 22,758
Portland State University					
Higher Education Coordinating Commission Loans	\$ 195,599	\$ 6,099	\$ 10,558	\$ 191,140	\$ 10,065
Oregon Department of Energy Loans (SELP)	33,913	-	2,566	31,347	2,414
Advances from primary government	\$ 229,512	\$ 6,099	\$ 13,124	222,487	12,479
Other current liabilities owed to primary government				4,483	4,483
Total				\$ 226,970	\$ 16,961

The outstanding amounts above have been included in the discretely presented component unit financial statements as due to primary government and advances from primary government. The State, as the primary government, has included the above balances, along with other balances, as due from component units and advances to component units.

10. POLLUTION REMEDIATION OBLIGATION

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. This includes 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, 2019, the State recognized an estimated liability of \$47 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, 2019.

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 cost under federal law, is obligated to clean up two Superfund sites. One site is contaminated with chemicals used in the wood-treatment industry. Contamination was found in the soil, groundwater, and sediments of adjacent rivers. The second 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. Due to an immediate safety concern, the Oregon Military Department has voluntarily obligated itself to perform the pollution remediation of removing and mitigating lead dust from the indoor firing ranges used in National Guard armories in order to comply with Occupational Safety and Health Administration workplace safety standards. The Department of State Lands initiated a clean-up project and assessment to remove multiple derelict vessels on the Columbia River near Goble, Oregon. Many of the vessels contained environmentally hazardous materials including fuel, oil, lead paint, asbestos, and household waste.

As of June 30, 2019, 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 the in-river and upland portions of the Portland Harbor Superfund site. There are over 200 parties, private and public, that may eventually bear a share of the costs. The Environmental Protection Agency issued a Record of Decision estimating the cleanup to cost \$1.1 billion and take approximately 13 years to complete. It is too early to estimate the State's share of the cleanup costs. The Portland Harbor Superfund site is discussed in more detail in Note 24.

11. PLEDGED REVENUES

A. Lottery Revenue Bonds

The State has pledged future unobligated net lottery proceeds and interest earnings on guaranteed investment contracts to repay \$1.2 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 fiscal year 2039. Total principal and interest remaining to be paid on the bonds is \$1.6 billion. In fiscal year 2020, principal and interest payments on the bonds are expected to require approximately 18.4% of pledged revenue. Principal and interest paid for the current year and total pledged revenues recognized were \$124.7 million and \$722 million, respectively.

B. Highway User Taxes Revenue Bonds

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 2042. Total principal and interest remaining to be paid on the bonds is \$3.5 billion. Fiscal year 2020 principal and interest payments on the bonds are expected to require approximately 29.7% of pledged revenues. Principal and interest paid for the current year and total pledged revenues recognized were \$188.4 million and \$640 million, respectively.

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12. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2019 (in thousands):

Due to Other Funds	Due from Other Funds					
	General	Health and Social Services	Public Transportation	Educational Support	Common School	Nonmajor Governmental Funds
General	\$ -	\$ 95,459	\$ 6,091	\$ 64,000	\$ -	\$ 68,774
Health and Social Services	124,139	-	-	20,505	-	11,220
Public Transportation	333	-	-	-	-	17,873
Educational Support	392	23	-	-	-	321
Common School	3	-	-	-	-	216
Nonmajor Governmental Funds	35,700	224	5,425	409	29	40,379
Housing and Community Services	-	-	-	-	-	65
Lottery Operations	180,192	-	-	-	-	192
Unemployment Compensation	6,734	-	-	-	-	1,665
Nonmajor Enterprise Funds	24,381	800	-	-	-	59
Internal Service Funds	13,929	-	-	-	-	13,028
Pension and Other Employee Benefit Trust	-	-	-	-	-	-
Private Purpose Trust	-	-	-	-	-	-
Total	\$ 385,803	\$ 96,507	\$ 11,515	\$ 84,913	\$ 29	\$ 153,791

Advances to Other Funds			
Advances from Other Funds	Common School	Internal Service Funds	Total
General	\$ -	\$ 388	\$ 388
Nonmajor Governmental Funds	300	-	300
Total	\$ 300	\$ 388	\$ 688

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.

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Notes to the Financial Statements

Due from Other Funds (continued)								
Housing and Community Services	Veterans' Loan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Pension and Other Employee Benefit Trust	Private Purpose Trust	Total	
\$ 21	\$ 51	\$ -	\$ 3,945	\$ 9,689	\$ -	\$ -	\$	248,030
-	-	-	8,503	836	-	-		165,203
-	-	-	-	-	-	-		18,206
-	-	-	-	27	-	-		763
-	-	-	-	-	-	-		219
93	-	-	-	1,185	-	-		83,443
-	-	-	-	-	-	-		65
-	-	-	-	-	-	-		180,384
-	-	-	-	-	-	14		8,413
-	40	-	16	70	73	-		25,439
-	-	-	-	-	-	-		26,957
-	-	-	-	-	12,485	-		12,485
-	-	478	-	-	-	-		478
\$ 114	\$ 91	\$ 478	\$ 12,463	\$ 11,807	\$ 12,559	\$ 14	\$	770,084

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Interfund transfers reported in the fund financial statements as of June 30, 2019 (in thousands):

Transfers to Other Funds	Transfers from Other Funds			
	General	Health and Social Services	Public Transportation	Educational Support
General	\$ -	\$ 19,288	\$ 105,249	\$ 565,960
Health and Social Services	73,526	-	-	52,187
Public Transportation	6,766	-	-	-
Educational Support	388,439	23	-	-
Common School	72,403	-	-	-
Nonmajor Governmental Funds	79,031	151,054	34,870	2,585
Housing and Community Services	-	-	-	-
Veterans' Loan	-	-	-	-
Lottery Operations	721,861	-	-	-
Nonmajor Enterprise Funds	185,307	9,519	-	-
Internal Service Funds	5,757	-	-	2,889
Total	\$ 1,533,090	\$ 179,884	\$ 140,119	\$ 623,621

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.

In the 2017 legislative session, House Bill 2391 was passed requiring \$93.6 million to be transferred to the Health and Social Services fund from the Consumer Protection fund to provide medical assistance and other health services under ORS chapter 414.

In the 2018 legislative session, Senate Bill 1566 was passed requiring \$11.5 million to be transferred from the Common School Fund to the General Fund to set aside moneys for the Oregon school districts' unfunded pension liability.

During fiscal year 2019, the Department of Forestry transferred \$100 million of Certificate of Participation net proceeds to the Common School Fund to compensate for the loss of timber revenue from shifting the Elliot State Forest from an economic asset to environmental purpose.

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Notes to the Financial Statements

Transfers from Other Funds (continued)					
Common School	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total	
\$ 14	\$ 410,710	\$ 305,804	\$ 59,754	\$	1,466,779
-	38,812	7,869	-		172,394
6,000	278,751	-	-		291,518
-	1,970	-	345		390,777
-	3,273	-	-		75,675
102,517	147,151	24,091	367		541,666
-	261	-	-		261
-	182	-	-		182
-	2,194	-	-		724,055
-	14,517	3,217	2,798		215,358
-	16,963	-	-		25,608
\$ 108,530	\$ 914,784	\$ 340,981	\$ 63,265	\$	3,904,274

13. 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 (OHCSO) to issue revenue bonds to finance single-family mortgage loans and multi-family housing projects. Article XI-I (2) of the Oregon Constitution authorized OHCSO 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 OHCSO's various bond funds for the year ended June 30, 2019 (in thousands):

	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Condensed statement of net position				
Assets:				
Interfund receivables	\$ -	\$ -	\$ 258	\$ -
Current assets	127,290	38,204	85,476	9,495
Noncurrent assets	153,516	74,179	923,003	69,739
Total assets	280,806	112,383	1,008,737	79,234
Deferred outflows of resources	450	205	6,387	-
Liabilities:				
Interfund payables	-	16	2	73
Other current liabilities	5,866	2,212	47,885	6,049
Noncurrent liabilities	38,386	9,903	874,836	67,660
Total liabilities	44,252	12,130	922,724	73,783
Deferred inflows of resources	75	34	3,215	247
Net position:				
Restricted-Expendable	11	5	89,186	5,204
Unrestricted	236,919	100,419	-	-
Total net position	\$ 236,930	\$ 100,424	\$ 89,186	\$ 5,204

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	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Condensed statement of revenues, expenses, and changes in net position				
Operating activities:				
Loan interest income	\$ 7,489	\$ 2,310	\$ 28,736	\$ 3,070
Other operating revenue	46	-	1,159	76
Operating expenses	(6,136)	(3,033)	(34,468)	(2,863)
Operating income (loss)	1,398	(723)	(4,573)	283
Total nonoperating revenues (expenses)	2,878	673	7,732	416
Transfers from other funds	22,225	61	5,810	2
Transfers to other funds	(609)	(3,389)	(8,000)	-
Change in net position	25,892	(3,378)	969	701
Beginning net position (as restated)	211,038	103,802	88,217	4,503
Ending net position	\$ 236,930	\$ 100,424	\$ 89,186	\$ 5,204

	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Condensed statement of cash flows				
Net cash provided (used) by:				
Operating activities	\$ (4,424)	\$ (2,074)	\$ (151,827)	\$ 12,912
Noncapital financing activities	18,142	(4,127)	135,397	(13,790)
Investing activities	(371)	7,009	6,820	476
Net increase (decrease)	13,347	808	(9,611)	(403)
Beginning cash and cash equivalents	87,042	31,005	29,515	2,410
Ending cash and cash equivalents	\$ 100,389	\$ 31,813	\$ 19,904	\$ 2,007

	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Condensed statement of net position		
Assets:		
Interfund receivables	\$ 19	\$ -
Current assets	5,831	9,906
Capital assets	-	6
Other noncurrent assets	77,023	102,715
Total assets	82,873	112,627
Deferred outflows of resources	268	359
Liabilities:		
Interfund payables	-	98
Other current liabilities	2,412	3,570
Noncurrent liabilities	46,987	29,838
Total liabilities	49,399	33,505
Deferred inflows of resources	636	549
Net position:		
Net investment in capital assets	-	6
Restricted-Expendable	33,106	73,056
Unrestricted	-	5,870
Total net position	\$ 33,106	\$ 78,932

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Condensed statement of revenues, expenses, and changes in net position	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Operating activities:		
Loan interest income	\$ 4,983	\$ 3,709
Other operating revenue	(191)	111
Operating expenses	(3,122)	(3,307)
Operating income (loss)	1,670	513
Total nonoperating revenues (expenses)	859	1,226
Transfers from other funds	220	-
Transfers to other funds	(1,250)	(62)
Change in net position	1,499	1,678
Beginning net position (as restated)	31,606	77,254
Ending net position	\$ 33,106	\$ 78,932

Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:		
Operating activities	\$ 33,337	\$ 16,496
Noncapital financing activities	(34,930)	(8,316)
Investing activities	1,538	1,074
Net increase (decrease)	(54)	9,254
Beginning cash and cash equivalents	865	33,279
Ending cash and cash equivalents	\$ 810	\$ 42,534

14. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions

Public Employees Retirement Plan

The Public Employees Retirement System (PERS) administers a cost-sharing, multiple-employer plan for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional, but irrevocable if elected. As of June 30, 2019, there were 906 participating employers.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

In 1995 the Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. The legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans. As of June 30, 2019, there were 18,971 active plan members, 128,177 inactive plan

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members or their beneficiaries currently receiving benefits, and 11,065 inactive plan members entitled to but not yet receiving benefits, for a total of 158,213 Tier One members. As of June 30, 2019, there were 32,441 active plan members, 15,567 inactive plan members or their beneficiaries currently receiving benefits, and 15,566 inactive plan members entitled to but not yet receiving benefits, for a total of 63,574 Tier Two members in the System. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

In 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2019, there were 124,915 active plan members, 5,642 inactive plan members or their beneficiaries currently receiving benefits, 5,868 inactive plan members entitled to but not yet receiving benefits, and 16,287 inactive plan members not eligible for refund or retirement, for a total of 152,712 OPSRP Pension Program members.

Beginning January 1, 2004, active PERS Tier One and Tier Two plan members became members of the IAP of OPSRP. PERS members retain their existing Defined Benefit Plan accounts, but member contributions are now deposited into the member's IAP account, not into the member's Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

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/Financials/Actuarial-Financial-Information.aspx>

B. Benefits Provided

Tier One and Tier Two

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2% for police and fire employees, 1.67% for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalence of benefits to which he or she is entitled. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Tier Two members are eligible for full benefits at age 60.

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided certain criteria exist. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit. Monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA in fiscal year 2015 was capped at 2% for all benefit recipients.

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OPSRP

The pension portion of OPSRP provides a life pension funded by employer contributions. For police and fire employees, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. For general service employees, 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of service. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as a spouse, receives for life 50% of the pension that would otherwise have been paid to the deceased member. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% of the member's salary determined as of the last full month of employment before the disability occurred.

OPSRP IAP

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

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. A 6% member contribution is set by statute and is paid by state employees directly from their salary. 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, 2017, and ending June 30, 2019, expressed as a percentage of covered payroll:

Tier One - Tier Two		OPSRP Employer Rates	
General Service	Police and Fire	General Service	Police and Fire
17.84%	22.83%	10.78%	15.55%

State agencies' employer contributions to PERS for fiscal years ended June 30, 2019, totaled approximately \$311.7 million. Member contributions paid by the State on behalf of employees for the year ended June 30, 2019, were \$49.5 million. The actual contribution equaled the contractually required contribution for the fiscal year. In fiscal year 2004, the State issued \$2 billion in pension obligation bonds to reduce the PERS pension liability. State agencies pay an additional assessment to cover the annual debt service requirements attributable to the pension bonds.

Discretely Presented Component Units

The SAIF Corporation's employer contributions to PERS for the fiscal year ended December 31, 2018, was approximately \$10.9 million.

The respective employer contributions to PERS for the fiscal year ended June 30, 2019, for University of Oregon, Oregon State University, and Portland State University are approximately, \$29.1 million, \$28.1 million, and \$12.1 million.

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D. Net Pension Liability

At June 30, 2019, the State reported a liability of \$3.2 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The State's portion of the net pension liability was based on a projection of the State's long-term share of contributions of all participating employers, actuarially determined. Certain component units are considered by the pension plan to be part of the State. The State determined those component units' proportionate share of the net pension liability and allocated it to them. At the June 30, 2018, measurement date (MD), the State's proportionate share, excluding those component units, was 21.1% which is 0.4% higher than the proportion of 20.7% at the prior measurement date of June 30, 2017. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

For the year ended June 30, 2019, the State recognized pension expenses of \$692.6 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 108,632	\$ -
Changes in assumptions	742,474	-
Net difference between projected and actual earnings on investments	-	141,808
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,593	37,429
Total (prior to post-MD contributions)	<u>922,700</u>	<u>179,237</u>
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	743,463
Contributions subsequent to the MD	<u>311,692</u>	N/A
Net deferred outflow/(inflow) of resources		<u><u>\$ 1,055,155</u></u>

The \$311.7 million reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal Year	Amount
2020	\$ 415,626
2021	298,124
2022	(25,231)
2023	37,028
2024	<u>17,916</u>
	<u><u>\$ 743,463</u></u>

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Deferred outflows and inflows of resources related to pensions are reported as follows (in thousands):

Deferred Outflows and Deferred Inflows	Governmental Activities	Business-type Activities					Total Primary Government
		Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Outflows:							
Difference between expected and actual economic experience	\$ 99,071	\$ 108	\$ 111	\$ 1,300	\$ 8,041	\$ 9,561	\$ 108,632
Changes in assumptions	677,129	739	762	8,885	54,958	65,345	742,474
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,778	66	68	791	4,891	5,815	71,593
Contributions subsequent to the MD	283,214	473	314	3,538	24,154	28,478	311,692
Total deferred outflows related to pensions	\$ 1,125,193	\$ 1,386	\$ 1,254	\$ 14,514	\$ 92,044	\$ 109,199	\$ 1,234,391
Deferred Inflows:							
Net difference between projected and actual earnings on investments	\$ 129,327	\$ 141	\$ 145	\$ 1,697	\$ 10,497	\$ 12,480	\$ 141,808
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,112	38	39	451	2,789	3,316	37,429
Total deferred inflows related to pensions	\$ 163,440	\$ 179	\$ 184	\$ 2,148	\$ 13,286	\$ 15,797	\$ 179,237

Actuarial Assumptions

The following methods and assumptions were used in the development of the total pension liability:

Valuation date	December 31, 2016
Experience Study Report	2016, published July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25% / 0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disables retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

To develop an analytical basis for the selection of the long-term expected rate of return assumptions, in July 2015, the PERS Board reviewed long-term assumptions developed by both a consulting actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors.

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The following table shows the consulting actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation:

Asset Class	Target	Compound Annual Return (Geometric)
Core fixed income	8.00%	3.49%
Short-term bonds	8.00%	3.38%
Bank/leveraged loans	3.00%	5.09%
High yield bonds	1.00%	6.45%
Large/mid cap US equities	15.75%	6.30%
Small cap US equities	1.31%	6.69%
Micro cap US equities	1.31%	6.80%
Developed foreign equities	13.13%	6.71%
Emerging market equities	4.13%	7.45%
Non-US small cap equities	1.88%	7.01%
Private equity	17.50%	7.82%
Real estate (property)	10.00%	5.51%
Real estate (REITS)	2.50%	6.37%
Hedge fund of funds - diversified	2.50%	4.09%
Hedge fund - event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed inflation - mean		2.50%

The OIC's description of each asset class was used to map the target allocation to the asset classes. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Discount Rate

The discount rate used to measure the total pension liability was 7.2% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability calculated using the discount rate of 7.2%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.2%) or one percent higher (8.2%) than the current rate (in millions):

Net Pension Liability	1% Decrease (6.2%)	Current Discount (7.2%)	1% Increase (8.2%)
Defined Benefit Pension Plan	\$ 5,336.9	\$ 3,193.5	\$ 1,424.2

Changes in Plan Provisions

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. For June 30, 2018, the long-term expected rate of return was lowered to 7.2% from 7.5%.

In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumption were updated for merit increases, unused sick leave, and vacation pay.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

E. Separately Financed Specific Liability

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP, effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate, which was 7.2% in fiscal year 2019. The pre-SLGRP pooled liability, which has been referred to as pension-related debt in this report, attributable to the State is being amortized over the period ending December 31, 2027. The outstanding pension-related debt balance as of June 30, 2019, for the State, as the primary government, is \$295.8 million, and is reported in the accompanying financial statements as part of the contracts, mortgages, and notes payable balance.

15. 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 separate 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. 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.

Established under ORS 238.415, the RHIPA is considered a single-employer OPEB plan for financial reporting purposes, although certain discretely presented component units and related organizations, which are described in Note 1, do participate in the plan. 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.

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At June 30 2019, the following employees were covered by the benefit terms:

	<u>RHIA</u>	<u>RHIPA</u>
Inactive employees or beneficiaries currently receiving benefit payments	44,208	905
Inactive employees entitled to but not yet receiving benefit payments	11,347	-
Active employees	<u>45,958</u>	<u>13,982</u>
	<u>101,513</u>	<u>14,887</u>

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://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Funding

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions.

The PERS employer contribution rates for state agencies for the biennium beginning July 1, 2017 and ending June 30, 2019, expressed as a percentage of covered-employee payroll:

<u>RHIA</u>		<u>RHIPA</u>	
<u>Tier 1 - Tier 2</u>	<u>OPSRP</u>	<u>Tier 1 - Tier 2</u>	<u>OPSRP</u>
0.50%	0.43%	0.49%	0.38%

State agencies' employer contributions to PERS for RHIA and RHIPa for fiscal year ended June 30, 2019, totaled approximately \$10.8 million and \$10.6 million, respectively. The actual contribution equaled the contractually required contribution for both RHIA and RHIPa for the fiscal year.

As noted previously, because certain discretely presented component units and related organizations contribute to the RHIPa plan, the contributions identified in the combining statement of changes in fiduciary net position exceed the State's required employer contributions.

Net OPEB Asset and Net OPEB Liability

RHIA

At June 30, 2019, the State reported an asset of \$25.5 million for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The State's portion of the net OPEB asset was determined by comparing the State's actual, legally required contributions made to the Plan during the fiscal year with the total actual contributions made in the fiscal year by all employers. Certain component units are considered by the OPEB plan to be part of the State and the State determined those component units' proportionate share of the net OPEB asset and allocated it to them. At the June 30, 2018, measurement date (MD), the State's proportion, excluding those component units, was 22.9%, which is 0.5% lower than the proportion of 23.4% at the prior measurement date of June 30, 2017. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

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For the year ended June 30, 2019, the State recognized negative OPEB expense of \$2.1 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,447
Change in assumptions	-	81
Net difference between projected and actual earnings on investments	-	5,507
Changes in proportion and differences between employer contributions and proportionate share of contributions	277	11
Total (prior to post-MD contributions)	<u>277</u>	<u>7,046</u>
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	(6,768)
Contributions subsequent to the MD	10,773	N/A
Net deferred outflow/(inflow) of resources		<u><u>\$ 4,005</u></u>

The \$10.8 million reported as deferred outflows of resources related to OPEB resulting from state contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal Year	Amount
2020	\$ (2,181)
2021	(2,205)
2022	(1,835)
2023	(547)
	<u><u>\$ (6,768)</u></u>

Deferred outflows and inflows of resources related to OPEB are reported as follows (in thousands):

		Business-type Activities					Total Primary Government
		Governmental Activities	Housing and Community Services	Veterans' Loan	Lottery Operations	Other	
Deferred Outflows and Deferred Inflows							
Deferred Outflows:							
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 251	\$ -	\$ -	\$ 4	\$ 22	\$ 27	\$ 277
Contributions subsequent to the MD	9,702	18	13	147	895	1,071	10,773
Total deferred outflows related to OPEB	<u><u>\$ 9,952</u></u>	<u><u>\$ 18</u></u>	<u><u>\$ 13</u></u>	<u><u>\$ 150</u></u>	<u><u>\$ 917</u></u>	<u><u>\$ 1,098</u></u>	<u><u>\$ 11,050</u></u>
Deferred Inflows:							
Differences between expected and actual experience	\$ 1,310	\$ 2	\$ 2	\$ 19	\$ 115	\$ 138	\$ 1,447
Change in assumptions	73	-	-	1	6	8	81
Net difference between projected and actual earnings on investments	4,983	7	6	72	439	524	5,507
Changes in proportion and differences between employer contributions and proportionate share of contributions	11	-	-	-	-	-	11
Total deferred inflows related to OPEB	<u><u>\$ 6,376</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 92</u></u>	<u><u>\$ 561</u></u>	<u><u>\$ 669</u></u>	<u><u>\$ 7,046</u></u>

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RHIPA

At June 30, 2019, the State reported a net OPEB liability of \$27.2 million. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Certain component units are considered by the OPEB plan to be part of the State and the State determined those component units' proportionate share of the net OPEB liability and allocated it to them. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

For the year ended June 30, 2019, the State recognized OPEB expenses of \$4.6 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,016
Change in assumptions	282	-
Net difference between projected and actual earnings on investments	-	449
Total (prior to post-MD contributions)	<u>282</u>	<u>2,466</u>
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	(2,184)
Contributions subsequent to the MD	<u>10,603</u>	<u>N/A</u>
Net deferred outflow/(inflow) of resources		<u><u>\$ 8,419</u></u>

The \$10.6 million reported as deferred outflows of resources related to OPEB resulting from state contributions subsequent to the measurement date will be recognized as a decrease to the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal Year	Amount
2020	\$ (431)
2021	(431)
2022	(431)
2023	(333)
2024	(294)
Thereafter	<u>(265)</u>
	<u><u>\$ (2,184)</u></u>

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Deferred outflows and inflows of resources related to OPEB are reported as follows (in thousands):

Deferred Outflows and Deferred Inflows	Governmental Activities	Business-type Activities					Total Primary Government
		Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Outflows:							
Change in assumptions	\$ 255	\$ 0	\$ 0	\$ 4	\$ 22	\$ 27	\$ 282
Contributions subsequent to the MD	9,573	17	12	136	864	1,030	10,603
Total deferred outflows related to OPEB	\$ 9,828	\$ 18	\$ 13	\$ 140	\$ 886	\$ 1,056	\$ 10,884
Deferred Inflows:							
Differences between expected and actual experience	\$ 1,824	\$ 2	\$ 2	\$ 27	\$ 160	\$ 192	\$ 2,016
Net difference between projected and actual earnings on investments	407	1	1	6	36	43	449
Total deferred inflows related to OPEB	\$ 2,231	\$ 3	\$ 3	\$ 32	\$ 196	\$ 235	\$ 2,466

Changes in Net OPEB Liability

The schedule of changes in net OPEB liability and related ratios measured as of June 30, 2018, is as follows (dollars in millions):

Total OPEB Liability

Service cost	\$ 1.5
Interest on total OPEB liability	5.2
Changes in benefit terms	-
Changes in assumptions	0.4
Differences between expected and actual experience	(3.0)
Benefit payments	(4.7)
Net change in total OPEB liability	(0.6)
Total OPEB liability - Beginning	70.9
Total OPEB liability - Ending	<u>\$ 70.3</u>

Plan Fiduciary Net Position

Employer contributions	\$ 13.3
Net investment and other income	2.4
Benefit payments	(4.7)
Administrative expense	(0.3)
Net change in plan fiduciary net position	10.7
Plan fiduciary net position - Beginning	24.3
Plan fiduciary net position - Ending	<u>\$ 35.0</u>
Net OPEB Liability	<u>\$ 35.3</u>

Plan fiduciary net position as a percentage of the total OPEB liability	49.8%
Covered payroll	\$ 1,165.3
Net OPEB liability as a percentage of covered payroll	3.0%

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Actuarial Assumptions

The following methods and assumptions were used in the development of the total OPEB liability:

	RHIA	RHIPA
Valuation date	December 31, 2016	December 31, 2016
Experience study report	2016, published July 26, 2017	2016, published July 26, 2017
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50%	2.50%
Long-term expected rate of return	7.20%	7.20%
Discount rate	7.20%	7.20%
Projected salary increases	3.50%	3.50%
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	Not Applicable	Applied at beginning of plan year, starting with 6.5% for 2018, decreasing to 5.9% for 2019, increasing to 6.2% for 2029, and decreasing to an ultimate rate of 4.2 percent for 2093 and beyond.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both a consulting actuary's capital market assumptions and the Oregon Investment Council's (OIC) investment advisors.

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The following table shows the consulting actuary's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation for both RHIA and RHIPA:

Asset Class	Target	Compound Annual Return (Geometric)
Core fixed income	8.00%	3.49%
Short-term bonds	8.00%	3.38%
Bank/leveraged loans	3.00%	5.09%
High yield bonds	1.00%	6.45%
Large/mid cap US equities	15.75%	6.30%
Small cap US equities	1.31%	6.69%
Micro cap US equities	1.31%	6.80%
Developed foreign equities	13.13%	6.71%
Emerging market equities	4.13%	7.45%
Non-US small cap equities	1.88%	7.01%
Private equity	17.50%	7.82%
Real estate (property)	10.00%	5.51%
Real estate (REITS)	2.50%	6.37%
Hedge fund of funds - diversified	2.50%	4.09%
Hedge fund - event driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Assumed inflation - mean		2.50%

The OIC's description of each asset class was used to map the target allocation to the asset classes. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.2% for both RHIA and RHIPA plans which is lower by 0.3% compared to the discount rate of 7.5% reported in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA and RHIPA plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA and RHIPA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the net OPEB liability/asset for the RHIA and RHIPA plans calculated using the discount rate of 7.2%, as well as what the net OPEB liability/asset would be if it were calculated using a discount rate that is one percent lower (6.2%) or one percent higher (8.2%) than the current rate (in millions):

Net OPEB Liability/(Asset)	1% Decrease (6.2%)	Current Discount (7.2%)	1% Increase (8.2%)
RHIA	\$ (14.9)	\$ (25.5)	\$ (34.6)
RHIPA	30.5	27.2	23.5

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The following table presents the net OPEB liability/asset for the RHIA and RHIPA plans calculated using the healthcare cost trend rates, as well as what the net OPEB liability/asset would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current trend rates (in millions):

Net OPEB Liability/(Asset)	1% Decrease	Current Trend Rate	1% Increase
RHIA	\$ (25.5)	\$ (25.5)	\$ (25.5)
RHIPA	22.0	27.2	32.3

Changes in Plan Provisions

The PERS Board adopted assumption changes that were used to measure the June 30, 2018 total OPEB liability. The changes include the lowering of the long-term expected rate of return to 7.2%. In addition, the healthy healthcare participation and cost trend rates, and healthy mortality assumptions were changed to reflect an updated trends and mortality improvement scale for all groups.

RHIA and RHIPA Plans' Fiduciary Net Position

Detailed information about the RHIA and RHIPA's fiduciary net position is available in the separately issued PERS financial report.

B. Public Employees Benefit Board (PEBB)

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. The PEBB Plan is considered a single-employer plan for financial reporting purposes, although certain discretely presented component units and related organizations, which are described in Note 1, do participate in the PEBB plan. As a result, the State reports only a portion of the overall total OPEB liability under the primary government section of the Statement of Net Position. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. PEBB does not issue a separate, publicly available financial report.

As of June 30, 2019, membership in the PEBB Plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	995
Active employees	53,881
	54,876

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."

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. For the year ended June 30, 2019, retired plan members contributed \$12.9 million through their required contributions. The average monthly contributions was \$1,082. Active employees do not contribute to the plan.

Total OPEB Liability

At June 30, 2019, the State reported a total OPEB liability of \$118.8 million. The total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. Certain component units are considered by the OPEB plan to be part of the State and the State determined those

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component units' proportionate share of the OPEB liability and allocated it to them. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

For the year ended June 30, 2019, the State recognized OPEB expenses of \$12.2 million. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 3,216	\$ 2,057
Net deferred outflow/(inflow) of resources		\$ 1,159

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal Year	Amount
2020	\$ 115
2021	115
2022	115
2023	115
2024	115
Thereafter	584
	\$ 1,159

Deferred outflows and inflows of resources related to OPEB are reported as follows (in thousands):

	Business-type Activities						Total Primary Government
	Governmental Activities	Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Outflows and Deferred Inflows							
Deferred Outflows:							
Change in assumptions	\$ 2,893	\$ 5	\$ 3	\$ 36	\$ 278	\$ 323	\$ 3,216
Total deferred outflows related to OPEB	\$ 2,893	\$ 5	\$ 3	\$ 36	\$ 278	\$ 323	\$ 3,216
Deferred Inflows:							
Change in assumptions	\$ 1,850	\$ 3	\$ 2	\$ 23	\$ 178	\$ 206	\$ 2,057
Total deferred inflows related to OPEB	\$ 1,850	\$ 3	\$ 2	\$ 23	\$ 178	\$ 206	\$ 2,057

Changes in Total OPEB Liability

The schedule of changes in the total OPEB liability measured as of June 30, 2019, is as follows (in millions):

Balance as of June 30, 2018	\$ 148.6
Changes for the year	
Service cost	9.1
Interest on total OPEB liability	6.0
Effect of changes to benefit terms	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	5.0
Benefit payments	(7.5)
Balance as of June 30, 2019	\$ 161.2

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Actuarial Assumptions

The following methods and assumptions were used in the development of the PEBB total OPEB liability:

Valuation date	July 1, 2017
Experience study report	July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Salary increases	3.50%
Discount rate	3.50%
Healthcare cost trend rates	5.1% for 2019, 5.3% for 2020, 5.1% for 2021, an average of 5.6% between fiscal years 2022 and 2046, and the rate grades down from 5.6% to 4.2% between fiscal years 2047 and 2097.
Withdrawal, retirement, and mortality rates	December 31, 2016 Oregon PERS valuation
Election and lapse rates	30% of eligible employees 60% spouse coverage for males, 35% for females 7% annual lapse rate

Discount Rate

The discount rate used to measure the total OPEB liability for PEBB was 3.5%, which reflect the Bond Buyer 20-year General Obligation Bond Index. The rate used to measure the total OPEB liability for fiscal year 2018 was 3.87%, which is 0.4% higher than the rate for fiscal year 2019.

The following table presents the total OPEB liability for the PEBB plan calculated using the discount rate of 3.5%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower (2.5%) or one percent higher (4.5%) than the current rate (in millions):

Total OPEB Liability	1% Decrease (2.5%)	Current Discount (3.5%)	1% Increase (4.5%)
PEBB	\$ 129.3	\$ 118.8	\$ 109.2

The following table presents the total OPEB liability for the PEBB plan calculated using the healthcare cost trend rates, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current trend rates (in millions):

Total OPEB Liability	1% Decrease	Current Trend Rate	1% Increase
PEBB	\$ 103.5	\$ 118.8	\$ 137.2

Changes in Plan Provisions

The plan provisions used to determine the total OPEB liability as of June 30, 2019, are identical to those in the July 1, 2017, actuarial valuation report.

C. Collective Amount of OPEB Expense

For the year ended June 30, 2019, the aggregate amount of OPEB expense recognized by the primary government was \$14.7 million.

D. Discretely Presented Component Units

The SAIF Corporation's employer contributions to RHIA and RHIPA for the fiscal year ended December 31, 2018, were approximately \$360 thousand and \$335 thousand, respectively.

The employer contributions to RHIA for the fiscal year ended June 30, 2019, for University of Oregon, Oregon State University, and Portland State University are approximately, \$1 million, \$1.2 million, and \$537 thousand, respectively.

The employer contributions to RHIPA for the fiscal year ended June 30, 2019, for University of Oregon, Oregon State University, and Portland State University are approximately, \$934 thousand, \$1.1 million, and \$491 thousand, respectively.

16. 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 Voya Financial to maintain OSGP participant records. The Oregon State Treasury, 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% 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, 2019, averaged 0.2% 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, 2019, the fair value of the investments was \$2.1 billion.

17. RISK FINANCING

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

The Department of Administrative Services, Enterprise Goods and Services Division, 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 purchases 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
- Worker's compensation
- Employee dishonesty
- Faithful performance bonds for key position 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.

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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 \$92.1 million as of June 30, 2019. 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 of claims and legal expenses that have been incurred but not reported (IBNR) and are discounted at an annual rate of 2%. The actuaries forecast ultimate losses by a line of coverage.

Changes in the balance of aggregate claims liabilities for the property, liability, inmate injury, and workers' compensation insurance program for the years ended June 30, 2019, and 2018 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2019	\$ 189,308	\$ 58,749	\$ (49,970)	\$ 198,087
2018	188,110	53,604	(52,405)	189,308

The June 30, 2019, 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 Healthcare Plans

Chapter 243 of the Oregon Revised Statutes authorized 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 five self-insurance 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 self-insured plans.

Contracted actuaries and consultants estimate the claims liability. IBNR 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. Prior claims adjustments, including subrogation, are included in the lag triangles. Overall, these adjustments are not expected to be significant.

Settlements exceeded coverage for one of the statewide plans in 2018 due to the board decision to fund the premium tax out of reserves, but the amount of claims for the other plans did not exceed the self-insured coverage for the past three years.

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Changes in the balance of aggregate claims liabilities for the healthcare plans for the years ended June 30, 2019 and 2018 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2019	\$ 54,563	\$ 703,998	\$ (695,554)	\$ 63,007
2018	56,657	641,743	(643,837)	54,563

The June 30, 2019, 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, 2019, using a 4% discount rate.

Changes in the balance of aggregate claims liabilities for supplemental workers' compensation insurance for the years ended June 30, 2019 and 2018 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2019	\$ 872,510	\$ 60,797	\$ (76,099)	\$ 857,208
2018	873,861	77,010	(78,362)	872,510

The June 30, 2019, balance of claims liabilities is included in claims and judgments payable on the government-wide statement of net position under governmental activities.

D. 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 IBNR. The estimated claims liability is calculated by contracted health insurance consultants using a variety of mathematical 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 \$865 thousand is carried at its face amount, and no interest discount is assumed.

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Changes in the balance of aggregate claims liabilities for the SRHIA for the years ended June 30, 2019 and 2018 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2019	\$ 9,200	\$ 83,240	\$ (91,575)	\$ 865
2018	8,700	142,937	(142,437)	9,200

The June 30, 2019, balance of claims liabilities for SRHIA is included in claims and judgments payable on the statement of net position of proprietary funds under Other.

E. 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 (LAE). In estimating the reserve for loss and LAE, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors related to workers' compensation insurance underwritten by SAIF.

The reserve for loss and LAE decreased \$181.4 million in calendar year 2018, which was net of favorable loss development of \$311 million. Loss reserves decreased \$154.9 million as compared to the prior year. The loss reserves for the 2018 accident year were offset by favorable loss reserve development in prior accident years. A significant portion of the reduction is due to a reduction in ultimate medical claims costs. Estimates of ultimate medical claims costs are based on a number of assumptions, including future increases in medical costs (i.e., medical escalation), the number and types of claims, and how far into the future payments will be made. The reduction in ultimate medical claims costs was driven largely by lower medical escalation and fewer permanent disability claims in more recent years than previously forecasted. LAE reserves decreased \$26.5 million. The favorable development was largely attributed to the overall reduction in loss 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%. SAIF does not discount any IBNR reserves, medical unpaid losses, or unpaid LAE. The gross reserve subject to tabular discounting for calendar year 2018 was \$268.9 million. The related discount was \$96.5 million as of December 31, 2018.

Anticipated salvage and subrogation of \$36.8 million was included as a reduction of the reserve for loss and LAE at December 31, 2018.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. As of December 31, 2018, SAIF had provided reserves of \$14.3 million for loss and LAE related to asbestos claims. Amounts paid for asbestos-related claims as of the end of the year was \$618 thousand.

Changes in the balance of the liability for loss and LAE related to workers compensation insurance underwritten by SAIF for 2018 and 2017 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Loss and Loss Adjustment Expense Payments	Ending Balance
2018	\$ 2,720,045	\$ 224,197	\$ (405,629)	\$ 2,538,613
2017	2,824,916	297,071	(401,942)	2,720,045

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

18. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues are reported net of discounts and allowances in the accompanying financial statements. Discounts and allowances in proprietary funds for the year ended June 30, 2019 (in thousands):

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	\$ 1,087
Unemployment Compensation	Assessments	2,057
Unemployment Compensation	Fines and forfeitures	16
Nonmajor Enterprise Funds	Charges for services	21,100
Nonmajor Enterprise Funds	Sales	7,929
Internal Service Funds	Fines and forfeitures	42
Total discounts and allowances		\$ 32,231

19. FUND EQUITY

A. Net Position Restricted by Enabling Legislation

The following schedule summarizes the State's net position at June 30, 2019, 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	\$ 55,018
Public transportation programs	11,622
Natural resource programs	99,762
Education	371,395
Community protection	41,412
Consumer protection	85,896
Employment services	197,981
Residential assistance	23,660
Other programs	42,392
Nonexpendable net position restricted for:	
Education	900
Residential assistance	10,839
Workers' compensation	1,000
Total net position restricted by enabling legislation	\$ 941,878

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B. Changes to Beginning Equity

As of June 30, 2019, the beginning fund balance was restated as follows (in thousands):

	Beginning Balance	Prior Period Adjustments	Beginning Balance- Restated
Governmental funds and activities			
General	\$ 2,879,037	\$ (32,158)	\$ 2,846,879
Health and Social Services	463,813	76,160	539,973
Public Transportation	811,558	-	811,558
Educational Support	1,837,553	(1,287)	1,836,266
Common School	1,353,741	-	1,353,741
Other (nonmajor)	3,132,050	(70,017)	3,062,033
Capital assets, net of depreciation	13,622,907	85,561	13,708,468
Other noncurrent assets	8,318	1,189	9,507
Noncurrent liabilities	(14,019,388)	-	(14,019,388)
Deferred inflows and outflows of resources	2,211,755	-	2,211,755
Internal service funds	267,848	7,051	274,899
Total governmental funds and activities	\$ 12,569,192	\$ 66,501	\$ 12,635,692
Proprietary funds and business-type activities			
Housing and Community Services	\$ 227,277	\$ -	\$ 227,277
Veterans' Loan	130,412	-	130,412
Lottery Operations	271,510	-	271,510
Unemployment Compensation	4,381,472	-	4,381,472
Other (nonmajor)	1,112,928	9,989	1,122,918
Internal service funds adjustment	1,856	-	1,856
Total proprietary funds and business-type activities	\$ 6,125,456	\$ 9,989	\$ 6,135,446

Significant prior period adjustments were made in governmental funds and activities. Most notably were adjustments reported in the Health and Social Services Fund, the Consumer Protection Fund, and capital assets.

In the prior fiscal year, revenues from Managed Care Organizations were reported in the Consumer Protection Fund, an other (nonmajor) fund, instead of the Health and Social Services Fund. As a result, the fund balance in the Consumer Protection Fund was overstated by \$51.5 million and the Health and Social Services Fund was understated by the same amount. In 2019, a prior period adjustment was reported to accurately restate the respective fund balances.

The other significant prior period adjustments reported impacted capital assets. The \$85.6 million prior period adjustment to capital assets was primarily due to the capitalization of assets purchased in prior years that were not previously capitalized.

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C. Fund Balances-Governmental Funds

The following table displays in detail the June 30, 2019, fund balances that are reported in the aggregate on the governmental funds balance sheet (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Common School	Other	Total
Nonspendable:							
Not in spendable form	\$ 24,685	\$ 831	\$ 38,929	\$ 3	\$ -	\$ 13,061	\$ 77,509
Legally or contractually required to be maintained intact	19	52	40	-	-	15,858	15,968
Restricted for:							
Public health and welfare	-	249,456	-	-	-	-	249,456
Roads and bridges	-	-	846,214	-	-	-	846,214
Conservation and natural resources	140,398	-	-	-	-	933,638	1,074,035
K-12 and higher education	-	-	-	1,997,162	1,481,512	-	3,478,673
Education stabilization	648,836	-	-	-	-	-	648,836
Business development	50,733	-	-	-	-	83,349	134,082
Community protection	3,177	-	-	-	-	307,859	311,035
Licensing and regulation	-	-	-	-	-	88,755	88,755
Employment related programs	-	-	-	-	-	280,256	280,256
Low income housing assistance	-	-	-	-	-	195,593	195,593
Debt service	-	-	-	-	-	319,664	319,664
Capital projects	-	-	-	-	-	210,625	210,625
Other purposes	107,641	-	-	-	-	60,439	168,080
Committed to:							
Public health and welfare	-	50,872	-	-	-	-	50,872
Conservation and natural resources	-	-	-	-	-	45,934	45,934
Education	8,654	-	-	37,266	-	-	45,921
Business development	589	-	-	-	-	46,829	47,418
Community protection	12,032	-	-	-	-	153,665	165,697
Licensing and regulation	-	-	-	-	-	36,513	36,513
Employment related programs	-	-	-	-	-	163,631	163,631
Low-income housing assistance	-	-	-	-	-	186,139	186,139
Stabilization	666,605	-	-	-	-	-	666,605
Capital projects	-	-	-	-	-	366	366
Other purposes	15,954	-	-	-	-	727	16,681
Assigned to:							
Public health and welfare	-	49,514	-	-	-	-	49,514
Conservation and natural resources	-	-	-	-	-	11,213	11,213
Education	-	-	-	4,190	-	-	4,190
Business development	-	-	-	-	-	37	37
Community protection	-	-	-	-	-	10,118	10,118
Employment related programs	-	-	-	-	-	2,255	2,255
Low-income housing assistance	-	-	-	-	-	58,886	58,886
Debt service	-	-	-	-	-	363	363
Capital projects	-	-	-	-	-	7,071	7,071
Other purposes	13,009	-	-	-	-	3,189	16,199
Unassigned:	2,911,326	-	-	-	-	-	2,911,326
Total fund balances	\$ 4,603,657	\$ 350,724	\$ 885,183	\$ 2,038,622	\$1,481,512	\$ 3,236,033	\$ 12,595,731

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, access, 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.

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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 \$10.5 million as of June 30, 2019.

The Legal Services Fund, an internal service fund, reports a deficit net position of \$40.8 million as of June 30, 2019.

The Audit Services Fund, an internal service fund, reports a deficit net position of \$1.1 million as of June 30, 2019.

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% 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. No additional contributions are made once the fund balance reaches a level equal to 7.5% 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% 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% 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 the 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, 2019, was \$666.6 million.

The Education Stability Fund is authorized in the Oregon Constitution, Article XV, Section 4, part (4)(d), requires that 18% 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% 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 are 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, 2019, was \$648.8 million.

20. NONEXCHANGE FINANCIAL GUARANTEES

Article XI-K of the Oregon Constitution allows the State to guarantee the general obligations 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 1% 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 Oregon State Treasury. After application approval, no additional information is required to be provided to the Debt Management Division, except when a 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% 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 moneys necessary to reimburse the State. In seeking recovery, the 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) exercise the rights of a secured creditor in any money or assets pledged by the district to secure its reimbursement obligation to the State. The Treasurer may apply any intercepted payments or secured assets 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, 2019, the State had extended nonexchange financial guarantees of \$7.8 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, 2049.

21. TAX ABATEMENTS

As of June 30, 2019, the State provides material tax abatements through four programs. Details of each program are provided below:

- The Electronic Commerce Zone Investment program (Oregon Revised Statutes (ORS) 285C.095, 285C.100, 315.507) provides an income tax credit to qualified businesses engaged in electronic commerce in an approved enterprise zone. The credit is equal to 25% of the investment in capital assets that are used in the designated area primarily for electronic commerce operations, limited to the lesser of \$2 million or the tax liability. Any tax credit that is not used may be carried forward for up to five years.
- The Oregon Investment Advantage program (ORS 285C.495, 285C.500 through 285C.506, 316.778, 317.391) helps businesses start or locate new types of operations in a number of Oregon counties by providing an income tax subtraction. The subtraction is determined by multiplying the taxable income of the business by the sum of: (a) 50% of the ratio of the payroll at the certified facility over the business's statewide payroll and (b) 50% of the ratio of the average value of the property of the business at the certified facility over the average value of the business's statewide property. Businesses apply for preliminary certification and the application is due to the Oregon Business Development Department before any work commences on the facility. All of the following requirements must be met in order to be a certified facility: (a) the facility must be located within the urban growth boundary of a city that has 15 thousand or fewer residents or is land zoned for industrial use and located in a county that had a county unemployment rate that was in the highest third of county unemployment rates in the State, or a county that had a per capita personal income that was in the lowest third of county per capita personal

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incomes in the State; (b) the facility must intend to operate as a facility for at least 10 years following the date it becomes operational; (c) the business must hire at least five employees for full-time, year-round employment; (d) the newly hired employees must receive a minimum annual compensation of 150% of the county per capita personal income of the county in which the facility is located, or 100% of the county per capita personal income of the county in which the facility is located and the business must provide health insurance coverage to the employees of the facility that meets or exceeds the health insurance benefits provided to employees of the city, port, or county in which the facility is located; (e) the business operations of the facility must constitute a new line of business that the business firm does not operate at another location within the State; and (f) the business operations of the business firm will not compete with existing business in the city or county in which the facility is located.

- Energy Conservation Projects (ORS 315.331) provide an income tax credit for a capital investment in an energy conservation project in Oregon, certified by the Oregon Department of Energy for which the first year energy savings yields a simple payback period of greater than three years. If the project is new construction or a total building retrofit, the project must achieve the standards required for: (a) Leadership in Energy and Environmental Design (LEED) Platinum certification; (b) a four globes rating from the Green Globes program; (c) a nationally or regionally recognized and appropriate sustainable building program whose performance standards are equivalent to standards previously identified under (a) or (b) above; or (d) verification that the construction conformed to standards of the Reach Code adopted in ORS 455.500. The credits, which may not exceed the tax liability of the taxpayer, are 10% of the certified cost of the facility in the first two years the credit is claimed, and 5% of the cost of the facility in each of the succeeding three years. In addition, the total amount of the credit allowable may not exceed 35% of the certified cost of the project.
- Business Energy Program (ORS 315.354, 315.356, 315.357, 469B.130) provides an income tax credit based upon the certified cost of a facility used to process or use renewable energy resources, or to achieve energy efficiency that exceeds industry or regulatory standards by 10% or better. The term "facility" includes alternative fuel fleet vehicles, telecommuting equipment, refueling stations, high-efficiency combined heat and power facility, a high-performance home, a homebuilder-installed renewable energy system, or a renewable energy resource equipment manufacturing facility. Eligible costs also include employer-provided transit passes and costs of providing transit passes to students and patrons of medical facilities, and certain utilities. This credit is no longer eligible for new facility costs, and to be eligible, preliminary certification must have been received from the Oregon Department of Energy before July 1, 2011, and the credit must have been claimed in a tax year beginning before January 1, 2013. The credit can be carried forward for up to eight years.

Income tax abatements for the year ending June 30, 2019 (in thousands):

Tax Abatement Program	Amount
Electronic Commerce Zone Investment	\$ 4,700
Oregon Investment Advantage	8,000
Energy Conservation Projects	1,900
Business Energy Program	14,400
Total	\$ 29,000

There are no tax abatement agreements entered into by other governments that reduce the State's own tax revenues.

22. SETTLEMENT ACTIVITIES

On September 15, 2016, the State of Oregon entered into a settlement agreement with Oracle America, Inc. (Oracle) and Mythics, Inc. (Mythics) to resolve a legal dispute. As part of the settlement agreement, the State received a six-year unlimited license agreement (ULA) for several business enterprise software packages and related services, discharge of \$1.4 million of liabilities owed to Oracle or Mythics, and \$25 million to defray the cost of attorneys' fees and other costs the State incurred in connection with the legal dispute.

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The following table shows the total amount recognized as revenue during the current fiscal year pursuant to this settlement agreement (in thousands):

	Governmental Activities	Business-type Activities
Capitalized product received through the ULA	\$ 5,200	\$ -
Services and non-capitalized product received through the ULA	1,845	24
Total settlement revenue	\$ 7,045	\$ 24

Since inception, the State of Oregon has realized total savings of \$37.8 million as a result of this settlement agreement, including \$8.4 million of Oracle product that has been capitalized.

23. COMMITMENTS

The State has significant commitments as of June 30, 2019, 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, 2019, and the anticipated sources of funding (in thousands):

Purpose	General Fund	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	\$ 72,023	\$ 77,352	\$ 450	\$ 59,485	\$ 209,310
Grant and loan commitments	106,405	258,397	79,469	1,205,516	1,649,788
Personal services contracts	192,040	74,826	1,071	101,762	369,700
Public defense contracts	53,970	-	-	-	53,970
Systems development	18,907	37,959	57	36,502	93,425
Equipment purchases	4	30	-	432	466
Total commitments	\$ 443,350	\$ 448,564	\$ 81,048	\$ 1,403,698	\$ 2,376,659

The Oregon Investment Council has entered into agreements that commit the investment manager 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) makes similar commitments for investment purchases. As of June 30, 2019, the OPERF had \$11.7 billion in commitments to purchase private equity investments, \$1.9 billion to purchase real estate investments, \$693.9 million to purchase Opportunity Fund investments, and \$3.9 billion to purchase Alternative Equity portfolio investments. As of June 30, 2019, the CSF had \$72 million in commitments to purchase private equity and real estate open-ended fund investments while OGA had \$53.8 million in commitments to purchase private equity investments. These amounts are unfunded and are not recorded in the financial statements.

Encumbrance balances are reported only in the first year of a biennium (even numbered years). At the end of each biennium, unfulfilled encumbrances are required to be cancelled in accordance with state policy.

24. CONTINGENCIES

A. Litigation

Portland Harbor Superfund

Two state agencies are participating in 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 Portland Harbor Superfund 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.

On January 6, 2017, EPA issued its final cleanup plan for the Portland Harbor Superfund site in a document called the Record of Decision (ROD). The ROD requires a mix of cleanup actions (dredging, capping, enhanced natural recovery, and monitored natural recovery) and is estimated to cost \$1.1 billion and take approximately 13 years to complete. Liable parties under CERCLA are responsible for funding this remedial action, as well as other preliminary actions required before full implementation of the ROD, such as additional investigations, remedial design, and agency oversight. The Portland Harbor Superfund mediation will allocate the ROD's cleanup costs among all liable parties. If the mediation is successful, it will culminate in a settlement proposal, which if accepted by EPA will be memorialized in a Consent Decree filed in the Oregon federal district court.

In September 2018, the EPA signed an Administrative Settlement and Order on Consent which obligates four PRP parties to undertake pre-remedial design sampling to investigate the current state of sediment contamination in the site. This sampling investigation and related deliverables were provided to EPA in June 2019. In September 2019, EPA concluded that the data from the sampling was of suitable quality for further use, though EPA and the four PRP parties remain in discussion about how the data may impact future cleanup work.

It is too early to estimate the proportionate share of liability for cleanup costs, if any, that may ultimately be allocated to the state agencies in the course of the mediation process. It is not known when the mediation process will end.

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, acting through its trustee, the Oregon Department of Fish and Wildlife. The trustees have initiated a cooperative injury assessment process funded by thirty parties, the goal of which is to reach settlements of the NRD claim based on readily available information. The State is seeking a settlement of its NRD liabilities. It is too early to evaluate what, if any, share of liability either ODOT or DSL may ultimately bear for this NRD claim.

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 commercial general liability insurance policies the State held from 1968 to 1972, and on insurance policies that listed DSL and ODOT as additional insureds. 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. In October 2015, the State filed suit in state court against its primary insurance carrier, Pacific Indemnity Company (PIC), asserting that PIC is obligated to fund a greater proportion of the State's defense costs in Portland Harbor than it has so far. Other insurance carriers whose policies are in issue have joined the lawsuit. In June 2019, the State executed a settlement agreement with Pacific Indemnity and several other insurers regarding their obligation to pay for most of the State's defense costs through 2024. The State has

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also reached a defense costs settlement in principle with another insurer and remains in litigation over defense costs with one additional insurer.

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 entered into a four-year agreement, under which the State agreed to, among other things, share data and discuss system gaps and outcome measures that could be adopted by the State. In July 2016, the parties completed lengthy negotiations regarding the terms of a performance plan, with performance outcome measures used to measure improvements to mental health services in Oregon. The performance plan provides for completion of the outcomes by July 2019. USDOJ reserves the right to resume its investigation if the State does not comply with this plan. Were USDOJ to determine that, given the State's performance under the plan, there are violations of federal law, USDOJ could issue written findings that specify the nature of any violations. The State would then be in a better position to estimate the costs to remedy any asserted violations. Since the time of the November 2012 agreement, the State has increased its investments in community mental health services by tens of millions of dollars. At present, the State is meeting many of the plan requirements. In a recent meeting, USDOJ was generally complimentary of the State's progress. The costs of further changes to the State's community mental health programs imposed as a result of this process could reach or exceed \$50 million.

Cover Oregon

The start-up of Oregon's health insurance exchange, along with the exchanges of a number of other states, is the subject of federal inquiries into the use of federal grant funds on the health insurance exchange project. It is possible that the federal government could determine that certain expenditures for Oregon's health insurance exchange and social services modernization project were improper or otherwise returnable. If that occurs, it is possible the federal government may seek repayment from the State of any disallowed amounts, up to the full amount the federal government paid the State, approximately \$300 million.

Forest Management Rules Challenge

On November 20, 2019, a jury in Linn County, Oregon, awarded damages against the State of Oregon in favor of a group of counties and local taxing districts, which had alleged that the State failed to comply with a statutory contract to maximize timber revenue on certain forestlands and share those revenues with the counties. The jury decided that the State had breached a statutory contract with the counties by failing to maximize timber payments since 2001 and awarded damages for past breaches, along with damages for anticipated future breaches of the alleged agreement, assuming the management of the state forests does not change. The total amount of the verdict against the State is approximately \$1.1 billion. A judgment in the case is expected to be entered by the Linn County Circuit Court in the next few months. Once the judgment is entered, it will accrue interest at 9% annually from the date of entry, including during the course of any appeals. However, the State plans to file for a stay of enforcement of the judgment. The Oregon Attorney General's office believes there are strong arguments to be made on appeal and has indicated the State will appeal this verdict. The timeline for an appeal is generally 30 days from date of entry of judgment. At this time, the State does not know what its ultimate liability, if any, might be. The State also cannot predict the timing or method of payment to satisfy the judgment if the damages are upheld on appeal.

Community Care Organization

In February 2017, a coordinated care organization in Oregon, Family Care, Inc. (FamilyCare) filed a lawsuit challenging its 2017 contract rates; FamilyCare has since amended its complaint four times to add new claims. The fourth amended complaint includes the following claims against OHA: (a) breach of express and implied terms in the 2016 settlement agreement by using the amounts paid under the settlement agreement to limit FamilyCare's 2017 and 2018 rates; (b) breach of express and implied terms of the dispute resolution agreement; (c) intentional interference with FamilyCare's business relations; (d) a claim under Oregon's Administrative Procedures Act alleging, among other things, that FamilyCare's 2017 and 2018 rates are not actuarially sound as required by federal law; (e) a federal civil rights claim alleging taking of FamilyCare's property rights to business goodwill and "reasonable expectation to actuarially sound rates" and retaliation against FamilyCare for exercise of its first amendment rights; and (f) breach of contract for failure to provide actuarially sound rates. FamilyCare seeks specific performance and money damages in the amount of at

State of Oregon
Notes to the Financial Statements

least \$111 million plus attorney fees, and seeks a judicial declaration that would effectively prohibit OHA from paying FamilyCare at the 2017 or 2018 contract rates. Through the course of litigation some of the claims have been eliminated, but the general theories, themes and damages remain. Some of the court's decisions on motions for summary judgment have been taken up on immediate appeal. The trial court action has been stayed pending the outcome of those appeals.

Prison Sexual Assault

Ten lawsuits have been filed by female current and former adults-in-custody of the state women's correctional facility alleging sexual assault by a male prison nurse and violations by the Department of Corrections of the federal Prison Rape Elimination Act (PREA). Each of the plaintiffs seek damages and relief under 42 USC § 1983 of \$5 million plus punitive damages, attorney fees, and costs as well as injunctive relief appointing a Special Master to audit, review, and investigate other similar incidents and adherence to PREA. The State anticipates these cases will be consolidated for trial. The State denies the allegations and the parties are in the process of discovery. Trial is expected to be scheduled sometime in 2020, or later.

Foster Care

In April 2019, a complaint was filed in federal court by Disability Rights Oregon and others seeking class action certification on behalf of children in Oregon's foster care system. The plaintiffs allege violations of foster children's civil rights based on the State's failure to provide reasonable care, to protect children from harm, its indifference to protected privacy and other rights, and its deprivation of federal substantive due process and child welfare rights stemming from alleged mistreatment and inadequate care. The plaintiffs seek injunctive relief that would prevent the State from continuing some of its current placement practices and would require the State to take additional actions regarding the intake, placement, treatment, and monitoring of children while in the foster care system. The State estimates that if the relief sought by plaintiffs is granted it is likely to cost over \$50 million.

Challenge to PERS Changes

In its 2019 session, the Legislative Assembly enacted Senate Bill 1049. The bill makes changes to the Public Employees' Retirement System (PERS) that are intended to reduce employer contributions and the unfunded actuarial liability of the system. The bill provides for a direct appeal to the Oregon Supreme Court if it is challenged. Among other things, the bill redirects part of an employee's PERS contribution from the employee's Individual Account (a defined contribution benefit account) to a newly created fund to support the defined benefit part of the employee's PERS benefit. The bill also imposes a cap of \$195 thousand on the final average salary on which a PERS pension benefit may be calculated. These provisions have been challenged by several PERS members as an unconstitutional impairment of contract. The State estimates that, if both provisions are determined to be unconstitutional, the employer contribution rate for state agencies will increase by approximately 1%, resulting in an increased contribution amount that must be paid by state agencies. The impact to the State for the 2019-21 biennium is estimated to be about \$31 million and for the 2021-23 biennium is estimated to be about \$61 million. The actual amount may vary depending on a number of factors including the actuarial analysis prepared for the 2021-23 biennium.

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, 2019, totaled approximately \$9.6 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, 2019, 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, 2019 (in thousands):

Type of Debt	Amount
General Obligation Bonds	
Department of Administrative Services	\$ 364,460
Department of Environmental Quality	2,030
Department of Veterans' Affairs	28,990
Revenue Bonds	
Housing and Community Services Department	99,000
Department of Transportation	620,890

On September 19, 2019, all \$30 million of the Mortgage Revenue Bonds 2018 Series B bonds were remarketed. They were converted from variable rate demand obligations to a fixed interest rate of 2.90%.

B. Bond Calls

Bond calls that have occurred since July 1, 2019 (in thousands):

Type of Call	Amount
General Obligation Bonds	
Department of Veterans' Affairs	\$ 6,950
Revenue Bonds	
Housing and Community Services Department	48,205

State of Oregon
Notes to the Financial Statements

C. Debt Guarantees

Under Article XI-K of the Oregon Constitution, \$883.3 million in bonds for school districts (SD) were issued and guaranteed following the fiscal year ended June 30, 2019, as noted below (dollars in thousands). Ultimately, the debt service payments remain the responsibility of the respective district.

School District	Series	Amount
Multnomah Cty SD 3 (Parkrose)	2019	\$ 35,130
Douglas Cty SD 116 (Winston-Dillard)	2019B	9,385
Lane Cty SD 52 (Bethel)	2019	31,325
Clackamas Cty SD 86 (Canby)	2019	12,905
Deschutes Cty SD 2J (Redmond)	2019	65,000
Umatilla Cty SD 16R (Pendleton)	2019	46,415
Marion Cty SD 29J (North Santiam)	2019	17,640
Washington Cty SD 48J (Beaverton)	2019	422,485
Clackamas Cty SD 3J (W.Linn-Wilsonville)	2019	4,502
Jackson Cty SD 6 (Central Point)	2019B	28,269
Grant Cty SD 16J (Dayville)	2019	700
Yamhill Cty SD 8 (Dayton)	2019	18,290
Linn Cty SD 129J (Santiam Canyon)	2019	17,900
Douglas Cty SD 116 (Winston-Dillard)	2019A	6,611
Lake Cty SD 14 (North Lake)	2019	4,000
Douglas Cty SD 34 (Elkton)	2019	3,000
Deschutes Cty SD 1 (Bend-Lapine)	2019	93,300
Jackson Cty SD 6 (Central Point)	2019A	53,730
Umatilla Cty SD 61 (Stanfield)	2019	12,760
Total debt guarantees		<u><u>\$ 883,347</u></u>

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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 Oregon 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.

State of Oregon

**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, 2019
(In Thousands)**

	General Fund				
	2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	\$ 17,158,059	\$ 17,158,059	\$ 8,624,694	\$ 9,815,721	\$ 1,282,355
Corporate Income Taxes	1,071,477	1,071,477	736,786	926,669	591,978
Tobacco Taxes	134,612	134,612	66,167	63,029	(5,416)
Motor Fuels Taxes	-	-	-	-	-
Weight-mile Taxes	-	-	-	-	-
Vehicle Registration Taxes	-	-	-	-	-
Other Taxes	422,833	422,833	257,185	289,486	123,838
Licenses and Fees	282,304	282,304	101,809	114,831	(65,664)
Federal	-	-	-	-	-
Charges for Services	10,875	10,875	5,457	5,490	71
Fines and Forfeitures	2,889	2,889	3,781	3,540	4,433
Rents and Royalties	-	-	46	5	51
Investment Income	50,187	50,187	30,149	57,011	36,973
Sales	36,613	36,613	572	600	(35,440)
Donations and Grants	-	-	-	-	-
Pension Bond Debt Service Assessment	-	-	-	-	-
Other	11,488	15,246	281	655	(14,310)
Total Revenues	19,181,336	19,185,095	9,826,927	11,277,036	1,918,869
Expenditures:					
Education	10,278,362	10,372,854	5,197,319	5,057,459	(118,076)
Human Resources	5,377,176	5,378,988	2,765,792	2,450,708	(162,488)
Public Safety	2,492,990	2,579,663	1,249,836	1,296,444	(33,383)
Economic and Community Development	97,775	122,587	54,539	58,100	(9,948)
Natural Resources	227,123	299,965	129,018	158,808	(12,139)
Transportation	24,884	23,456	12,715	10,742	-
Consumer and Business Services	13,247	13,461	6,112	6,408	(941)
Administration	265,354	262,551	133,701	119,645	(9,205)
Legislative	324,986	127,616	49,624	62,605	(15,387)
Judicial	754,250	765,862	368,739	387,069	(10,055)
Total Expenditures	19,856,147	19,947,004	9,967,396	9,607,987	(371,621)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(674,810)	(761,909)	(140,468)	1,669,049	2,290,490
Other Financing Sources (Uses):					
Transfers from Other Funds	320,017	320,017	275,858	63,955	19,796
Transfers to Other Funds	-	-	(199,594)	(82,471)	(282,066)
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	<u>\$ (354,794)</u>	<u>\$ (441,892)</u>	(64,204)	1,650,532	<u>\$ 2,028,220</u>
Budgetary Fund Balances - Beginning			1,473,269	1,392,994	
Prior Period Adjustments			(4)	(14,088)	
Budgetary Fund Balances - Beginning - As Restated			1,473,266	1,378,906	
Prior Biennium Transactions			(16,067)	-	
Budgetary Fund Balances - Ending			<u>\$ 1,392,994</u>	<u>\$ 3,029,438</u>	

State of Oregon

Federal Funds					Lottery Funds				
2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)	2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
16,337,712	16,665,568	8,930,403	9,670,872	1,935,707	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	23,576	23,576	15,808	42,743	34,975
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
16,337,712	16,665,568	8,930,403	9,670,872	1,935,707	23,576	23,576	15,808	42,743	34,975
1,168,608	1,187,985	392,488	506,292	(289,205)	543,466	632,938	222,959	408,173	(1,806)
16,356,219	17,307,139	8,045,580	8,672,608	(588,951)	12,462	12,499	6,077	6,209	(213)
530,030	588,078	180,803	196,639	(210,636)	8,310	8,146	4,076	3,907	(164)
337,828	331,266	158,798	119,465	(53,003)	151,597	150,697	66,422	69,640	(14,634)
301,188	300,883	100,422	110,948	(89,513)	208,060	218,444	67,145	88,961	(62,338)
115,235	115,075	26,709	40,623	(47,743)	120,644	113,597	55,052	58,545	-
18,080	18,843	7,507	8,801	(2,535)	-	-	-	-	-
17,379	18,614	3,634	8,108	(6,872)	26,088	23,426	11,847	11,346	(232)
-	-	-	-	-	-	-	-	-	-
1,339	1,344	458	407	(479)	-	-	-	-	-
18,845,907	19,869,227	8,916,399	9,663,891	(1,288,937)	1,070,627	1,159,747	433,578	646,781	(79,388)
(2,508,195)	(3,203,659)	14,005	6,980	3,224,644	(1,047,051)	(1,136,171)	(417,771)	(604,038)	114,363
1,493	1,505	20,707	15,115	34,317	2,724,793	2,965,523	1,141,916	1,088,815	(734,792)
(176,847)	(176,963)	(70,233)	(59,714)	47,016	(1,560,297)	(1,692,918)	(334,772)	(308,220)	1,049,926
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ (2,683,549)</u>	<u>\$ (3,379,117)</u>	(35,522)	(37,618)	<u>\$ 3,305,978</u>	<u>\$ 117,445</u>	<u>\$ 136,434</u>	389,373	176,558	<u>\$ 429,497</u>
		(68,651)	(92,029)				218,575	418,084	
		173	13,898				200	-	
		(68,477)	(78,131)				218,773	418,084	
		11,971	(28)				(190,063)	(13,385)	
		<u>\$ (92,029)</u>	<u>\$ (115,777)</u>				<u>\$ 418,084</u>	<u>\$ 581,257</u>	

(continued on next page)

State of Oregon

**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, 2019
(In Thousands)
(continued from previous page)**

	Other Funds				
	2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Income Taxes	-	-	-	-	-
Tobacco Taxes	399,624	399,624	182,660	189,720	(27,245)
Motor Fuels Taxes	1,274,112	1,274,112	533,976	585,869	(154,267)
Weight-mile Taxes	742,502	742,502	302,716	382,511	(57,276)
Vehicle Registration Taxes	754,789	754,789	328,162	404,873	(21,754)
Other Taxes	1,711,608	1,778,127	906,379	1,044,964	173,217
Licenses and Fees	764,964	781,955	487,537	554,629	260,211
Federal	1,109,066	1,109,066	487,971	665,737	44,642
Charges for Services	4,578,021	4,596,911	1,611,101	1,808,040	(1,177,770)
Fines and Forfeitures	164,026	165,107	89,946	155,971	80,809
Rents and Royalties	115,164	115,172	57,396	60,397	2,621
Investment Income	169,883	169,883	58,041	97,390	(14,451)
Sales	634,958	637,024	165,386	192,671	(278,967)
Donations and Grants	33,800	33,581	20,278	26,421	13,118
Pension Bond Debt Service Assessment	390,935	390,935	186,719	191,494	(12,722)
Other	2,153,628	2,260,233	1,753,467	1,497,628	990,861
Total Revenues	14,997,079	15,209,022	7,171,736	7,858,314	(178,972)
Expenditures:					
Education	435,479	1,161,111	195,244	343,808	(622,058)
Human Resources	8,174,156	8,464,075	3,204,380	4,117,323	(1,142,372)
Public Safety	749,339	816,888	311,406	345,646	(159,835)
Economic and Community Development	867,227	977,869	237,747	349,421	(390,702)
Natural Resources	938,351	1,206,135	409,941	486,525	(309,669)
Transportation	3,556,982	3,894,691	1,353,190	1,697,979	(843,522)
Consumer and Business Services	392,206	393,418	167,601	179,297	(46,520)
Administration	1,554,396	1,636,606	697,867	753,152	(185,587)
Legislative	9,423	33,617	3,437	16,550	(13,630)
Judicial	275,795	267,962	35,175	184,075	(48,712)
Total Expenditures	16,953,354	18,852,372	6,615,988	8,473,776	(3,762,609)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,956,275)	(3,643,351)	555,748	(615,462)	3,583,637
Other Financing Sources (Uses):					
Transfers from Other Funds	5,691,717	5,846,499	3,294,277	3,564,598	1,012,375
Transfers to Other Funds	(7,439,227)	(7,595,943)	(3,168,377)	(3,507,884)	919,681
Long-term Debt Issued	709,145	753,861	157,800	942,828	346,767
Debt Issuance Premium	-	-	16,689	128,422	145,111
Loan Proceeds	-	-	1,000	129,000	130,000
Gain (Loss) on Disposition of Assets	-	-	1,147	7,983	9,129
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (2,994,640)</u>	<u>\$ (4,638,933)</u>	858,283	649,484	<u>\$ 6,146,701</u>
Budgetary Fund Balances - Beginning			4,436,916	4,458,151	
Prior Period Adjustments			214	(1,086)	
Budgetary Fund Balances - Beginning - As Restated			4,437,129	4,457,065	
Prior Biennium Transactions			(837,261)	(187,716)	
Budgetary Fund Balances - Ending			<u>\$ 4,458,151</u>	<u>\$ 4,918,833</u>	

Total All Funds				
2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
\$ 17,158,059	\$ 17,158,059	\$ 8,624,694	\$ 9,815,721	\$ 1,282,355
1,071,477	1,071,477	736,786	926,669	591,978
534,236	534,236	248,827	252,748	(32,661)
1,274,112	1,274,112	533,976	585,869	(154,267)
742,502	742,502	302,716	382,511	(57,276)
754,789	754,789	328,162	404,873	(21,754)
2,134,441	2,200,960	1,163,565	1,334,450	297,055
1,047,268	1,064,259	589,346	669,460	194,547
17,446,778	17,774,634	9,418,375	10,336,609	1,980,349
4,588,896	4,607,786	1,616,558	1,813,529	(1,177,699)
166,915	167,996	93,727	159,511	85,242
115,164	115,172	57,442	60,402	2,671
243,646	243,646	103,998	197,145	57,497
671,570	673,636	165,959	193,271	(314,407)
33,800	33,581	20,278	26,421	13,118
390,935	390,935	186,719	191,494	(12,722)
2,165,116	2,275,480	1,753,748	1,498,283	976,551
50,539,703	51,083,261	25,944,874	28,848,965	3,710,579
12,425,915	13,354,888	6,008,010	6,315,732	(1,031,146)
29,920,014	31,162,701	14,021,829	15,246,848	(1,894,024)
3,780,668	3,992,774	1,746,120	1,842,636	(404,018)
1,454,427	1,582,419	517,506	596,626	(468,287)
1,674,722	2,025,427	706,527	845,242	(473,659)
3,817,745	4,146,819	1,447,666	1,807,888	(891,265)
423,534	425,722	181,220	194,506	(49,996)
1,863,217	1,941,198	847,049	892,251	(201,897)
334,409	161,233	53,061	79,155	(29,017)
1,031,384	1,035,168	404,371	571,551	(59,246)
56,726,034	59,828,350	25,933,360	28,392,435	(5,502,555)
(6,186,331)	(8,745,090)	11,514	456,530	9,213,133
8,738,020	9,133,544	4,732,757	4,732,483	331,696
(9,176,371)	(9,465,824)	(3,772,976)	(3,958,289)	1,734,559
709,145	753,861	157,800	942,828	346,767
-	-	16,689	128,422	145,111
-	-	1,000	129,000	130,000
-	-	1,147	7,983	9,129
<u>\$ (5,915,537)</u>	<u>\$ (8,323,509)</u>	1,147,931	2,438,956	<u>\$ 11,910,395</u>
		6,060,110	6,177,200	
		583	(1,276)	
		6,060,691	6,175,924	
		(1,031,421)	(201,129)	
		<u>\$ 6,177,200</u>	<u>\$ 8,413,751</u>	

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 (e.g., 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 2017-2019 biennium as of June 30, 2019. 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 RSI 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, 2019, 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)

GAAP Fund	Budgetary Balances Classified into GAAP Fund Structure					Timing Differences	Basis Differences	Non- Budgeted Funds	GAAP Balances
	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds				
General	\$ 1,650,532	\$ (138)	\$ 147,224	\$ 30,002	\$ 1,827,619	\$ (34,850)	\$ 3,680,847	\$ (3,717,612)	\$ 1,756,005
Health and Social Services	-	(37,167)	345	(96,949)	(133,772)	12,235	(70,673)	2,813	(189,396)
Public Transportation	-	26	-	121,478	121,504	-	(37,434)	(13,146)	70,924
Educational Support	-	7,559	18,779	426,621	452,959	(154,981)	(85,333)	(10,290)	202,356
Common School	-	-	-	(501)	(501)	-	2,032	126,239	127,771
Nonmajor Governmental	-	(7,853)	10,210	201,089	203,445	(145,058)	65,217	51,020	174,624
Housing and Community Services	-	-	-	3,450	3,450	-	78	6,051	9,579
Veterans' Loan	-	-	-	(4,136)	(4,136)	-	475	7,257	3,596
Lottery Operations	-	-	-	-	-	-	-	7,230	7,230
Unemployment Compensation	-	-	-	-	-	-	-	537,873	537,873
Nonmajor Enterprise	-	(44)	-	(86,425)	(86,469)	(21)	2,163	129,908	45,582
Internal Service	-	-	-	51,551	51,551	4,633	(51,075)	22,691	27,801
Pension and Other Employee Benefit Trust	-	-	-	3,304	3,304	-	(48,895)	1,814,134	1,768,542
Private Purpose Trust	-	-	-	-	-	-	-	618	618
Investment Trust	-	-	-	-	-	-	-	704,501	704,501
Totals	\$ 1,650,532	\$ (37,618)	\$ 176,558	\$ 649,484	\$ 2,438,956	\$ (318,042)	\$ 3,457,403	\$ (330,712)	\$ 5,247,605

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability/(Asset)
For the Year Ended June 30¹
(Dollars in Thousands)

	2018²	2017²	2016²	2015²	2014²
Proportion of the net pension liability/(asset)	21.0808%	20.7211%	20.68476%	19.73914%	(19.01053%)
Proportionate share of the net pension liability/(asset)	\$ 3,193,464	\$ 2,793,212	\$ 3,105,262	\$ 1,133,315	\$ (430,914)
Covered payroll	2,188,520	2,293,042	2,154,318	2,137,616	2,487,982
Employer net pension liability/(asset) as a percentage of covered payroll	145.9%	121.8%	144.1%	53.0%	(17.3%)
Plan fiduciary net position as a percentage of the total pension liability	82.1%	83.1%	80.5%	91.9%	103.6%

¹ 10-year trend information will be presented prospectively.

² The amounts presented were determined as of the net pension liability/(asset) measurement date.

Required Supplementary Information
Schedule of Defined Benefit Pension Plan Contributions
Defined Benefit Plan
For the Year Ended June 30¹
(Dollars in Thousands)

	2019	2018	2017	2016	2015
Contractually required contributions ²	\$ 311,692	\$ 292,695	\$ 187,524	\$ 205,419	\$ 152,789
Contributions in relation to the contractually required contributions	311,692	292,695	187,524	205,419	152,789
Contribution deficiency	-	-	-	-	-
Covered payroll	2,302,682	2,188,520	2,293,042	2,154,318	2,137,616
Contributions as a percentage of covered payroll	13.54%	13.37%	8.18%	9.54%	7.15%

¹ 10-year trend information will be presented prospectively.

² The contractually required contributions on this Schedule of Defined Benefit Pension Plan Contributions have been adjusted to remove amounts contributed to finance employer-specific liabilities and employer optional contributions.

Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability/(Asset)
For the Year Ended June 30¹
(Dollars in Thousands)

	2018²	2017²
Retiree Health Insurance Account (RHIA)		
Proportion of the net OPEB liability/(asset)	22.8805%	23.3603%
Proportionate share of the net OPEB liability/(asset)	\$ (25,541)	\$ (9,749)
Covered payroll	2,188,520	2,293,042
Employer net OPEB liability/(asset) as a percentage of covered payroll	(1.2%)	(0.4%)
Plan fiduciary net position as a percentage of the total OPEB liability	124.0%	108.9%

¹ 10-year trend information will be presented prospectively.

² The amounts presented were determined as of the net OPEB liability/(asset) measurement date.

Required Supplementary Information
Schedule of OPEB Plan Contributions
For the Year Ended June 30¹
(Dollars in Thousands)

	2019	2018
Retiree Health Insurance Account (RHIA)		
Contractually required contributions	\$ 10,773	\$ 11,210
Contributions in relation to the contractually required contributions	<u>10,773</u>	<u>11,210</u>
Contribution deficiency	-	-
Covered payroll	2,302,682	2,188,520
Contributions as a percentage of covered payroll	0.47%	0.51%

¹ 10-year trend information will be presented prospectively.

Required Supplementary Information
Schedule of OPEB Plan Contributions
For the Year Ended June 30¹
(Dollars in Thousands)

	2019	2018
Retiree Health Insurance Premium Account (RHIPA)		
Actuarially determined contributions	\$ 10,603	\$ 10,392
Contributions recognized by plan	10,603	10,392
Contribution deficiency	-	-
Covered payroll	2,302,682	2,188,520
Contributions as a percentage of covered payroll	0.46%	0.47%

¹ 10-year trend information will be presented prospectively.

Notes to schedule of OPEB plan contributions:

Actuarial assumptions and methods used to set the actuarially determined contributions.

	RHIPA
Actuarial valuation	December 31, 2015
Effective	July 2017 - June 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	10 years
Asset valuation method	Market Value
Remaining amortization periods	20 years
Actuarial assumptions:	
Inflation rate	2.5%
Healthcare cost trend rate	Graded from 6.3% in 2016 to 4.4% in 2094.
Projected salary increases	3.5%
Investment rate of return	7.5%

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30¹
(Dollars in millions)

Retiree Health Insurance Premium Account (RHIPA)

Total OPEB Liability	2018	2017
Service cost	\$ 1.5	\$ 1.5
Interest on total OPEB liability	5.2	5.0
Changes in benefit terms	-	-
Changes in assumptions	0.4	-
Differences between expected and actual experience	(3.0)	-
Benefit payments	(4.7)	(4.3)
Net change in total OPEB liability	(0.6)	2.2
Total OPEB liability - beginning	70.9	68.7
Total OPEB liability - ending	<u>\$ 70.3</u>	<u>\$ 70.9</u>

Plan Fiduciary Net Position

Employer contributions	\$ 13.3	\$ 11.9
Net investment and other income	2.4	2.0
Benefit payments	(4.7)	(4.3)
Administrative expense	(0.3)	(0.3)
Net change in plan fiduciary net position	10.7	9.3
Plan fiduciary net position - beginning	24.3	15.0
Plan fiduciary net position - ending	<u>\$ 35.0</u>	<u>\$ 24.3</u>

Net OPEB Liability

	<u>\$ 35.3</u>	<u>\$ 46.6</u>
Plan fiduciary net position as a percentage of the total OPEB liability	49.8%	34.3%
Covered payroll	\$ 1,165.3	\$ 1,327.1
Net OPEB liability as a percentage of covered payroll	3.0%	3.5%

¹ 10-year trend information will be presented prospectively.

Required Supplementary Information
Schedule of Proportionate Share of the Total OPEB Liability
For the Year Ended June 30¹
(Dollars in Thousands)

	<u>2019²</u>	<u>2018²</u>
Public Employees Benefit Board (PEBB)		
Proportion of the total OPEB liability	73.7321%	73.0657%
Proportionate share of the total OPEB liability	\$ 118,835	\$ 108,548
Covered-employee payroll	2,700,487	2,381,726
Government's total OPEB liability as a percentage of covered-employee payroll	4.4%	4.6%

¹ 10-year trend information will be presented prospectively.

² The amounts presented were determined as of the total OPEB liability measurement date.

Notes to schedule of proportionate share of the total OPEB liability:

The plan does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30¹
(Dollars in millions)

Public Employees Benefit Board (PEBB)

Total OPEB Liability	2019	2018
Service cost	\$ 9.1	\$ 9.3
Interest on total OPEB liability	6.0	5.4
Effect of changes to benefit terms	-	-
Effect of economic/demographic gains or losses	-	-
Effect of assumptions changes or inputs	5.0	(3.7)
Benefit payments	(7.5)	(7.2)
Net change in total OPEB liability	12.6	3.8
Total OPEB liability - beginning	148.6	144.8
Total OPEB liability - ending	<u>\$ 161.2</u>	<u>\$ 148.6</u>
 Covered-employee payroll	 \$ 3,743.0	 \$ 3,362.1
Total OPEB liability as a percentage of Covered-employee payroll	4.3%	4.4%

¹ 10-year trend information will be presented prospectively.

Notes to schedule of changes in total OPEB liability and related ratios:

Change of assumptions

The discount rate in effect for the June 30, 2018 reporting date was 3.87%, and the discount rate in effect for the June 30, 2019 reporting date is 3.5%. The discount rate reflects a 20-year General Obligation Bond Index.



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, donations, and transfers from other funds 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.

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.

Environmental Management Fund

This 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.

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, other governmental funds, 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.

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, 2019
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	\$ 25,116	\$ 92,719	\$ 464,467
Investments	-	28,003	-
Custodial Assets	-	-	-
Securities Lending Collateral	769	2,763	14,263
Accounts and Interest Receivable (net)	4,076	1,753	52,045
Taxes Receivable (net)	-	-	-
Due from Other Funds	150	9,208	37,105
Due from Component Units	-	-	-
Inventories	-	18	1,082
Prepaid Items	41	-	-
Net Contracts, Notes, and Other Receivables	21	3	171,825
Loans Receivable (net)	-	3,423	-
Other Assets	-	1,911	-
Total Assets	\$ 30,173	\$ 139,801	\$ 740,787
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 1,007	\$ 3,725	\$ 37,664
Obligations Under Securities Lending	769	2,763	14,263
Due to Other Funds	4	1	29,422
Due to Component Units	572	1,081	-
Due to Other Governments	-	1,994	10,529
Unearned Revenue	1	-	39
Custodial Liabilities	45	-	1,385
Contracts, Mortgages, and Notes Payable	-	-	2,875
Advances from Other Funds	-	-	-
Total Liabilities	2,399	9,565	96,176
Deferred Inflows of Resources:			
Unavailable Revenue	21	3	171,825
Total Deferred Inflows of Resources	21	3	171,825
Fund Balances:			
Nonspendable	66	19	1,145
Restricted by:			
Federal Laws and Regulations	-	17,452	10,937
Oregon Constitution	946	25,769	14,233
Enabling Legislation	23,554	32,094	43,349
Debt Covenants	-	8,034	238,295
Donors and Other External Parties	-	-	1,044
Committed	5	46,829	153,665
Assigned	3,182	37	10,118
Total Fund Balances	27,753	130,234	472,787
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 30,173	\$ 139,801	\$ 740,787

Special Revenue Funds

Consumer Protection	Employment Services	Environmental Management	Nutritional Support	Residential Assistance	Other Special Revenue
\$ 221,667	\$ 225,224	\$ 585,760	\$ 1,286	\$ 183,634	\$ 29,880
-	166,815	1,448	-	15,549	-
14,705	-	55	-	-	-
6,781	7,633	17,750	42	5,620	928
2,962	57,306	58,993	20,350	8,783	2,581
15,032	11,467	1,349	-	3,573	-
3,288	5,088	17,897	-	10,208	11
-	9,170	-	-	-	-
97	1,947	8,829	6	35	1,256
150	873	188	-	12	110
64,398	29,045	102,899	19	38,489	-
-	-	463,213	-	234,890	65
-	-	-	-	-	-
\$ 329,079	\$ 514,568	\$ 1,258,378	\$ 21,703	\$ 500,793	\$ 34,831

\$ 95,049	\$ 9,576	\$ 28,642	\$ 14,241	\$ 8,151	\$ 554
6,781	7,633	17,750	42	5,620	928
16,003	3,215	29,628	98	247	2,348
-	13,290	591	34	-	-
4,659	1,795	39,362	2,896	7,621	31
-	-	11,480	78	-	-
16,669	625	2,672	-	-	12
-	-	25,000	-	-	-
-	-	300	-	-	-
139,160	36,136	155,423	17,391	21,639	3,873
64,398	29,369	103,269	19	38,489	-
64,398	29,369	103,269	19	38,489	-
254	2,922	8,902	6	47	150
746	82,274	704,726	3,346	52,428	9,778
-	-	9,417	-	-	-
87,200	197,981	103,023	942	81,666	6,128
-	-	113,138	-	41,156	10,793
808	-	3,334	-	20,343	3,379
36,513	163,631	45,934	-	186,139	722
-	2,255	11,213	-	58,886	7
125,522	449,063	999,686	4,293	440,665	30,958
\$ 329,079	\$ 514,568	\$ 1,258,378	\$ 21,703	\$ 500,793	\$ 34,831

(continued on next page)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(In Thousands)
(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
ASSETS			
Cash and Cash Equivalents	\$ 179,076	\$ 624	\$ 64,908
Investments	2,523	-	-
Custodial Assets	-	-	-
Securities Lending Collateral	-	-	-
Accounts and Interest Receivable (net)	-	-	760
Taxes Receivable (net)	-	-	-
Due from Other Funds	55,185	-	13,203
Due from Component Units	-	-	3,815
Inventories	-	-	-
Prepaid Items	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-
Loans Receivable (net)	-	-	-
Other Assets	-	-	-
Total Assets	\$ 236,785	\$ 624	\$ 82,686
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 53	\$ -	\$ -
Obligations Under Securities Lending	-	-	-
Due to Other Funds	-	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Custodial Liabilities	-	-	14
Contracts, Mortgages, and Notes Payable	-	-	-
Advances from Other Funds	-	-	-
Total Liabilities	53	-	14
Deferred Inflows of Resources:			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable	-	-	-
Restricted by:			
Federal Laws and Regulations	-	-	-
Oregon Constitution	107,821	52	-
Enabling Legislation	-	-	-
Debt Covenants	128,911	572	82,308
Donors and Other External Party	-	-	-
Committed	-	-	-
Assigned	-	-	363
Total Fund Balances	236,732	624	82,672
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 236,785	\$ 624	\$ 82,686

Capital Projects	Permanent	Total
\$ 219,900	\$ 10,032	\$ 2,304,293
-	6,954	221,292
-	-	14,760
-	307	56,856
2,818	-	212,428
-	-	31,420
2,449	-	153,791
-	-	12,985
-	-	13,271
-	-	1,373
-	-	406,697
-	-	701,592
-	-	1,911
<u>\$ 225,168</u>	<u>\$ 17,293</u>	<u>\$ 4,132,669</u>

\$ 4,633	\$ -	\$ 203,296
-	307	56,856
2,473	4	83,443
-	-	15,568
-	-	68,887
-	-	11,598
-	-	21,422
-	-	27,875
-	-	300
<u>7,106</u>	<u>311</u>	<u>489,245</u>

<u>-</u>	<u>-</u>	<u>407,392</u>
<u>-</u>	<u>-</u>	<u>407,392</u>

-	15,408	28,919
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359	-	882,047
16,909	-	175,147
37	1,438	577,413
193,154	-	816,361
166	136	29,209
366	-	633,804
7,071	-	93,133
<u>218,062</u>	<u>16,982</u>	<u>3,236,033</u>

<u>\$ 225,168</u>	<u>\$ 17,293</u>	<u>\$ 4,132,669</u>
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State of Oregon

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
REVENUES			
Employer-Employee Taxes	\$ -	\$ -	\$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	10,743	4,263	35,476
Federal	7,846	14,950	189,826
Rebates and Recoveries	130	17	6,977
Charges for Services	10,430	275	35,176
Fines, Forfeitures, and Penalties	49	409	80,688
Rents and Royalties	-	-	1,706
Investment Income	610	4,201	6,523
Sales	28	2,290	2,528
Assessments	-	-	-
Donations and Grants	1	18,614	2,601
Contributions to Permanent Funds	-	-	-
Other	2	996	2,172
Total Revenues	29,839	46,015	363,673
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	1,894
Public Safety	-	2,936	281,655
Economic and Community Development	-	48,289	885
Natural Resources	31,412	8	-
Transportation	-	-	7,059
Consumer and Business Services	-	-	-
Administration	-	2,921	10,326
Legislative	-	-	-
Judicial	-	-	23,554
Intergovernmental	12,852	30,775	233,424
Capital Outlay	55	7	6,502
Debt Service:			
Principal	-	-	69
Interest	-	-	9
Other Debt Service	-	169	743
Total Expenditures	44,319	85,105	566,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,480)	(39,091)	(202,446)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	8,098	46,711	166,966
Transfers to Other Funds	(902)	(25,845)	(62,286)
Insurance Recoveries	-	-	35
Long-term Debt Issued	-	35,725	154,424
Debt Issuance Premium	-	3,025	25,495
Total Other Financing Sources (Uses)	7,196	59,616	284,633
Net Change in Fund Balances	(7,284)	20,526	82,187
Fund Balances - Beginning	35,037	109,721	398,300
Prior Period Adjustments	-	-	(7,755)
Fund Balances - Beginning - As Restated	35,037	109,721	390,545
Change in Inventories	-	(12)	55
Fund Balances - Ending	\$ 27,753	\$ 130,234	\$ 472,787

Special Revenue Funds					
Consumer Protection	Employment Services	Environmental Management	Nutritional Support	Residential Assistance	Other Special Revenue
\$ -	\$ 79,835	\$ -	\$ -	\$ -	\$ -
-	72,016	-	-	-	-
98,884	-	25,673	-	40,965	-
213,873	2,875	172,978	-	46	-
8,603	191,389	146,279	1,068,700	121,899	4,901
68	281	3,522	14,092	380	-
2,680	29,242	37,638	1,515	6,534	5,771
1,418	5,964	1,149	-	30	-
-	383	3,435	-	-	222
4,718	11,869	23,669	22	11,525	792
13	429	154,611	-	-	615
-	47,194	-	-	2,211	-
-	-	6,290	-	140	228
-	-	-	-	-	-
402	1,192	2,693	53	95	628
330,658	442,667	577,936	1,084,382	183,823	13,156
3,251	49,437	-	30,088	-	2,028
4,777	-	-	889,484	-	-
-	-	-	-	-	-
-	149,385	-	-	175,594	71
3,576	-	482,906	-	-	-
77	-	-	-	-	-
246,469	109,270	-	-	4,440	-
5,545	1,132	-	-	285	6,191
-	-	-	-	-	2,185
-	-	-	-	-	-
17,777	36,262	124,644	164,129	38,386	922
658	2,155	13,796	-	6	12,637
-	-	138	-	-	117
-	-	877	-	-	481
-	-	242	-	278	37
282,131	347,641	622,604	1,083,701	218,989	24,666
48,528	95,026	(44,668)	682	(35,166)	(11,510)
13,763	1,403	92,881	-	75,743	106
(156,944)	(74,257)	(55,059)	(1,247)	(6,960)	(1,803)
-	-	297	-	-	-
-	-	43,910	-	26,330	8,432
-	-	5,096	-	-	1,235
(143,181)	(72,854)	87,126	(1,247)	95,113	7,970
(94,653)	22,172	42,458	(565)	59,947	(3,540)
271,700	437,306	958,166	4,931	380,707	34,487
(51,539)	(10,723)	-	-	-	-
220,161	426,583	958,166	4,931	380,707	34,487
14	308	(938)	(73)	12	11
\$ 125,522	\$ 449,063	\$ 999,686	\$ 4,293	\$ 440,665	\$ 30,958

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State of Oregon

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

(In Thousands)

(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
REVENUES			
Employer-Employee Taxes	\$ -	\$ -	\$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	-	-	-
Federal	10,076	2,347	-
Rebates and Recoveries	-	-	-
Charges for Services	-	-	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	-	-
Investment Income	4,365	31	3,637
Sales	-	-	-
Assessments	-	-	-
Donations and Grants	-	-	-
Contributions to Permanent Funds	-	-	-
Other	226	-	47,370
Total Revenues	14,667	2,378	51,007
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	-
Public Safety	-	-	-
Economic and Community Development	-	-	-
Natural Resources	-	-	-
Transportation	-	-	-
Consumer and Business Services	-	-	-
Administration	125	-	-
Legislative	-	-	-
Judicial	-	-	-
Intergovernmental	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal	139,773	3,241	129,897
Interest	152,064	2,817	100,046
Other Debt Service	-	610	34
Total Expenditures	291,962	6,668	229,977
Excess (Deficiency) of Revenues Over (Under) Expenditures	(277,295)	(4,290)	(178,971)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	308,732	3,765	188,277
Transfers to Other Funds	(32,819)	(100,010)	(234)
Insurance Recoveries	-	-	-
Long-term Debt Issued	-	100,610	-
Debt Issuance Premium	-	-	-
Total Other Financing Sources (Uses)	275,912	4,365	188,043
Net Change in Fund Balances	(1,383)	75	9,072
Fund Balances - Beginning	238,115	602	73,600
Prior Period Adjustments	-	(53)	-
Fund Balances - Beginning - As Restated	238,115	549	73,600
Change in Inventories	-	-	-
Fund Balances - Ending	\$ 236,732	\$ 624	\$ 82,672

Capital Projects	Permanent	Total
\$ -	\$ -	\$ 79,835
-	-	72,016
-	-	165,523
-	-	440,254
7,355	-	1,774,171
6	-	25,473
-	-	129,260
-	-	89,706
-	-	5,745
4,713	487	77,161
306	-	160,819
-	-	49,404
241	-	28,115
-	132	132
1,532	-	57,361
14,154	618	3,154,975
-	-	84,803
-	2	896,156
-	-	284,591
-	-	374,224
-	-	517,903
-	-	7,136
-	-	360,179
-	-	26,525
-	-	2,185
-	-	23,554
-	-	659,172
60,051	-	95,868
-	-	273,235
-	-	256,295
-	-	2,112
60,051	3	3,863,937
(45,897)	616	(708,963)
8,340	-	914,784
(23,285)	(15)	(541,666)
-	-	332
97,046	-	466,477
8,807	-	43,658
90,909	(15)	883,586
45,012	600	174,624
172,998	16,381	3,132,050
53	-	(70,017)
173,051	16,381	3,062,033
(1)	-	(624)
\$ 218,062	\$ 16,982	\$ 3,236,033

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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.

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.

Standard Retiree Health Insurance Fund

This fund accounts for the accumulation of retiree insurance premiums, reinsurance reimbursements, and interest earnings less insurance claims and administrative expenses.

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 Department of Human Services, 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 Oregon State Treasury, Oregon Corrections Enterprises, the Oregon Facilities Authority, the Oregon Health Authority, and the Water Resources Department.

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019
(In Thousands)

	Energy Loan	Business Development	Special Public Works	State Hospitals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 6,299	\$ 22,093	\$ 97,658	\$ 2,518
Cash and Cash Equivalents - Restricted	4,981	-	-	-
Investments	-	-	11,454	-
Securities Lending Collateral	426	701	3,100	10
Accounts and Interest Receivable (net)	491	55	5,202	9,957
Due from Other Funds	-	-	16	11,594
Due from Component Units	6,041	-	-	-
Inventories	-	-	-	1,222
Prepaid Items	-	-	-	343
Loans Receivable (net)	5,609	1,961	9,861	-
Total Current Assets	23,848	24,809	127,290	25,644
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	2,138	-	2,732	-
Advances to Component Units	85,054	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	-
Loans Receivable (net)	28,171	18,575	150,773	-
Net OPEB Asset	2	5	11	1,750
Capital Assets:				
Land	-	-	-	15
Buildings, Property, and Equipment	264	-	-	474,336
Construction in Progress	-	-	-	95
Infrastructure	-	-	-	3,661
Works of Art and Other Nondepreciable Assets	-	-	-	-
Less Accumulated Depreciation and Amortization	(264)	-	-	(80,121)
Total Noncurrent Assets	115,366	18,580	153,516	399,736
Total Assets	139,213	43,389	280,806	425,379
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	2,744	-	-	-
Related to Pensions	71	219	442	79,681
Related to OPEB	2	6	8	1,800
Total Deferred Outflows of Resources	2,817	225	450	81,481

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 43,238	\$ 73,508	\$ 24,091	\$ 31,319	\$ 130,586	\$ 64,759	\$ 496,068
-	-	-	-	-	-	4,981
-	-	-	-	-	-	11,454
1,132	2,230	765	994	4,145	1,744	15,247
826	17,802	3,147	1,299	1,950	4,730	45,457
-	-	-	-	853	1	12,463
-	-	-	-	-	235	6,276
34,352	-	-	-	-	7,862	43,436
-	-	-	-	-	638	981
-	-	-	4,592	8,708	1,367	32,099
79,548	93,540	28,002	38,204	146,242	81,336	668,462
-	-	-	494	-	-	5,364
-	-	-	-	-	-	85,054
-	-	46	-	-	-	46
-	-	-	73,680	146,084	9,626	426,910
126	4	2	5	2	127	2,036
1,503	-	4,648	-	-	3,124	9,291
34,671	-	61,040	-	-	50,211	620,522
-	-	147	-	-	729	971
-	-	-	-	-	-	3,661
25	-	137	-	-	-	162
(18,011)	-	(12,108)	-	-	(33,621)	(144,125)
18,314	4	53,912	74,179	146,086	30,197	1,009,890
97,862	93,544	81,915	112,383	292,327	111,534	1,678,353
-	-	-	-	-	-	2,744
5,972	175	108	201	91	5,084	92,044
139	3	2	4	2	116	2,081
6,111	178	110	205	93	5,199	96,870

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Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019
(In Thousands)
(continued from previous page)

	Energy Loan	Business Development	Special Public Works	State Hospitals
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,649	29	831	3,708
Obligations Under Securities Lending	426	701	3,100	10
Due to Other Funds	16	-	-	7,178
Due to Component Units	-	-	-	1,105
Due to Other Governments	-	-	9	-
Unearned Revenue	305	-	-	-
Compensated Absences Payable	17	49	94	9,119
Claims and Judgments Payable	-	-	-	-
Custodial Liabilities	-	-	-	-
Contracts, Mortgages, and Notes Payable	7	4	12	1,771
Bonds/COPs Payable	14,945	-	1,820	-
Total Current Liabilities	17,364	783	5,866	22,891
Noncurrent Liabilities:				
Compensated Absences Payable	9	17	63	4,697
Custodial Liabilities	2,138	-	-	-
Contracts, Mortgages, and Notes Payable	71	39	124	17,718
Bonds/COPs Payable	132,717	-	36,899	-
Net Pension Liability	189	535	1,240	204,735
Net OPEB Liability	3	5	12	1,856
Total OPEB Liability	5	22	48	8,969
Total Noncurrent Liabilities	135,132	619	38,386	237,976
Total Liabilities	152,496	1,402	44,252	260,867
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	11	30	70	11,507
Related to OPEB	1	2	5	805
Total Deferred Inflows of Resources	12	32	75	12,313
NET POSITION				
Net Investment in Capital Assets	-	-	-	397,986
Restricted for:				
Natural Resource Programs	-	-	-	-
OPEB	2	5	11	1,750
Unrestricted	(10,480)	42,175	236,919	(166,055)
Total Net Position	\$ (10,478)	\$ 42,179	\$ 236,930	\$ 233,681

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
26,986	332	3,244	289	16	3,137	40,221
1,132	2,230	765	994	4,145	1,744	15,247
18,003	73	40	16	-	113	25,439
-	-	-	-	-	-	1,105
-	-	-	306	4	86	404
156	-	113	-	-	-	574
954	17	3	48	9	936	11,246
-	865	-	-	-	-	865
941	-	-	-	-	19,947	20,888
157	2	2	5	4	169	2,134
-	-	-	570	-	-	17,335
48,329	3,519	4,167	2,227	4,179	26,132	135,457
492	9	1	18	16	344	5,666
-	-	-	-	-	-	2,138
1,570	20	23	50	38	1,894	21,548
-	-	-	9,240	-	-	178,857
15,160	454	291	567	238	12,975	236,383
136	4	3	5	2	139	2,166
703	12	12	22	9	482	10,287
18,062	499	330	9,903	304	15,834	457,044
66,390	4,018	4,497	12,130	4,483	41,967	592,501
852	26	16	32	13	729	13,286
59	2	1	2	1	56	935
911	27	17	34	14	785	14,221
18,188	-	53,864	-	-	20,444	490,481
-	-	-	-	-	48	48
126	4	2	5	2	127	2,036
18,357	89,674	23,644	100,419	287,921	53,363	675,935
\$ 36,671	\$ 89,677	\$ 77,511	\$ 100,424	\$ 287,923	\$ 73,981	\$ 1,168,500

State of Oregon

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019
(In Thousands)

	Energy Loan	Business Development	Special Public Works	State Hospitals
OPERATING REVENUES:				
Licenses and Fees	\$ -	\$ -	\$ -	\$ 24
Federal	-	-	-	-
Rebates and Recoveries	-	-	-	255
Charges for Services	-	61	-	129,612
Fines, Forfeitures, and Penalties	96	-	-	-
Rents and Royalties	-	131	-	57
Sales	-	-	-	939
Loan Interest Income	6,393	881	7,489	-
Gifts, Grants and Contracts	-	-	-	-
Other	1,049	24	46	480
Gain (Loss) on Foreclosed Property	-	-	-	-
Total Operating Revenues	<u>7,537</u>	<u>1,096</u>	<u>7,534</u>	<u>131,367</u>
OPERATING EXPENSES:				
Salaries and Wages	249	842	1,412	352,140
Services and Supplies	104	215	352	75,220
Cost of Goods Sold	-	-	-	-
Distributions to Other Governments	-	-	2,825	-
Special Payments	-	-	-	89
Special Payments to State Agencies	-	-	-	-
Loan Interest Expense	-	-	-	-
Revenue Transfers Out	-	-	-	-
Gain (Loss) on Capital Asset Impairment	-	-	-	-
Bond and COP Interest	5,249	-	1,547	-
Other Debt Service	-	-	-	-
Depreciation and Amortization	-	-	-	11,304
Bad Debt Expense	-	229	-	-
Total Operating Expenses	<u>5,602</u>	<u>1,286</u>	<u>6,136</u>	<u>438,753</u>
Operating Income (Loss)	<u>1,935</u>	<u>(190)</u>	<u>1,398</u>	<u>(307,387)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	311	603	2,925	-
Other Grants	-	-	-	-
Other Taxes	-	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-	(263)
Gain (Loss) on Debt Refunding	-	-	-	-
Gain (Loss) on Debt Extinguishment	-	-	-	-
Insurance Recovery	-	-	-	-
Settlement Activities	-	-	-	-
Loan Interest Expense	-	-	-	-
Other Interest Expense	(5)	(3)	(9)	(1,338)
Other Nonoperating Items	(5)	(9)	(38)	-
Total Nonoperating Revenues (Expenses)	<u>301</u>	<u>591</u>	<u>2,878</u>	<u>(1,601)</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	<u>2,237</u>	<u>401</u>	<u>4,276</u>	<u>(308,988)</u>
Capital Contributions	-	-	-	-
Additions to Permanent Endowments	-	-	-	-
Special Items	-	-	-	-
Transfers from Other Funds	-	-	22,225	300,925
Transfers to Other Funds	(205)	(535)	(609)	(11,878)
Change in Net Position	<u>2,032</u>	<u>(134)</u>	<u>25,892</u>	<u>(19,941)</u>
Net Position - Beginning	(13,181)	42,314	211,038	253,621
Prior Period Adjustments	671	-	-	-
Cumulative Effect of Change in Accounting Principles	-	-	-	-
Net Position - Beginning - As Restated	<u>(12,509)</u>	<u>42,314</u>	<u>211,038</u>	<u>253,621</u>
Net Position - Ending	<u>\$ (10,478)</u>	<u>\$ 42,179</u>	<u>\$ 236,930</u>	<u>\$ 233,681</u>

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 5,565	\$ -	\$ -	\$ -	\$ -	\$ 3,162	\$ 8,752
-	-	22,542	-	-	-	22,542
-	-	36	-	-	-	291
-	83,906	18,838	-	-	26,953	259,369
348	-	-	-	-	16	459
-	-	-	-	-	-	188
668,145	-	-	-	-	28,776	697,861
-	-	-	2,310	2,699	366	20,138
-	-	-	-	-	-	-
362	25,857	65	-	-	1,086	28,969
-	-	-	-	-	-	-
674,421	109,763	41,481	2,310	2,699	60,360	1,038,569
21,013	589	327	655	313	7,165	384,706
72,726	10,747	37,313	159	16	13,050	209,902
331,057	-	-	-	-	30,856	361,913
71,624	-	-	1,773	136	694	77,053
326	83,240	-	-	4,548	517	88,720
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	446	-	-	7,242
-	-	-	-	-	-	-
1,001	-	1,832	-	-	2,205	16,342
-	-	-	-	-	-	229
497,747	94,576	39,472	3,033	5,013	54,487	1,146,106
176,674	15,187	2,009	(723)	(2,314)	5,873	(107,537)
-	1,951	469	687	3,296	567	10,810
-	-	-	-	-	-	-
19,156	-	-	-	-	-	19,156
(249)	-	-	-	-	(165)	(677)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	24	24
-	-	-	-	-	-	-
(119)	(1)	(2)	(4)	(3)	(152)	(1,636)
-	(30)	(7)	(10)	(50)	(31)	(180)
18,788	1,920	460	673	3,243	243	27,496
195,462	17,106	2,469	(50)	929	6,117	(80,041)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,963	-	2,274	61	10,800	2,733	340,981
(195,552)	(22)	(13)	(3,389)	(13)	(3,142)	(215,358)
1,873	17,084	4,730	(3,378)	11,716	5,708	45,582
34,798	63,366	72,781	103,802	276,207	68,183	1,112,928
-	9,227	-	-	-	91	9,989
-	-	-	-	-	-	-
34,798	72,593	72,781	103,802	276,207	68,273	1,122,918
\$ 36,671	\$ 89,677	\$ 77,511	\$ 100,424	\$ 287,923	\$ 73,981	\$ 1,168,500

State of Oregon

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019
(In Thousands)

	Energy Loan	Business Development	Special Public Works	State Hospitals
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 96	\$ 192	\$ -	\$ 27,339
Receipts from Other Funds for Services	-	-	-	103,833
Payments to Employees for Services	(309)	(896)	(1,227)	(327,047)
Payments to Suppliers	(62)	(42)	(99)	(43,964)
Payments to Other Funds for Services	(87)	(147)	(267)	(34,421)
Claims Paid	-	-	-	-
Distributions to Other Governments	-	-	(2,817)	-
Other Receipts (Payments)	78	24	(13)	460
Net Cash Provided (Used) in Operating Activities	(284)	(869)	(4,424)	(273,800)
Cash Flows from Noncapital Financing Activities:				
Principal Payments on Bonds/COPs	(16,890)	-	(1,925)	-
Principal Payments on Loans	(6)	(3)	(11)	(1,556)
Repayments on Advances Received	-	-	-	(13,347)
Interest Payments on Bonds/COPs	(6,246)	-	(1,303)	-
Interest Payments on Loans	(5)	(3)	(9)	(1,338)
Taxes and Assessments Received	-	-	-	-
Transfers from Other Funds	-	-	22,000	300,925
Transfers to Other Funds	(206)	(535)	(609)	(11,878)
Net Cash Provided (Used) in Noncapital Financing Activities	(23,354)	(541)	18,142	272,806
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	-	-	-	(303)
Proceeds from Disposition of Capital Assets	-	-	-	25
Capital Contributions	-	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-	(278)
Cash Flows from Investing Activities:				
Interest on Investments and Cash Balances	306	593	2,225	-
Interest Income from Securities Lending	5	10	42	-
Interest Expense from Securities Lending	(5)	(9)	(38)	-
Loan Principal Repayments	15,406	3,664	13,072	-
Loan Interest Received	6,331	877	5,042	-
Loans Made	-	(5,180)	(20,716)	-
Net Cash Provided (Used) in Investing Activities	22,044	(45)	(371)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,594)	(1,455)	13,347	(1,271)
Cash and Cash Equivalents - Beginning	15,012	23,548	87,042	3,789
Cash and Cash Equivalents - Ending	\$ 13,418	\$ 22,093	\$ 100,389	\$ 2,518

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 673,912	\$ 111,916	\$ 41,518	\$ -	\$ -	\$ 53,854	\$ 908,828
-	-	-	-	-	4,370	108,203
(22,337)	(539)	(329)	(534)	(302)	(18,753)	(372,271)
(395,086)	(10,477)	(36,593)	(25)	(10)	(32,555)	(518,913)
(9,423)	(13)	(1,173)	(132)	(11)	(2,004)	(47,677)
-	(91,575)	-	-	-	-	(91,575)
(75,518)	-	-	(1,398)	(129)	(1,078)	(80,940)
(59)	(1,080)	101	16	-	(10)	(483)
171,490	8,233	3,525	(2,074)	(453)	3,825	(94,829)
-	-	-	(560)	-	-	(19,375)
(138)	(2)	(2)	(4)	(3)	(149)	(1,874)
-	-	-	-	-	-	(13,347)
-	-	-	(455)	-	-	(8,005)
(119)	(1)	(2)	(4)	(3)	(152)	(1,636)
19,138	-	-	-	-	-	19,138
1,963	-	2,274	61	10,004	34	337,261
(206,841)	(22)	(13)	(3,164)	(13)	(3,090)	(226,370)
(185,997)	(25)	2,257	(4,127)	9,985	(3,356)	85,791
(249)	-	(1,896)	-	-	(2,040)	(4,488)
1	-	-	-	-	-	26
-	-	586	-	-	-	586
(248)	-	(1,310)	-	-	(2,040)	(3,876)
-	1,917	461	676	3,239	525	9,942
-	34	8	12	57	36	205
-	(30)	(7)	(10)	(50)	(31)	(180)
-	-	-	10,593	8,648	1,768	53,150
-	-	-	2,440	2,374	363	17,427
-	-	-	(6,700)	(20,224)	(313)	(53,133)
-	1,921	462	7,009	(5,957)	2,349	27,411
(14,754)	10,129	4,934	808	3,576	779	14,498
57,993	63,379	19,157	31,005	127,010	63,980	491,916
\$ 43,238	\$ 73,508	\$ 24,091	\$ 31,813	\$ 130,586	\$ 64,759	\$ 506,413

(continued on next page)

State of Oregon

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2019
(In Thousands)

(continued from previous page)

	Energy Loan	Business Development	Special Public Works	State Hospitals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,935	\$ (190)	\$ 1,398	\$ (307,387)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	-	-	-	11,304
Amortization of Bond/COP Premium and Discount	(1,285)	-	(141)	-
Noncash Services Received Pursuant to Settlement Activities	-	-	-	-
Bad Debt Expense	-	229	-	-
Interest Receipts Reported as Operating Revenue	(6,331)	(877)	(5,042)	-
Interest Payments Reported as Operating Expense	6,246	-	1,303	-
Net Changes in Assets and Liabilities:				
Accounts and Interest Receivable (net)	2	(4)	(1,039)	(7,135)
Due from Other Funds	-	-	(16)	7,400
Due from Component Units	-	-	-	-
Inventories	-	-	-	(164)
Prepaid Items	-	-	-	87
Loans Receivable	(1,049)	-	(1,450)	-
Net OPEB Asset	(1)	(3)	(7)	(1,129)
Accounts and Interest Payable	(197)	25	369	(3,231)
Due to Other Funds	-	(2)	(3)	26
Due to Component Units	-	-	-	386
Due to Other Governments	-	-	9	-
Unearned Revenue	(64)	-	-	-
Compensated Absences Payable	2	9	20	1,360
Claims and Judgments Payable	-	-	-	-
Custodial Liabilities	49	-	-	-
Contracts, Mortgages, and Notes Payable	-	-	-	-
Net Pension Liability	(89)	(80)	132	26,876
Net OPEB Liability	(1)	(3)	(2)	(394)
Total OPEB Liability	(1)	5	9	616
Net Changes in Deferred Outflows of Resources:				
Loss on Refunding	470	-	-	-
Related to Pensions	22	(3)	(27)	(12,452)
Related to OPEB	-	(2)	2	(297)
Net Changes in Deferred Inflows of Resources:				
Related to Pensions	8	25	60	10,021
Related to OPEB	-	1	2	311
Total Adjustments	(2,219)	(679)	(5,822)	33,587
Net Cash Provided (Used) by Operating Activities	\$ (284)	\$ (869)	\$ (4,424)	\$ (273,800)
Noncash Investing and Capital and Related Financing Activities:				
Net Change in Fair Value of Investments	\$ -	\$ -	\$ (657)	\$ -

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 176,674	\$ 15,187	\$ 2,009	\$ (723)	\$ (2,314)	\$ 5,873	\$ (107,537)
1,001	-	1,832	-	-	2,205	16,342
-	-	-	-	-	-	(1,426)
-	-	-	-	-	24	24
-	-	-	-	-	-	229
-	-	-	(2,440)	(2,374)	(363)	(17,427)
-	-	-	455	-	-	8,005
(254)	2,154	275	129	(324)	(1,356)	(7,550)
-	-	-	-	-	(1)	7,384
-	-	-	-	-	(99)	(99)
(1,893)	-	-	-	-	672	(1,385)
-	-	-	-	-	(284)	(197)
-	-	-	-	4,548	(1)	2,048
(66)	(2)	-	(4)	(1)	(73)	(1,286)
(2,736)	(836)	(196)	64	(1)	(905)	(7,644)
-	(11)	(4)	14	-	41	61
-	-	-	-	-	-	386
-	-	-	306	4	86	404
(117)	-	(137)	-	-	-	(317)
122	2	(16)	9	5	89	1,602
-	(8,335)	-	-	-	-	(8,335)
132	-	-	-	-	(351)	(170)
-	-	(253)	-	-	-	(253)
(2,218)	85	9	104	(6)	(2,603)	22,211
(84)	(1)	(2)	-	(1)	(58)	(545)
86	-	(2)	5	1	(8)	711
-	-	-	-	-	-	470
149	(33)	(5)	(23)	(2)	325	(12,049)
(29)	-	-	1	-	(5)	(331)
707	22	14	28	11	599	11,497
15	1	-	1	-	18	350
(5,184)	(6,954)	1,516	(1,351)	1,861	(2,048)	12,708
\$ 171,490	\$ 8,233	\$ 3,525	\$ (2,074)	\$ (453)	\$ 3,825	\$ (94,829)

\$ - \$ - \$ - \$ - \$ - \$ - \$ (657)

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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 Oregon State Treasury 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.

State of Oregon

Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(In Thousands)

	Central Services	Legal Services	Banking Services
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 135,958	\$ 2,099	\$ 14,707
Cash and Cash Equivalents - Restricted	24,215	-	-
Investments - Restricted	64,338	-	-
Securities Lending Collateral	14,633	64	450
Accounts and Interest Receivable (net)	92,700	9,876	4,965
Due from Other Funds	28	1,055	81
Inventories	818	174	-
Prepaid Items	2,471	-	23
Total Current Assets	335,160	13,269	20,227
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	104	-	-
Advances to Other Funds	388	-	-
Net Contracts, Notes, and Other Receivables	8	7	-
Net OPEB Asset	614	519	113
Capital Assets:			
Land	10,317	-	-
Buildings, Property, and Equipment	589,380	8,610	3,591
Construction in Progress	12,458	151	9,000
Infrastructure	767	-	-
Works of Art and Other Nondepreciable Assets	215	-	-
Less Accumulated Depreciation and Amortization	(352,232)	(5,850)	(2,524)
Total Noncurrent Assets	262,019	3,436	10,180
Total Assets	597,180	16,705	30,407
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	850	-	-
Related to Pensions	28,909	23,738	5,752
Related to OPEB	613	511	130
Total Deferred Outflows of Resources	30,372	24,248	5,882
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	21,202	1,555	565
Obligations Under Securities Lending	14,633	64	450
Due to Other Funds	13,035	14	-
Unearned Revenue	100	73	-
Compensated Absences Payable	4,610	4,324	1,113
Claims and Judgments Payable	44,740	-	-
Custodial Liabilities	9,417	-	-
Contracts, Mortgages, and Notes Payable	5,824	567	98
Bonds/COPs Payable	5,553	-	-
Obligations Under Capital Lease	1,096	-	-
Total Current Liabilities	120,210	6,598	2,226
Noncurrent Liabilities:			
Compensated Absences Payable	2,375	2,228	573
Claims and Judgments Payable	153,348	-	-
Arbitrage Rebate Payable	1	-	-
Contracts, Mortgages, and Notes Payable	15,134	5,675	976
Bonds/COPs Payable	63,441	-	-
Obligations Under Capital Lease	1,338	-	-
Net Pension Liability	74,857	61,251	14,444
Net OPEB Liability	672	563	118
Total OPEB Liability	2,422	1,762	409
Total Noncurrent Liabilities	313,588	71,478	16,520
Total Liabilities	433,798	78,076	18,746
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	4,207	3,443	812
Related to OPEB	272	224	49
Total Deferred Inflows of Resources	4,479	3,667	861
NET POSITION			
Net Investment in Capital Assets	201,623	2,911	10,067
Restricted for:			
Debt Service	3	-	-
Capital Projects	11,321	-	-
OPEB	614	519	113
Unrestricted	(24,287)	(44,219)	6,502
Total Net Position	\$ 189,274	\$ (40,790)	\$ 16,682

State of Oregon

	Audit Services	Forestry Services	Health Services	Other	Total
\$	3,804	\$ 6,131	\$ 288,671	\$ 1,672	\$ 453,042
	-	-	-	-	24,215
	-	-	-	-	64,338
	122	188	9,022	51	24,530
	343	430	11,107	103	119,525
	-	45	10,598	-	11,807
	-	222	15	7	1,236
	54	-	-	3	2,551
	<u>4,323</u>	<u>7,016</u>	<u>319,413</u>	<u>1,836</u>	<u>701,244</u>
	-	-	-	-	104
	-	-	-	-	388
	-	-	133	-	148
	50	15	878	10	2,199
	-	-	-	-	10,317
	355	24,387	-	8,951	635,273
	9	72	-	-	21,690
	-	-	-	-	767
	-	-	-	-	215
	<u>(317)</u>	<u>(17,476)</u>	<u>-</u>	<u>(5,467)</u>	<u>(383,866)</u>
	<u>97</u>	<u>6,999</u>	<u>1,010</u>	<u>3,493</u>	<u>287,235</u>
	<u>4,420</u>	<u>14,015</u>	<u>320,423</u>	<u>5,330</u>	<u>988,480</u>
	-	-	-	-	850
	2,306	794	43,868	742	106,110
	51	2	791	10	2,108
	<u>2,358</u>	<u>797</u>	<u>44,660</u>	<u>752</u>	<u>109,069</u>
	57	474	15,716	105	39,674
	122	188	9,022	51	24,530
	-	-	13,886	21	26,957
	-	-	-	-	173
	382	154	5,142	127	15,853
	-	-	-	-	44,740
	-	-	2,620	-	12,037
	58	17	16	-	6,580
	-	-	-	-	5,553
	-	-	-	-	1,096
	<u>619</u>	<u>833</u>	<u>46,403</u>	<u>304</u>	<u>177,193</u>
	197	80	2,649	65	8,167
	-	-	63,007	-	216,355
	-	-	-	-	1
	579	175	158	-	22,697
	-	-	-	-	63,441
	-	-	-	-	1,338
	5,869	2,031	117,276	1,899	277,626
	54	17	951	11	2,384
	188	74	4,173	35	9,063
	<u>6,887</u>	<u>2,375</u>	<u>188,214</u>	<u>2,011</u>	<u>601,072</u>
	<u>7,506</u>	<u>3,208</u>	<u>234,616</u>	<u>2,315</u>	<u>778,266</u>
	330	114	6,592	107	15,604
	22	7	400	4	978
	<u>352</u>	<u>121</u>	<u>6,992</u>	<u>111</u>	<u>16,583</u>
	47	6,983	-	3,483	225,115
	-	-	-	-	3
	-	-	-	-	11,321
	50	15	878	10	2,199
	<u>(1,176)</u>	<u>4,484</u>	<u>122,597</u>	<u>162</u>	<u>64,062</u>
\$	<u>(1,079)</u>	<u>\$ 11,482</u>	<u>\$ 123,475</u>	<u>\$ 3,656</u>	<u>\$ 302,700</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019
(In Thousands)

	Central Services	Legal Services	Banking Services
OPERATING REVENUES:			
Rebates and Recoveries	\$ 1,418	\$ 10	\$ -
Charges for Services	268,176	91,225	41,616
Fines, Forfeitures, and Penalties	-	9	-
Rents and Royalties	40,951	-	-
Sales	3,001	5	-
Other	1,002	623	72
Total Operating Revenues	314,548	91,872	41,688
OPERATING EXPENSES:			
Salaries and Wages	102,559	82,372	23,230
Services and Supplies	162,248	13,420	9,692
Special Payments	-	-	-
Bond and COP Interest	2,042	-	-
Depreciation and Amortization	28,203	670	411
Total Operating Expenses	295,053	96,462	33,333
Operating Income (Loss)	19,494	(4,590)	8,354
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	8,425	-	-
Gain (Loss) on Disposition of Assets	(914)	-	(33)
Insurance Recovery	338	-	-
Settlement Activities	38	-	-
Loan Interest Income	26	-	-
Loan Interest Expense	(444)	-	-
Other Interest Expense	(486)	(429)	(74)
Other Nonoperating Items	(74)	-	-
Total Nonoperating Revenues (Expenses)	6,907	(429)	(107)
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	26,402	(5,019)	8,247
Transfers from Other Funds	62,393	-	447
Transfers to Other Funds	(11,924)	(3,369)	(875)
Change in Net Position	76,870	(8,388)	7,820
Net Position - Beginning	106,016	(32,431)	8,863
Prior Period Adjustments	6,388	30	-
Net Position - Beginning - As Restated	112,404	(32,401)	8,863
Net Position - Ending	\$ 189,274	\$ (40,790)	\$ 16,682

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ -	\$ -	\$ 21,105	\$ 272	\$ 22,805
12,289	2,469	904,530	2,959	1,323,264
-	-	1,379	-	1,388
-	3,825	-	-	44,776
-	312	-	-	3,318
-	-	542	10	2,249
12,289	6,606	927,556	3,242	1,397,801
8,039	2,600	154,784	1,981	375,566
1,535	3,575	791,234	1,696	983,401
-	-	29,602	-	29,602
-	-	-	-	2,042
14	1,617	-	858	31,774
9,587	7,793	975,620	4,535	1,422,385
2,702	(1,187)	(48,064)	(1,293)	(24,584)
-	-	8,289	-	16,714
-	182	-	(29)	(793)
-	-	-	1	338
-	-	-	104	142
-	-	-	-	26
-	-	-	-	(444)
(44)	(13)	(12)	-	(1,057)
-	-	(123)	-	(197)
(44)	169	8,154	76	14,728
2,658	(1,017)	(39,909)	(1,218)	(9,856)
-	425	-	-	63,265
(3,085)	(911)	(4,926)	(518)	(25,608)
(427)	(1,503)	(44,835)	(1,736)	27,801
(652)	12,985	168,149	4,920	267,848
-	-	161	472	7,051
(652)	12,985	168,310	5,392	274,899
\$ (1,079)	\$ 11,482	\$ 123,475	\$ 3,656	\$ 302,700

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019
(In Thousands)

	Central Services	Legal Services	Banking Services
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 37,230	\$ 7,685	\$ -
Receipts from Other Funds for Services	267,581	85,434	39,078
Payments to Employees for Services	(94,594)	(79,407)	(22,042)
Payments to Suppliers	(75,523)	(9,512)	(8,397)
Payments to Other Funds for Services	(24,441)	(3,692)	(1,777)
Claims Paid	(49,970)	-	-
Other Receipts (Payments)	(26,863)	662	95
Net Cash Provided (Used) in Operating Activities	33,419	1,170	6,957
Cash Flows from Noncapital Financing Activities:			
Repayments on Advances Made	663	-	-
Principal Payments on Loans	(3,114)	(498)	(86)
Interest Payments on Loans	(725)	(429)	(74)
Interest Receipts on Advances Made	26	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	3,631	-	3,305
Transfers to Other Funds	(12,278)	(3,369)	(3,788)
Net Cash Provided (Used) in Noncapital Financing Activities	(11,797)	(4,296)	(643)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	8,578	-	-
Principal Payments on Bonds/COPs	(5,279)	-	-
Principal Payments on Loans	(2,309)	-	-
Interest Payments on Bonds/COPs	(2,829)	-	-
Interest Payments on Loans	(178)	-	-
Acquisition of Capital Assets	(21,690)	(955)	(9,106)
Payments on Capital Leases	(1,307)	-	-
Proceeds from Disposition of Capital Assets	7,777	-	-
Insurance Recoveries for Capital Assets	338	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(16,898)	(955)	(9,106)
Cash Flows from Investing Activities:			
Purchases of Investments	(9,046)	-	-
Proceeds from Sales and Maturities of Investments	16,577	-	-
Interest on Investments and Cash Balances	7,014	-	-
Interest Income from Securities Lending	87	-	-
Interest Expense from Securities Lending	(74)	-	-
Net Cash Provided (Used) in Investing Activities	14,559	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	19,283	(4,081)	(2,792)
Cash and Cash Equivalents - Beginning	140,994	6,180	17,499
Cash and Cash Equivalents - Ending	\$ 160,276	\$ 2,099	\$ 14,707

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ 44,916
13,487	6,570	1,153,382	3,228	1,568,760
(7,945)	(2,388)	(125,676)	(1,554)	(333,606)
(870)	(2,863)	(357,123)	(1,070)	(455,358)
(605)	(688)	(42,914)	(543)	(74,661)
-	-	(695,554)	-	(745,524)
-	-	(4,162)	1	(30,268)
4,067	632	(72,046)	61	(25,741)
-	-	-	-	663
(51)	(15)	(14)	-	(3,778)
(44)	(13)	(12)	-	(1,296)
-	-	-	-	26
-	-	-	1	1
-	399	-	-	7,335
(3,085)	(911)	(4,926)	(509)	(28,866)
(3,180)	(540)	(4,951)	(508)	(25,915)
-	-	-	-	8,578
-	-	-	-	(5,279)
-	-	-	-	(2,309)
-	-	-	-	(2,829)
-	-	-	-	(178)
-	(1,627)	-	(385)	(33,763)
-	-	-	-	(1,307)
-	181	-	18	7,976
-	-	-	-	338
-	(1,447)	-	(367)	(28,772)
-	-	-	-	(9,046)
-	-	-	-	16,577
-	-	8,145	-	15,160
-	-	144	-	230
-	-	(123)	-	(197)
-	-	8,166	-	22,725
887	(1,355)	(68,832)	(814)	(57,704)
2,917	7,486	357,502	2,486	535,064
\$ 3,804	\$ 6,131	\$ 288,671	\$ 1,672	\$ 477,361

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Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019
(In Thousands)
(continued from previous page)

	Central Services	Legal Services	Banking Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 19,494	\$ (4,590)	\$ 8,354
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	28,203	670	411
Amortization of Bond/COP Premium and Discount	(839)	-	-
Noncash Services Received Pursuant to Settlement Activities	38	-	-
Interest Payments Reported as Operating Expense	2,829	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	(49,257)	1,202	(1,653)
Due from Other Funds	-	410	(54)
Inventories	(12)	(100)	-
Prepaid Items	(1,306)	-	(12)
Net Contracts, Notes and Other Receivables	(1)	2	-
Net OPEB Asset	(387)	(310)	(67)
Accounts and Interest Payable	2,469	595	(1,456)
Due to Other Funds	13,007	10	-
Unearned Revenue	(936)	73	-
Compensated Absences Payable	439	551	253
Claims and Judgments Payable	8,779	-	-
Custodial Liabilities	1,705	-	-
Contracts, Mortgages, and Notes Payable	(35)	-	-
Net Pension Liability	9,799	1,581	1,314
Net OPEB Liability	(151)	(192)	(48)
Total OPEB Liability	200	170	79
Net Changes in Deferred Outflows of Resources:			
Loss on Refunding	5	-	-
Related to pensions	(4,321)	(1,870)	(851)
Related to OPEB	(77)	(60)	(34)
Net Changes in Deferred Inflows of Resources:			
Related to Pensions	3,664	2,944	702
Related to OPEB	109	85	19
Total Adjustments	13,924	5,761	(1,397)
Net Cash Provided (Used) by Operating Activities	\$ 33,419	\$ 1,170	\$ 6,957
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ 1,296	\$ -	\$ -
Capital Leases	453	-	-
Noncash Assets Exchanged for Other Liabilities	4,858	-	-

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ 2,702	\$ (1,187)	\$ (48,064)	\$ (1,293)	\$ (24,584)
14	1,617	-	858	31,774
-	-	-	-	(839)
-	-	-	104	142
-	-	-	-	2,829
1,198	(37)	(2,910)	(13)	(51,471)
-	-	(9,389)	-	(9,033)
-	(26)	10	-	(129)
22	-	1,031	6	(258)
-	-	(133)	-	(131)
(29)	(9)	(586)	(5)	(1,393)
42	53	(878)	(21)	805
-	-	5,376	-	18,394
-	-	(39,447)	-	(40,310)
70	21	566	7	1,907
-	-	8,444	-	17,223
-	-	(15,961)	-	(14,256)
-	-	-	-	(35)
(78)	187	33,907	517	47,228
(21)	(7)	(104)	(6)	(530)
17	12	440	3	921
-	-	-	-	5
(148)	(106)	(10,386)	(191)	(17,875)
(8)	11	(31)	(1)	(201)
280	99	5,895	95	13,679
8	2	172	1	396
1,365	1,818	(23,983)	1,354	(1,158)
\$ 4,067	\$ 632	\$ (72,046)	\$ 61	\$ (25,741)

\$	-	\$	-	\$	-	\$	-	\$	1,296
	-		-		-		-		453
	-		-		-		-		4,858

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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 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 PERS.

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 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 PERS.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2019
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ASSETS		
Cash and Cash Equivalents	\$ 2,576,485	\$ 318,749
Investments:		
Fixed Income	13,013,696	2,755,533
Public Equity	23,942,882	3,557,591
Real Estate	8,025,793	862,597
Private Equity	15,449,788	1,660,514
Alternatives Portfolio	6,461,540	694,474
Opportunity Portfolio	1,537,646	165,263
Total Investments	68,431,344	9,695,972
Securities Lending Collateral	813,156	87,490
Receivables:		
Employer Contributions	54,289	-
Plan Member Contributions	-	1,645
Interest and Dividends	138,529	14,889
Member Loans	-	-
Investment Sales	866,770	89,047
Transitional Liability	453,336	-
From Other Funds	1,445	10,264
Total Receivables	1,514,370	115,845
Prepaid Items	5,658	457
Capital Assets (net of \$28,445 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	23,684	227
Total Assets	73,365,641	10,218,740
LIABILITIES		
Accounts and Interest Payable	2,269,341	200,410
Obligations Under Securities Lending	813,339	87,510
Due to Other Funds	11,114	1,188
Unearned Revenue	423	-
Custodial Liabilities	67,703	17,637
Total Liabilities	3,161,921	306,745
NET POSITION		
Restricted for Pension Benefits	70,203,721	9,911,995
Restricted for Other Postemployment Benefits	-	-
Restricted for Other Employee Benefits	-	-
Total Net Position	\$ 70,203,721	\$ 9,911,995

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	
\$ 25,386	\$ 3,848	\$ 6,242	\$	2,930,710
118,026	8,032	381,972		16,277,259
212,786	14,481	1,675,531		29,403,271
72,789	4,954	-		8,966,133
140,120	9,536	-		17,259,958
58,602	3,988	-		7,218,604
13,946	949	-		1,717,804
616,269	41,940	2,057,502		80,843,028
7,380	511	6		908,543
1,747	1,311	-		57,348
-	-	-		1,645
1,256	86	674		155,434
-	-	12,705		12,705
7,542	538	226		964,124
-	-	-		453,336
621	229	-		12,559
11,165	2,164	13,606		1,657,149
39	3	-		6,156
-	-	-		944
-	-	-		23,911
660,239	48,466	2,077,356		86,370,442
19,540	1,183	1,306		2,491,780
7,382	511	6		908,748
29	27	127		12,485
-	-	600		1,023
4,398	54	-		89,792
31,349	1,775	2,038		3,503,828
-	-	-		80,115,716
628,890	46,691	-		675,581
-	-	2,075,318		2,075,318
\$ 628,890	\$ 46,691	\$ 2,075,318	\$	82,866,614

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2019
(In Thousands)**

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ADDITIONS		
Contributions:		
Employer	\$ 1,720,183	\$ -
Plan Members	11,354	647,139
Total Contributions	1,731,538	647,139
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	3,042,039	468,736
Interest, Dividends, and Other Investment Income	1,782,577	187,677
Total Investment Income	4,824,617	656,413
Less Investment Expense	831,453	91,468
Net Investment Income	3,993,164	564,945
Other Income	16,884	407
Total Additions	5,741,586	1,212,491
DEDUCTIONS		
Benefits	4,810,975	490,459
Death Benefits	4,084	-
Contributions Refunded	11,904	-
Healthcare Premium Subsidies	-	-
Administrative Expenses	38,403	12,568
Total Deductions	4,865,366	503,028
Change in Net Position:		
Restricted for Pension Benefits	876,220	709,464
Restricted for Other Postemployment Benefits	-	-
Restricted for Other Employee Benefits	-	-
Net Position - Beginning	69,327,500	9,202,531
Net Position - Ending	\$ 70,203,721	\$ 9,911,995

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
\$ 49,615	\$ 14,009	\$ -	\$ 1,783,808
-	-	139,544	798,038
49,615	14,009	139,544	2,581,845
27,515	1,912	93,596	3,633,798
15,778	1,004	13,464	2,000,500
43,292	2,916	107,060	5,634,298
7,336	461	3,717	934,436
35,956	2,455	103,343	4,699,862
3	-	1,621	18,916
85,575	16,464	244,507	7,300,624
-	-	123,058	5,424,492
-	-	-	4,084
-	-	-	11,904
32,234	4,487	-	36,721
1,312	318	2,278	54,881
33,547	4,805	125,336	5,532,081
-	-	-	1,585,684
52,028	11,659	-	63,687
-	-	119,171	119,171
576,862	35,032	1,956,146	81,098,072
\$ 628,890	\$ 46,691	\$ 2,075,318	\$ 82,866,614

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Fiduciary Funds

Combining Investment Trust Funds

Investment trust funds account for the portion of cash and investment pools managed by the Oregon State Treasury belonging to entities other than the State.

Short Term Investment Trust Fund

This fund accounts 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.

Intermediate Term Investment Trust Fund

This fund accounts for the portion 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, participants include several state agencies, some discretely presented component units 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.

Local Government Intermediate Investment Trust Fund

This fund accounts for the portion of the Oregon Local Government Intermediate Fund (OLGIF) belonging to entities other than the State. The OLGIF is an intermediate term fixed income investment vehicle managed by the Oregon State Treasury, participants include OSTF and several local governments. The State does not participate directly in this pool.

State of Oregon

Combining Statement of Fiduciary Net Position Investment Trust Funds June 30, 2019 (In Thousands)

	Short Term Investment Trust	Intermediate Term Investment Trust	Local Government Intermediate Investment Trust	Elimination for Consolidation	Total
ASSETS					
Cash and Cash Equivalents	\$ 7,416,481	\$ 1,596	\$ 16,794	\$ (5,647)	\$ 7,429,224
Investments:					
Fixed Income	-	33,747	223,255	(211,012)	45,990
Total Investments	-	33,747	223,255	(211,012)	45,990
Securities Lending Collateral	180,397	-	13,458	-	193,855
Receivables:					
Interest and Dividends	27,266	177	1,428	-	28,871
Loans	37,784	-	-	-	37,784
Total Receivables	65,050	177	1,428	-	66,655
Total Assets	7,661,928	35,520	254,935	(216,659)	7,735,724
LIABILITIES					
Accounts and Interest Payable	62,837	819	7,931	-	71,587
Obligations Under Securities Lending	180,397	-	13,458	-	193,855
Total Liabilities	243,234	819	21,389	-	265,442
NET POSITION					
Amount Held in Trust for Pool Participants	7,418,694	34,701	233,546	(216,659)	7,470,282
Total Net Position	\$ 7,418,694	\$ 34,701	\$ 233,546	\$ (216,659)	\$ 7,470,282

State of Oregon

Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2019
(In Thousands)

	Short Term Investment Trust	Intermediate Term Investment Trust	Local Government Intermediate Investment Trust	Elimination for Consolidation	Total
ADDITIONS					
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 51,446	\$ 1,105	\$ 6,798	\$ -	\$ 59,349
Interest, Dividends, and Other Investment Income	223,045	918	5,972	-	229,935
Total Investment Income	274,491	2,023	12,770	-	289,284
Less Investment Expense	9,632	33	317	-	9,982
Net Investment Income	264,859	1,990	12,453	-	279,302
Share Transactions:					
Participant Contributions	20,363,381	-	5,500	(4,345)	20,364,536
Participant Withdrawals	19,722,451	-	-	-	19,722,451
Net Share Transactions	640,930	-	5,500	(4,345)	642,085
Total Additions	905,789	1,990	17,953	(4,345)	921,387
DEDUCTIONS					
Distribution to Participants	216,886	-	-	-	216,886
Total Deductions	216,886	-	-	-	216,886
Change in Net Position:					
Amount Held in Trust for Pool Participants	688,903	1,990	17,953	(4,345)	704,501
Net Position - Beginning	6,729,791	32,711	215,593	(212,314)	6,765,781
Net Position - Ending	\$ 7,418,694	\$ 34,701	\$ 233,546	\$ (216,659)	\$ 7,470,282

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, 2019

(In Thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Custodial Assets	\$ 1,809,843	\$ 2,403,962	\$ 2,381,591	\$ 1,832,214
Accounts Receivable	5,939	5,177	1,244	9,872
Net Contracts, Notes, and Other Receivables	91,303	21,441	18,892	93,851
Receivership Assets	58,704	-	37,841	20,863
Total Assets	\$ 1,965,788	\$ 2,430,580	\$ 2,439,568	\$ 1,956,801
LIABILITIES				
Accounts and Interest Payable	\$ 45	\$ 1,309,027	\$ 1,308,994	\$ 77
Due to Other Governments	9,645	9,776	9,658	9,763
Custodial Liabilities	1,956,098	1,875,416	1,884,554	1,946,961
Total Liabilities	\$ 1,965,788	\$ 3,194,218	\$ 3,203,206	\$ 1,956,801

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.

Western Oregon University, Southern Oregon University, Eastern Oregon University, and the Oregon Institute of Technology

Pursuant to Senate Bill (SB) 270, passed by the Oregon Legislature during fiscal year 2013, Western Oregon University (WOU), Southern Oregon University (SOU), Eastern Oregon University (EOU), and Oregon Institute of Technology (OIT) are each an independent public body legally separate from the State as of July 1, 2015. These four universities join University of Oregon (UO), Oregon State University (OSU), and Portland State University (PSU) which became independent public bodies legally separate from the State the year before. Each university is governed by a citizen board appointed by the Governor. The universities are primarily financed through student tuition and fees, sales and services of auxiliary enterprises, and federal, state, and local grants and contracts. The financial information presented for the universities include the related university's foundation. These universities also receive General Fund moneys from the State and use proprietary fund accounting principles.

State Fair Council

The State Fair Council is a newly formed independent public corporation, charged with creating a new, sustainable business model for the Oregon State Fair and Exposition Center that can capitalize on sponsorships, rapidly changing market conditions, and streamlined contracting and employment practices. The State Fair Council is a governmental entity performing governmental functions and exercising governmental powers. The Governor appoints members of the Council, and may remove them at will. It is financed primarily through fees for renting the fairground property and facilities and operating the annual Oregon State Fair.

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 (OHCS) 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 OHCS.

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, and to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008, as amended (EESA), and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. During the most recent fiscal year OAHAC administered only the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and its financial statements are prepared in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05, *Financial Statements for Not-for-Profit Organizations*. The December 31, 2017, financial information of OAHAC is included in this report.

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2019
(In Thousands)

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 90,732	\$ 19,724	\$ 4,570
Cash and Cash Equivalents - Restricted	43,863	2,146	4,570
Investments	325,690	-	-
Securities Lending Collateral	-	1,408	730
Accounts and Interest Receivable (net)	504,018	11,103	4,888
Pledges, Contributions, and Grants Receivable (net)	74,160	-	351
Due from Other Governments	8,082	-	-
Due from Primary Government	31,404	5,046	254
Inventories	48,178	1,232	390
Prepaid Items	34,661	373	381
Total Current Assets	<u>1,160,788</u>	<u>41,032</u>	<u>16,134</u>
Noncurrent Assets:			
Cash and Cash Equivalents	-	-	1,467
Cash and Cash Equivalents - Restricted	42,092	-	950
Investments	1,278,347	36,721	43,924
Investments - Restricted	693,047	5,819	2,527
Advances to Primary Government	-	-	-
Net Contracts, Notes, and Other Receivables	35,249	2,518	3,183
Pledges, Contributions, and Grants Receivable (net)	351,332	-	656
Net OPEB Asset	3,493	290	263
Other Assets	17,597	-	15
Capital Assets:			
Land	91,984	5,720	5,570
Buildings, Property, and Equipment	3,915,152	196,305	233,660
Construction in Progress	116,843	8,443	1,259
Infrastructure	-	6,864	2,995
Works of Art and Other Nondepreciable Assets	-	685	3,891
Less Accumulated Depreciation and Amortization	(1,991,225)	(99,681)	(107,356)
Total Noncurrent Assets	<u>4,553,911</u>	<u>163,684</u>	<u>193,004</u>
Total Assets	<u>5,714,698</u>	<u>204,716</u>	<u>209,138</u>
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	7,330	-	-
Goodwill	523	-	-
Loss on Refunding	22,306	-	-
Related to Pensions	173,514	12,743	13,678
Related to OPEB	2,079	312	347
Total Deferred Outflows of Resources	<u>205,752</u>	<u>13,055</u>	<u>14,025</u>

State of Oregon

				Oregon Affordable Housing Assistance Corporation		Total
Eastern Oregon University	Oregon Institute of Technology	State Fair Council				
\$ 11,346	\$ 10,517	\$ 4,253	\$ 32,896	\$ 174,038		
367	1,457	-	-	52,403		
-	-	-	-	325,690		
588	728	-	-	3,454		
5,089	4,480	230	-	529,808		
-	-	-	-	74,511		
-	-	-	-	8,082		
2,215	5,704	-	-	44,623		
17	192	-	-	50,009		
29	797	2	679	36,922		
19,651	23,875	4,485	33,575	1,299,540		
-	646	-	-	2,113		
-	228	-	-	43,270		
-	48,939	-	-	1,407,931		
23,545	-	-	-	724,938		
-	1,412	-	-	1,412		
505	1,996	-	19,877	63,328		
658	2,193	-	-	354,839		
157	145	-	-	4,348		
-	220	-	-	17,832		
2,026	6,250	-	-	111,550		
139,539	160,341	1,549	-	4,646,546		
2,172	8,334	-	-	137,051		
3,315	23,861	-	-	37,035		
340	1,582	-	-	6,498		
(72,708)	(85,797)	(165)	-	(2,356,932)		
99,549	170,350	1,384	19,877	5,201,759		
119,199	194,225	5,869	53,452	6,501,297		
-	-	-	-	7,330		
-	-	-	-	523		
-	-	-	-	22,306		
6,915	6,373	-	-	213,223		
195	219	-	-	3,152		
7,110	6,592	-	-	246,534		

(continued on next page)

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2019
(In Thousands)
(continued from previous page)

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	278,721	9,836	4,678
Obligations Under Securities Lending	-	1,408	730
Obligations Under Life Income Agreements	-	892	193
Due to Other Governments	815	-	-
Due to Primary Government	15,029	3,660	2,875
Unearned Revenue	60,565	3,192	4,186
Compensated Absences Payable	62,338	1,892	1,291
Claims and Judgments Payable	33,221	-	-
Custodial Liabilities	-	212	1,128
Contracts, Mortgages, and Notes Payable	1,855	377	541
Bonds/COPs Payable	23,163	-	-
Obligations Under Capital Lease	3,919	-	-
Total Current Liabilities	479,626	21,469	15,622
Noncurrent Liabilities:			
Obligations Under Life Income Agreements	23,235	-	-
Compensated Absences Payable	-	265	697
Claims and Judgments Payable	39,682	-	-
Custodial Liabilities	2,797	-	-
Contracts, Mortgages, and Notes Payable	22,975	3,103	4,185
Net Pension Liability	507,796	33,824	32,662
Bonds/COPs Payable	923,345	-	-
Obligations Under Capital Lease	1,906	-	-
Advances from Primary Government	26,008	49,340	38,225
Net OPEB Liability	-	314	285
Total OPEB Liability	12,335	2,047	1,685
Derivative Instrument Liabilities	13,871	-	-
Total Noncurrent Liabilities	1,573,951	88,893	77,739
Total Liabilities	2,053,578	110,362	93,361
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	643	-	-
Gain on Refunding	1,834	-	-
Life income agreements and Pending Funds	120,137	-	-
Related to Pensions	68,675	1,901	3,036
Related to OPEB	2,229	144	205
Total Deferred Inflows of Resources	193,518	2,045	3,241
Net Position			
Net Investment in Capital Assets	1,239,304	66,611	99,314
Restricted-Nonexpendable	277,702	-	1,812
Restricted for:			
Education	721,918	22,893	33,509
Debt Service	-	116	785
Capital Projects	-	1,845	437
OPEB	3,493	290	263
Unrestricted	1,430,938	13,609	(9,559)
Total Net Position	\$ 3,673,354	\$ 105,364	\$ 126,561

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
4,478	9,091	172	316	307,292
588	728	-	-	3,454
-	79	-	-	1,164
-	-	-	19,633	20,448
1,857	2,867	-	244	26,532
2,275	3,424	190	33,259	107,091
1,290	1,232	-	-	68,043
-	-	-	-	33,221
293	114	-	-	1,747
415	459	-	-	3,647
-	-	-	-	23,163
13	60	-	-	3,992
11,209	18,054	362	53,452	599,794
-	-	-	-	23,235
26	841	-	-	1,829
-	-	-	-	39,682
-	-	-	-	2,797
2,260	2,668	-	-	35,191
17,734	15,957	-	-	607,973
-	-	-	-	923,345
10	24	-	-	1,940
19,654	38,656	-	-	171,883
168	154	-	-	921
1,122	1,417	-	-	18,606
-	-	-	-	13,871
40,974	59,717	-	-	1,841,274
52,184	77,771	362	53,452	2,441,070
-	-	-	-	643
-	-	-	-	1,834
-	-	-	-	120,137
1,571	1,837	-	-	77,020
109	79	-	-	2,766
1,680	1,916	-	-	202,400
52,552	74,217	1,384	-	1,533,382
554	-	-	-	280,068
16,443	22,834	-	-	817,597
449	66	-	-	1,416
77	5,958	27	-	8,344
157	145	-	-	4,348
2,213	17,910	4,096	-	1,459,207
\$ 72,445	\$ 121,130	\$ 5,507	\$ -	\$ 4,104,361

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Discretely Presented Component Units
For the Year Ended June 30, 2019
(In Thousands)

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
Operating Revenues:			
Federal Revenue	\$ -	\$ 6,477	\$ 1,250
Charges for Services	2,620,386	32,253	30,812
Rents and Royalties	-	-	-
Sales	-	20,713	15,666
Gifts, Grants, and Contracts	637,119	3,908	7,733
Other Revenues	116,844	3,507	1,877
Total Operating Revenues	<u>3,374,349</u>	<u>66,858</u>	<u>57,338</u>
Operating Expenses:			
Salaries and Wages	2,055,493	74,642	65,107
Services and Supplies	1,040,256	20,109	20,950
Mortgage Assistance Payments	-	-	-
Depreciation and Amortization	194,897	6,371	5,119
Special Payments	-	6,782	4,148
Interest	32,034	-	-
Total Operating Expenses	<u>3,322,680</u>	<u>107,904</u>	<u>95,324</u>
Operating Income (Loss)	<u>51,669</u>	<u>(41,046)</u>	<u>(37,986)</u>
Nonoperating Revenues (Expenses):			
Investment Income	143,672	3,381	2,887
State Appropriations	37,276	25,929	22,107
Other Grants	-	14,284	9,327
Gain/(Loss) on Disposition of Assets	-	(41)	29
Other Interest Expense	-	(2,128)	(2,238)
Other	3,734	(842)	(1,285)
Total Nonoperating Revenues (Expenses)	<u>184,682</u>	<u>40,583</u>	<u>30,827</u>
Income (Loss) Before Capital Contributions	<u>236,351</u>	<u>(463)</u>	<u>(7,159)</u>
Capital Contributions	<u>7,622</u>	<u>7,506</u>	<u>3,431</u>
Change in Net Position	<u>243,973</u>	<u>7,043</u>	<u>(3,728)</u>
Net Position - Beginning	<u>3,429,381</u>	<u>98,321</u>	<u>130,289</u>
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Beginning - As Restated	<u>3,429,381</u>	<u>98,321</u>	<u>130,289</u>
Net Position - Ending	<u><u>\$ 3,673,354</u></u>	<u><u>\$ 105,364</u></u>	<u><u>\$ 126,561</u></u>

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
\$ 2,525	\$ 891	\$ -	\$ -	\$ 11,143
17,598	27,352	-	-	2,728,401
-	-	1,298	-	1,298
6,634	14,868	6,233	-	64,114
5,058	10,676	-	-	664,494
390	515	39	-	123,172
32,205	54,302	7,570	-	3,592,622
39,383	56,374	618	-	2,291,617
11,925	24,958	6,776	-	1,124,974
-	-	-	31,579	31,579
4,233	5,563	85	-	216,268
4,277	5,123	-	-	20,330
-	-	-	-	32,034
59,818	92,018	7,479	31,579	3,716,802
(27,613)	(37,716)	91	(31,579)	(124,180)
358	2,824	82	-	153,204
21,452	29,401	-	-	136,165
6,828	7,158	-	-	37,597
(24)	(1)	-	-	(37)
(1,018)	(1,796)	-	-	(7,180)
(1,341)	(1,131)	-	31,579	30,714
26,255	36,455	82	31,579	350,463
(1,358)	(1,261)	173	-	226,283
2,926	12,879	141	-	34,505
1,568	11,618	314	-	260,788
70,877	109,511	4,217	-	3,842,596
-	-	975	-	975
70,877	109,511	5,193	-	3,843,572
\$ 72,445	\$ 121,130	\$ 5,507	\$ -	\$ 4,104,361

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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)

	2010	2011	2012	2013
Governmental Activities				
Net Investment in Capital Assets	\$ 8,672,407	\$ 8,107,685	\$ 8,888,097	\$ 10,636,687
Restricted	1,287,403	2,582,708	3,143,955	2,794,989
Unrestricted	(82,337)	138,387	(840,528)	(1,488,172)
Total Governmental Activities Net Position	\$ 9,877,473	\$ 10,828,780	\$ 11,191,524	\$ 11,943,504
Business-type Activities				
Net Investment in Capital Assets	\$ 977,224	\$ 1,195,629	\$ 1,383,060	\$ 1,383,562
Restricted	556,589	670,672	505,991	549,486
Unrestricted	2,201,451	2,378,452	2,778,815	3,084,564
Total Business-type Activities Net Position	\$ 3,735,264	\$ 4,244,753	\$ 4,667,866	\$ 5,017,612
Primary Government				
Net Investment in Capital Assets	\$ 9,649,631	\$ 9,303,314	\$ 10,271,157	\$ 12,020,249
Restricted	1,843,992	3,253,380	3,649,946	3,344,475
Unrestricted	2,119,114	2,516,839	1,938,287	1,596,392
Total Primary Government Net Position	\$ 13,612,737	\$ 15,073,533	\$ 15,859,390	\$ 16,961,116

State of Oregon

2014	2015	2016	2017	2018	2019
\$ 9,982,055	\$ 11,116,322	\$ 9,563,039	\$ 9,694,241	\$ 9,981,128	\$ 10,980,266
3,494,851	3,812,040	4,052,223	4,316,623	5,054,204	4,882,727
(1,077,265)	(3,243,523)	(2,937,300)	(2,482,259)	(2,466,140)	(1,524,443)
\$ 12,399,641	\$ 11,684,839	\$ 10,677,962	\$ 11,528,605	\$ 12,569,192	\$ 14,338,550
\$ 1,443,136	\$ 633,944	\$ 612,107	\$ 610,616	\$ 583,878	\$ 547,653
578,740	311,509	222,398	215,772	216,041	224,778
3,613,692	3,205,302	4,233,276	4,763,302	5,325,538	5,965,305
\$ 5,635,568	\$ 4,150,755	\$ 5,067,782	\$ 5,589,690	\$ 6,125,457	\$ 6,737,736
\$ 11,425,191	\$ 11,750,266	\$ 10,175,146	\$ 10,304,857	\$ 10,565,006	\$ 11,133,063
4,073,591	4,123,549	4,274,621	4,532,395	5,270,245	5,235,707
2,536,427	(38,221)	1,295,976	2,281,043	2,859,398	4,707,517
\$ 18,035,209	\$ 15,835,594	\$ 15,745,743	\$ 17,118,295	\$ 18,694,649	\$ 21,076,287

Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual Basis of Accounting)

	2010	2011	2012	2013
Expenses				
Governmental activities:				
Education	\$ 4,303,106	\$ 3,979,440	\$ 4,061,791	\$ 3,883,592
Human Services	6,861,998	7,535,059	8,186,498	8,459,678
Public Safety	1,199,579	1,180,405	1,235,617	1,256,086
Economic and Community Development	455,453	480,196	416,683	423,191
Natural Resources	593,122	629,222	619,535	637,929
Transportation	1,858,705	1,566,210	1,394,815	1,407,506
Consumer and Business Services	463,489	424,534	263,541	403,725
Administration	474,624	376,821	349,555	305,791
Legislative	33,012	37,801	34,839	40,828
Judicial	308,574	313,886	326,803	311,401
Interest on Long-term Debt	299,467	351,713	367,826	331,531
Total governmental activities expenses	16,851,129	16,875,287	17,257,503	17,461,258
Business-type activities:				
Housing and Community Services	84,337	78,194	75,879	67,918
Veterans' Loan	19,685	19,365	18,628	-
Lottery Operations	518,076	510,401	534,018	494,337
Unemployment Compensation	3,020,372	2,306,502	1,729,355	1,236,639
University System	2,003,668	2,146,867	2,300,493	2,412,100
State Hospitals	222,311	248,072	270,793	253,960
Liquor Control	312,980	325,410	344,540	367,141
Other Business-type Activities	89,505	269,217	268,659	324,463
Total business-type activities expenses	6,270,934	5,904,028	5,542,365	5,156,558
Total primary government expenses	\$ 23,122,063	\$ 22,779,315	\$ 22,799,868	\$ 22,617,816
Program Revenues				
Governmental activities:				
Charges for Services:				
Human Services	\$ 237,722	\$ 289,686	\$ 531,658	\$ 639,524
Public Safety	75,511	80,842	141,432	59,551
Natural Resources	313,587	285,394	306,336	301,196
Transportation	115,507	138,383	140,219	147,234
Consumer and Business Services	276,359	270,467	69,000	124,698
Administration	107,625	115,365	96,006	91,626
Judicial	145,548	185,523	99,052	197,966
Other governmental activities	37,507	38,068	42,502	63,009
Operating Grants and Contributions	7,691,076	8,324,841	7,400,703	7,816,666
Capital Grants and Contributions	45,398	97,682	37,134	30,663
Total governmental activities program revenues	9,045,840	9,826,251	8,864,042	9,472,133

State of Oregon

2014	2015	2016	2017	2018	2019
\$ 4,420,704	\$ 4,693,469	\$ 5,588,674	\$ 5,722,672	\$ 6,272,580	\$ 6,418,578
9,880,251	11,556,800	12,516,784	12,446,233	12,912,779	13,745,007
1,300,085	1,179,299	1,683,095	1,604,349	1,659,150	1,711,657
385,464	375,497	444,564	477,674	527,649	604,380
724,185	661,438	845,601	800,960	842,882	970,404
1,555,822	1,437,587	1,614,231	1,667,739	1,660,362	1,887,748
283,039	204,614	364,373	260,420	298,499	394,611
404,182	684,677	450,111	410,692	387,319	370,025
37,234	39,621	48,293	49,497	49,415	59,681
340,313	331,253	455,749	433,325	456,707	510,105
347,010	321,032	403,769	427,671	430,169	413,532
19,678,289	21,485,287	24,415,243	24,301,233	25,497,511	27,085,729
56,473	49,422	48,060	42,246	42,904	50,329
-	-	18,531	18,058	19,231	19,604
493,652	522,185	595,692	578,629	608,499	637,164
831,914	573,992	547,309	528,851	521,071	524,641
2,505,392	351,959	-	-	-	-
278,804	269,549	399,766	408,488	422,663	440,355
384,491	400,683	424,939	447,266	471,783	498,114
306,212	362,326	315,720	266,455	281,383	209,950
4,856,938	2,530,116	2,350,017	2,289,995	2,367,534	2,380,156
\$ 24,535,227	\$ 24,015,403	\$ 26,765,260	\$ 26,591,224	\$ 27,865,045	\$ 29,465,886
\$ 615,829	\$ 581,530	\$ 711,764	\$ 688,009	\$ 738,454	\$ 1,002,665
85,549	67,756	80,479	131,406	85,772	77,101
335,198	337,857	394,169	369,685	454,784	419,569
171,154	161,937	163,195	159,842	183,907	153,641
126,482	114,971	143,591	113,061	220,486	162,871
92,358	130,508	179,412	151,025	171,603	171,960
33,722	131,951	154,534	145,933	167,027	140,372
44,347	87,253	78,511	96,994	105,995	127,474
9,055,464	10,371,663	10,797,377	10,801,215	11,096,213	11,620,564
17,766	17,615	18,426	11,153	18,684	8,639
10,577,869	12,003,041	12,721,458	12,668,324	13,242,925	13,884,856

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Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years (In Thousands)
(Accrual Basis of Accounting)
(continued from previous page)

	2010	2011	2012	2013
Business-type activities:				
Charges for Services:				
Lottery Operations	1,027,735	1,038,805	1,050,315	1,069,064
Unemployment Compensation	859,790	1,022,592	1,083,438	1,092,890
University System	1,156,843	1,288,143	1,356,609	1,438,948
Liquor Control	425,374	443,120	470,421	502,919
Other Business-type Activities	267,585	431,470	436,945	452,345
Operating Grants and Contributions	2,238,266	1,986,426	1,621,254	1,139,888
Capital Grants and Contributions	108,257	60,081	36,770	60,048
Total business-type activities program revenues	6,083,850	6,270,637	6,055,752	5,756,102
Total primary government program revenues	\$ 15,129,690	\$ 16,096,888	\$ 14,919,794	\$ 15,228,235
Net (Expense)/Revenue				
Governmental activities	\$ (7,805,289)	\$ (7,049,036)	\$ (8,393,461)	\$ (7,989,125)
Business-type activities	(187,084)	366,609	513,387	599,544
Total primary government net expense	\$ (7,992,373)	\$ (6,682,427)	\$ (7,880,074)	\$ (7,389,581)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Personal Income Taxes	\$ 4,958,569	\$ 5,597,821	\$ 5,901,448	\$ 6,320,497
Corporate Income Taxes	387,639	502,862	440,444	463,012
Tobacco Taxes	250,135	258,453	249,388	254,483
Healthcare Provider Taxes	192,077	233,826	423,951	414,267
Inheritance Taxes	91,845	80,482	102,351	99,318
Public Utilities Taxes	80,790	71,939	72,310	85,781
Insurance Premium Taxes	70,291	90,085	94,583	103,251
Marijuana Taxes	N/A	N/A	N/A	N/A
Other Taxes	144,931	119,882	156,256	186,038
Motor Fuels and Other Vehicle Taxes	N/A	N/A	N/A	N/A
Motor Fuels Taxes	406,179	449,462	492,188	487,308
Weight Mile Taxes	208,573	240,056	260,091	251,518
Vehicle Registration Taxes	245,699	275,344	281,799	282,857
Workers' Compensation Insurance Taxes	30,065	34,942	53,669	50,242
Employer-Employee Taxes	65,977	69,429	71,977	72,861
Unrestricted Investment Earnings	3,193	3,306	11,157	4,917
Contributions to Permanent Fund	288	14	76	228
Special Items	-	-	-	-
Transfers	129,016	(62,910)	125,915	107,437
Total governmental activities	7,265,267	7,964,993	8,737,603	9,184,015
Business-type activities:				
Other Taxes	16,754	16,204	16,893	16,388
Additions to Permanent Endowments	-	-	159	241
Special Items	-	-	-	-
Transfers	(129,016)	62,910	(125,915)	(107,437)
Total business-type activities	(112,262)	79,114	(108,863)	(90,808)
Total primary government	\$ 7,153,005	\$ 8,044,107	\$ 8,628,740	\$ 9,093,207
Change in Net Position				
Governmental activities	\$ (540,022)	\$ 915,957	\$ 344,142	\$ 1,194,890
Business-type activities	(299,346)	445,723	404,524	508,736
Total primary government	\$ (839,368)	\$ 1,361,680	\$ 748,666	\$ 1,703,626

State of Oregon

2014	2015	2016	2017	2018	2019
1,052,945	1,117,175	1,229,979	1,246,531	1,302,541	1,347,465
1,064,234	1,009,913	952,114	971,299	964,343	928,641
1,527,836	156,824	-	-	-	-
524,218	550,405	577,662	604,621	633,927	674,421
428,344	475,414	426,497	411,850	419,184	408,376
851,199	181,961	131,900	128,325	153,982	203,080
158,927	7,584	540	975	2,769	183
5,607,703	3,499,276	3,318,692	3,363,600	3,476,746	3,562,166
\$ 16,185,572	\$ 15,502,317	\$ 16,040,150	\$ 16,031,924	\$ 16,719,671	\$ 17,447,022
\$ (9,100,420)	\$ (9,482,246)	\$ (11,693,785)	\$ (11,632,910)	\$ (12,254,588)	\$ (13,200,874)
750,765	969,160	968,675	1,073,606	1,109,213	1,182,010
\$ (8,349,655)	\$ (8,513,086)	\$ (10,725,110)	\$ (10,559,304)	\$ (11,145,375)	\$ (12,018,865)
\$ 6,596,708	\$ 7,292,582	\$ 7,611,745	\$ 8,379,255	\$ 8,879,552	\$ 9,847,141
506,889	595,327	633,871	633,046	804,453	910,929
260,882	266,831	270,199	247,406	263,860	250,156
485,584	569,831	607,485	568,742	651,696	799,796
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
85,196	58,193	65,903	68,481	70,903	80,618
N/A	N/A	28,586	77,573	104,545	118,546
380,783	384,585	378,602	469,181	503,298	549,703
1,053,611	1,096,505	1,143,173	1,167,291	1,286,863	1,424,423
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
54,126	54,957	58,192	55,798	66,782	72,016
91,343	91,232	95,866	93,887	82,084	155,364
5,516	7,374	12,164	27,786	52,597	96,035
297	518	39	519	50	132
-	(3,276)	-	-	-	-
133,008	285,417	(230,618)	581,535	608,500	598,875
9,653,943	10,700,076	10,675,206	12,370,501	13,375,183	14,903,733
17,584	17,689	18,286	18,819	18,455	19,156
776	-	-	-	-	-
-	(1,956,089)	(335,632)	-	-	-
(133,008)	(285,417)	230,618	(581,535)	(608,500)	(598,875)
(114,648)	(2,223,817)	(86,727)	(562,716)	(590,045)	(579,720)
\$ 9,539,295	\$ 8,476,259	\$ 10,588,479	\$ 11,807,784	\$ 12,785,138	\$ 14,234,013
\$ 553,523	\$ 1,217,830	\$ (1,018,580)	\$ 737,591	\$ 1,120,594	\$ 1,702,858
636,117	(1,254,657)	881,948	510,890	519,168	602,290
\$ 1,189,640	\$ (36,827)	\$ (136,632)	\$ 1,248,481	\$ 1,639,762	\$ 2,305,148

Schedule 3
FUND BALANCE – GOVERNMENTAL FUNDS
 Last Ten Fiscal Years (In Thousands)
 (Modified Accrual Basis of Accounting)

	<u>2010</u>
General Fund	
Reserved	\$ 35,403
Unreserved	(542,747)
Total General Fund	<u>\$ (507,344)</u>

All Other Governmental Funds	
Reserved	\$ 1,429,016
Unreserved, reported in:	
Special revenue funds	3,544,868
Capital projects fund	50,420
Permanent fund	4,984
Total all other governmental funds	<u>\$ 5,029,288</u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Nonspendable	\$ 79,891	\$ 33,361	\$ 20,361	\$ 24,430
Restricted	36,882	109,458	106,241	255,539
Committed	10,400	61,534	83,083	92,978
Assigned	7,864	-	-	1,327
Unassigned	109,117	(162,867)	574,197	394,999
Total General Fund	<u>\$ 244,154</u>	<u>\$ 41,486</u>	<u>\$ 783,882</u>	<u>\$ 769,273</u>

All Other Governmental Funds				
Nonspendable	\$ 195,575	\$ 82,991	\$ 76,641	\$ 60,728
Restricted	3,974,045	3,988,266	3,582,344	4,132,949
Committed	503,597	545,040	515,440	586,296
Assigned	29,146	37,476	20,164	23,298
Unassigned	-	-	(46,516)	(18,237)
Total all other governmental funds	<u>\$ 4,702,363</u>	<u>\$ 4,653,773</u>	<u>\$ 4,148,073</u>	<u>\$ 4,785,034</u>

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. Refer to Note 1 for additional information.

2015	2016	2017	2018	2019
\$ 20,139	\$ 25,020	\$ 27,869	\$ 24,931	\$ 24,703
358,784	505,844	666,091	869,084	950,784
226,081	395,319	406,978	815,278	703,834
5,164	12,793	12,478	12,038	13,009
675,921	663,658	1,037,374	1,157,707	2,911,326
<u>\$ 1,286,089</u>	<u>\$ 1,602,633</u>	<u>\$ 2,150,789</u>	<u>\$ 2,879,038</u>	<u>\$ 4,603,657</u>
\$ 68,229	\$ 67,251	\$ 79,437	\$ 67,996	\$ 68,774
4,452,289	5,655,799	6,603,630	6,672,783	7,054,520
614,287	658,467	737,890	646,285	721,942
24,444	45,171	48,419	211,667	146,837
(3,788)	(32)	(12,208)	(17)	-
<u>\$ 5,155,461</u>	<u>\$ 6,426,656</u>	<u>\$ 7,457,168</u>	<u>\$ 7,598,714</u>	<u>\$ 7,992,073</u>

Schedule 4
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years (In Thousands)
(Modified Accrual Basis of Accounting)

	2010	2011	2012	2013
Revenues				
Taxes	\$ 7,123,205	\$ 7,952,882	\$ 8,570,880	\$ 8,969,867
Licenses and Fees	486,159	515,591	470,480	462,233
Federal	7,413,272	7,971,721	7,251,929	7,480,379
Rebates and Recoveries	N/A	N/A	N/A	N/A
Charges for Services	275,885	289,562	372,361	356,418
Fines, Forfeitures, and Penalties	88,718	81,049	137,354	119,942
Rents and Royalties	14,428	14,930	15,645	16,258
Investment Income	198,153	270,265	51,831	191,017
Sales	106,400	97,178	91,906	105,796
Assessments	N/A	N/A	N/A	N/A
Donations and Grants	24,552	57,757	24,135	32,694
Contributions to Permanent Funds	288	14	76	227
Tobacco Settlement Proceeds	82,327	77,426	78,940	78,909
Foreclosure Settlement Proceeds	N/A	N/A	25,253	N/A
Pension Bond Debt Service Assessments	6,216	5,608	5,681	6,196
Settlement Activities	N/A	N/A	N/A	N/A
Unclaimed and Escheat Property Revenue	13,716	50,827	15,308	22,057
Other	298,061	342,268	440,679	429,523
Total Revenues	16,131,380	17,727,078	17,552,458	18,271,516
Expenditures				
Education	4,304,099	3,978,423	4,062,244	3,884,393
Human Resources	7,031,421	7,716,623	8,268,743	8,544,692
Public Safety	1,177,382	1,158,601	1,219,852	1,241,057
Economic and Community Development	456,169	483,292	416,395	420,351
Natural Resources	600,470	656,626	623,461	647,606
Transportation	1,898,077	1,956,722	1,569,039	1,694,679
Consumer and Business Services	446,994	463,899	281,556	269,701
Administration	435,164	399,918	343,256	348,600
Legislative	32,036	36,058	33,289	39,405
Judicial	310,468	317,297	336,099	318,209
Intergovernmental	N/A	N/A	N/A	N/A
Capital Outlay	121,440	127,409	129,337	88,583
Debt Service:				
Principal	264,679	300,823	331,581	357,106
Interest	315,650	354,718	350,874	338,645
Other Debt Service	9,248	4,961	6,817	3,440
Total Expenditures	17,403,297	17,955,370	17,972,543	18,196,467
Excess of Revenues Over (Under) Expenditures	(1,271,917)	(228,292)	(420,085)	75,049
Other Financing Sources (Uses)				
Transfers from Other Funds	2,450,401	2,813,236	2,361,835	2,809,301
Transfers to Other Funds	(2,277,548)	(2,607,036)	(2,232,819)	(2,679,360)
Insurance Recoveries	2,476	3,140	676	2,224
Leases Incurred	558	18	-	-
Long-term Debt Issued	1,017,458	379,369	170,159	108,186
Debt Issuance Premium	41,265	46,586	95,038	47,125
Debt Issuance Discount	(30)	-	-	-
Refunding Debt Issued	106,354	112,876	502,389	212,319
Refunded Debt Payment to Escrow Agent	(182,531)	(129,074)	(574,833)	(246,543)
Total Other Financing Sources (Uses)	1,158,403	619,115	322,445	253,252
Special Items	-	-	-	-
Net Change in Fund Balances	\$ (113,514)	\$ 390,823	\$ (97,640)	\$ 328,301
Debt service as a percentage of noncapital expenditures	3.55%	3.85%	3.95%	3.99%

State of Oregon

2014	2015	2016	2017	2018	2019
\$ 9,542,069	\$ 10,460,831	\$ 10,899,473	\$ 11,581,800	\$ 12,786,737	\$ 14,287,003
495,774	504,355	538,591	563,129	629,021	675,514
8,623,136	10,166,298	10,553,352	10,310,284	10,728,658	11,122,076
292,805	342,598	507,710	555,032	557,629	599,701
250,738	229,578	239,976	188,513	241,644	205,408
107,326	120,574	127,788	148,872	124,535	118,765
17,293	17,312	17,435	17,845	17,255	17,117
274,861	103,132	108,875	332,171	341,356	387,524
124,071	126,601	136,989	143,789	173,360	192,072
N/A	37,185	35,154	45,775	45,125	49,404
44,372	50,342	38,610	40,253	41,639	42,958
297	518	39	519	50	132
86,924	76,600	80,239	142,200	69,536	69,915
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	25,218	-	-
24,360	18,214	13,629	10,731	13,275	15,082
281,831	222,011	280,196	190,499	267,654	447,572
20,165,857	22,476,149	23,578,059	24,296,631	26,037,474	28,230,243
4,421,231	4,702,795	5,572,518	5,714,090	6,269,848	410,924
9,959,458	11,626,788	12,322,549	12,427,872	12,934,967	13,158,705
1,289,232	1,281,050	1,425,482	1,462,808	1,573,565	1,351,758
384,392	392,966	417,634	465,401	518,518	429,691
685,357	750,784	758,592	768,431	822,361	753,813
1,698,418	1,763,595	1,716,411	1,826,813	1,763,839	1,412,939
299,925	288,066	298,410	305,144	290,183	366,424
341,549	715,932	441,111	404,691	403,270	195,779
36,319	42,923	38,984	45,456	43,987	56,720
346,710	367,669	407,265	415,091	437,320	394,240
N/A	N/A	N/A	N/A	N/A	8,069,800
73,976	66,071	61,522	77,717	73,152	157,529
330,745	324,485	407,072	435,702	451,874	508,152
339,476	322,091	431,197	433,520	463,976	457,907
4,759	10,032	3,210	8,108	3,075	4,867
20,211,547	22,655,247	24,301,956	24,790,844	26,049,935	27,729,247
(45,690)	(179,098)	(723,897)	(494,214)	(12,461)	500,996
2,223,916	2,434,341	3,811,108	2,889,176	3,006,402	3,500,028
(2,054,506)	(2,024,246)	(1,813,474)	(2,285,337)	(2,315,214)	(2,938,809)
1,839	2,502	6,027	3,632	9,689	2,322
-	-	503	999	-	-
538,877	435,459	245,921	1,235,289	170,437	950,477
57,611	304,732	96,002	252,799	36,921	127,269
-	-	-	-	-	-
266,635	1,146,120	224,581	645,082	132,800	-
(266,425)	(1,377,597)	(278,200)	(710,834)	(154,563)	-
767,947	921,311	2,292,468	2,030,804	886,472	1,641,287
-	(3,054)	-	-	-	-
\$ 722,257	\$ 739,159	\$ 1,568,571	\$ 1,536,591	\$ 874,014	\$ 2,142,283
3.42%	2.95%	3.55%	3.61%	3.61%	3.50%

Schedule 5
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(Dollars in Thousands)

	2009	2010	2011	2012
Farm earnings	\$ 1,113,098	\$ 1,042,393	\$ 1,266,899	\$ 1,401,663
Forestry, fishing, and related activities	917,823	1,102,350	1,059,648	1,222,841
Mining	97,103	97,981	113,167	112,281
Utilities	417,510	544,149	810,559	667,746
Construction	5,823,030	5,320,304	5,369,975	6,199,355
Manufacturing	11,809,146	12,288,594	12,973,184	13,979,258
Wholesale trade	5,969,156	6,047,445	6,299,149	6,709,418
Retail trade	6,577,510	6,816,108	6,939,388	7,316,105
Transportation and warehousing	3,103,338	3,183,428	3,352,507	3,551,288
Information	2,831,820	2,778,437	2,868,925	3,008,608
Finance and insurance	4,713,587	4,838,100	4,795,502	5,030,466
Real estate, rental, and leasing	1,585,466	1,105,873	1,001,074	1,435,204
Professional, scientific, and technical	6,854,786	7,066,154	7,623,825	8,171,032
Management of companies	2,858,432	2,849,281	2,972,610	3,134,763
Administrative & waste mgmt. services	3,475,847	3,571,849	3,735,425	4,063,051
Educational services	1,326,253	1,381,455	1,449,845	1,607,257
Health care and social assistance	11,979,934	12,558,623	12,925,240	13,544,411
Arts, entertainment, and recreation	675,551	692,719	993,545	1,133,231
Accommodation and food services	2,970,356	3,086,962	3,347,556	3,713,319
Other services	3,544,537	3,774,502	3,888,160	4,216,958
Federal government, civilian	2,623,045	2,716,489	2,743,644	2,732,268
Military	552,059	539,235	509,674	477,881
State government	4,115,074	4,203,327	4,378,419	4,376,685
Local government	11,698,062	11,942,125	12,180,213	12,088,691
Other ¹	37,499,673	39,070,160	42,834,024	44,514,738
Total personal income	\$ 135,132,196	\$ 138,618,043	\$ 146,432,157	\$ 154,408,518
Overall effective tax rate ²	5.5%	5.6%	5.6%	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 2018 will not be available until May 2020.

Source: US Department of Commerce, Bureau of Economic Analysis and the Oregon Department of Revenue.

State of Oregon

	2013	2014	2015	2016	2017	2018
\$	1,640,383	\$ 1,582,964	\$ 1,750,713	\$ 1,605,297	\$ 1,118,647	\$ 1,138,780
	1,224,015	1,277,340	1,396,910	1,435,571	1,540,045	1,679,331
	111,541	111,038	118,592	126,775	148,858	163,882
	708,708	686,661	609,323	692,496	755,510	792,682
	6,609,217	7,322,792	7,763,716	8,657,555	9,694,136	10,646,968
	14,116,085	14,509,494	15,463,300	16,058,356	16,579,771	17,632,249
	5,757,195	5,924,749	6,299,711	6,467,843	6,833,588	6,955,764
	7,538,200	7,861,333	8,352,303	8,645,588	9,216,803	9,570,826
	3,616,611	3,897,609	4,217,438	4,302,306	4,590,566	4,863,213
	2,994,952	3,128,702	3,308,089	3,248,375	3,655,887	3,981,699
	5,178,201	5,166,253	5,525,580	5,874,777	6,240,821	6,430,520
	1,686,273	1,922,688	2,548,062	3,486,031	4,001,808	4,164,481
	8,416,855	9,101,383	9,813,058	10,445,381	11,305,385	11,900,780
	4,836,500	5,218,920	6,001,824	6,123,113	6,506,619	6,784,103
	4,228,272	4,524,148	4,802,980	4,983,947	5,320,016	5,612,203
	1,631,771	1,675,462	1,720,330	1,798,819	1,724,713	1,770,666
	14,086,674	14,701,689	15,948,039	16,978,494	17,688,850	18,493,759
	1,167,190	1,302,189	1,320,119	1,441,377	1,533,536	1,623,932
	3,840,619	4,298,033	4,823,839	5,250,000	5,730,615	6,161,843
	4,267,809	4,581,142	4,838,261	5,090,404	5,244,503	5,572,306
	2,690,794	2,730,997	2,827,272	2,962,163	3,077,879	3,201,113
	463,169	437,531	431,376	445,111	439,756	469,868
	4,610,488	4,870,474	5,069,741	3,634,790	3,914,828	4,019,812
	12,347,880	12,859,979	13,425,372	15,693,864	16,242,311	17,041,498
	43,207,651	48,715,190	53,115,752	54,792,519	57,473,752	62,397,858
\$	156,977,053	\$ 168,408,760	\$ 181,491,700	\$ 190,240,952	\$ 200,579,203	\$ 213,070,136
	5.8%	6.0%	6.0%	6.0%	6.1%	N/A

Schedule 6
PERSONAL INCOME TAX RATES
Last Ten Calendar Years

		Top Income Tax Rate is Applied to Taxable Income in Excess of		
Year	Top Rate	Single & Married Filing Separately	Married/RDP ¹ Filing Jointly & Head of Household	Overall Effective Tax Rate ²
2009	11.0% ³	\$ 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	5.8%
2014	9.9%	125,000	250,000	6.0%
2015	9.9%	125,000	250,000	6.0%
2016	9.9%	125,000	250,000	6.0%
2017	9.9%	125,000	250,000	6.1%
2018	9.9%	125,000	250,000	N/A

¹ Registered Domestic Partners

² The overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). The overall effective tax rate for 2018 will not be available until May 2020.

³ 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%.

Source: Oregon Department of Revenue

Schedule 7
PERSONAL INCOME TAX FILERS AND TAX LIABILITY BY INCOME LEVEL
 Calendar Years 2008 and 2017
 (Dollars in Thousands)

2008

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	7,357	0.41%	\$ 704,159	14.04%
\$100,001–\$500,000	188,529	10.44%	1,897,652	37.83%
\$80,001–\$100,000	112,990	6.26%	537,177	10.71%
\$60,001–\$80,000	176,092	9.75%	608,663	12.13%
\$40,001–\$60,000	259,737	14.38%	607,133	12.10%
\$20,001–\$40,000	414,067	22.93%	512,951	10.23%
\$10,001–\$20,000	279,788	15.49%	121,203	2.42%
\$10,000 and lower	367,283	20.34%	27,555	0.55%
Total	1,805,843	100.00%	\$ 5,016,493	100.00%

2017

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	15,089	0.72%	\$ 1,595,224	19.37%
\$100,001–\$500,000	338,398	16.23%	3,783,704	45.95%
\$80,001–\$100,000	145,797	6.99%	709,471	8.62%
\$60,001–\$80,000	201,522	9.66%	724,431	8.80%
\$40,001–\$60,000	288,019	13.81%	705,263	8.57%
\$20,001–\$40,000	453,575	21.75%	569,703	6.92%
\$10,001–\$20,000	274,622	13.17%	118,630	1.44%
\$10,000 and lower	368,131	17.65%	27,423	0.33%
Total	2,085,153	100.00%	\$ 8,233,849	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 2017 is the most current year available.

Schedule 8
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Dollars in Thousands)

	2010	2011	2012	2013
Governmental Activities				
General Obligation Bonds	\$ 2,333,486	\$ 2,656,983	\$ 2,977,322	\$ 3,144,443
Revenue Bonds	3,326,393	3,344,929	3,234,362	3,170,655
Certificates of Participation	1,496,727	1,295,323	982,314	692,043
Direct Borrowings/Placements	N/A	N/A	N/A	N/A
General Appropriation Bonds	235,916	171,624	102,779	29,131
Contracts, Mortgages, and Notes Payable	11,081	102,182	54,707	485,003
Capital Leases	13,250	9,638	8,489	2,789
Business-type Activities				
General Obligation Bonds	2,265,774	2,422,682	2,290,038	2,256,660
Revenue Bonds	1,645,617	1,584,235	1,450,979	1,479,103
Certificates of Participation	120,933	111,319	99,766	85,121
Direct Borrowings/Placements	N/A	N/A	N/A	N/A
Contracts, Mortgages, and Notes Payable	14,413	18,133	36,957	154,135
Capital Leases	697	615	556	560
Total Primary Government	\$ 11,464,287	\$ 11,717,663	\$ 11,238,269	\$ 11,499,643
Percentage of Personal Income ¹	8.37%	8.10%	7.37%	7.41%
Per Capita ¹	\$ 2.99	\$ 3.03	\$ 2.88	\$ 2.93

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 Note 8 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.

2014	2015	2016	2017	2018	2019
\$ 3,193,894	\$ 3,512,256	\$ 5,525,430	\$ 6,119,313	\$ 5,993,375	\$ 6,415,345
3,509,036	3,616,493	3,672,088	4,062,386	3,912,568	3,541,759
620,270	485,271	340,753	289,137	246,559	315,743
N/A	N/A	N/A	N/A	N/A	372,327
-	-	-	-	-	-
412,560	377,200	353,620	337,675	319,221	408,577
3,027	3,845	5,779	4,148	4,274	3,141
2,419,832	2,411,599	554,270	536,509	558,571	553,611
1,362,942	1,208,434	984,935	897,572	957,733	1,007,006
78,057	49,261	-	-	-	-
N/A	N/A	N/A	N/A	N/A	66,035
160,108	50,919	34,900	44,001	41,793	37,408
69	578	268	6,315	5,512	4,649
<u>\$ 11,759,795</u>	<u>\$ 11,715,856</u>	<u>\$ 11,472,043</u>	<u>\$ 12,297,056</u>	<u>\$ 12,039,606</u>	<u>\$ 12,725,601</u>
7.09%	6.57%	6.17%	6.38%	5.76%	5.77%
\$ 2.96	\$ 2.91	\$ 2.80	\$ 2.97	\$ 2.86	\$ 3.00

Schedule 9
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(In Thousands)

Year	General Obligation Bonds	Percentage of Personal Income¹	Per Capita
2010	\$ 4,599,260	3.32%	\$ 1.20
2011	5,079,665	3.47%	1.31
2012	5,267,360	3.41%	1.35
2013	5,401,103	3.44%	1.38
2014	5,613,726	3.33%	1.42
2015	5,923,855	3.26%	1.47
2016	6,079,700	3.20%	1.49
2017	6,655,822	3.32%	1.61
2018	6,551,946	3.08%	1.56
2019	6,968,956	3.16%	1.64

¹ Ratios are calculated using personal income and population data found in Statistical Schedule 13.

Note: Details regarding the State's debt can be found in Notes 8 and 9 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 2019

	Constitutional/Statutory Provision	Constitutional Debt Limit¹	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 & XI-G	1.50%	-
Pollution Control ³	Article XI-H/ORS 468.195	1.00%	260,000,000
Elderly and Disabled Housing	Article XI-I	0.50%	-
Alternate Energy Projects	Article XI-J	0.50%	-
Oregon School Bond Guarantee	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU) ⁴	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%	-
School District Capital Cost	Article XI-P	0.50%	-
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

¹ Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2018, RMV of \$676,875,118,712.

² Amount outstanding includes Direct Borrowings and Direct Placements.

³ Issuance of Pollution Control bonds is limited by statute to \$260 million at any one time.

⁴ 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: Oregon State Treasury, 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% 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.

Legal Debt Limit	Amount Outstanding ²	Legal Debt Margin
\$ 50,000	\$ -	\$ 50,000
6,768,751,187	28,755,000	6,739,996,187
54,150,009,497	370,720,000	53,779,289,497
10,153,126,781	-	10,153,126,781
1,269,140,848	-	1,269,140,848
10,153,126,781	2,026,883,504	8,126,243,276
260,000,000	28,085,000	231,915,000
3,384,375,594	29,275,000	3,355,100,594
3,384,375,594	139,535,000	3,244,840,594
3,384,375,594	-	3,384,375,594
261,495,000	62,815,000	198,680,000
1,353,750,237	242,472,500	1,111,277,737
1,353,750,237	58,342,500	1,295,407,737
6,768,751,187	1,487,285,000	5,281,466,187
3,384,375,594	183,685,000	3,200,690,594
6,768,751,187	1,755,915,000	5,012,836,187
<u>\$ 112,798,205,316</u>	<u>\$ 6,413,768,504</u>	<u>\$ 106,384,436,812</u>
\$ 3,240,000,000	\$ 2,561,339,616	\$ 678,660,384
2,500,000,000	1,016,014,145	1,483,985,855
<u>\$ 5,740,000,000</u>	<u>\$ 3,577,353,761</u>	<u>\$ 2,162,646,239</u>

Schedule 11
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Dollars in Thousands)

	2010	2011	2012	2013
General Obligation Bonds				
Debt limit	\$ 83,182,525	\$ 81,105,231	\$ 76,868,469	\$ 74,668,862
Total debt applicable to limit	4,599,259	5,079,665	5,267,360	5,401,103
Legal debt margin	<u>\$ 78,583,266</u>	<u>\$ 76,025,566</u>	<u>\$ 71,601,109</u>	<u>\$ 69,267,759</u>
Total debt applicable to the limit as a percentage of debt limit	5.53%	6.26%	6.85%	7.23%
Revenue Bonds				
Debt limit	\$ 5,950,000	\$ 5,950,000	\$ 5,950,000	\$ 5,750,000
Total debt applicable to limit	4,229,615	4,196,478	4,048,627	3,958,765
Legal debt margin	<u>\$ 1,720,385</u>	<u>\$ 1,753,522</u>	<u>\$ 1,901,373</u>	<u>\$ 1,791,235</u>
Total debt applicable to the limit as a percentage of debt limit	71.09%	70.53%	68.04%	68.85%

Source: Oregon State Treasury, 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.

2014	2015	2016	2017	2018	2019
\$ 76,758,613	\$ 76,048,937	\$ 81,952,523	\$ 98,858,028	\$ 103,514,944	\$ 112,798,205
5,613,726	5,923,856	6,079,700	6,135,461	6,055,473	6,413,769
<u>\$ 71,144,887</u>	<u>\$ 70,125,081</u>	<u>\$ 75,872,823</u>	<u>\$ 92,722,567</u>	<u>\$ 97,459,471</u>	<u>\$ 106,384,437</u>
7.31%	7.79%	7.42%	6.21%	5.85%	5.69%
\$ 5,750,000	\$ 5,740,000	\$ 5,740,000	\$ 5,740,000	\$ 5,740,000	\$ 5,740,000
4,242,316	4,168,546	4,063,270	3,989,587	3,950,940	3,577,354
<u>\$ 1,507,684</u>	<u>\$ 1,571,454</u>	<u>\$ 1,676,730</u>	<u>\$ 1,750,413</u>	<u>\$ 1,789,060</u>	<u>\$ 2,162,646</u>
73.78%	72.62%	70.79%	69.51%	68.83%	62.32%

Schedule 12
PLEDGED REVENUES
Last Ten Fiscal Years
(In Thousands)

Lottery Revenue Bonds

Year	Revenues	Expenses	Interest Earnings on GICs ¹	Net Revenues Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	Coverage
2010	\$ 1,033,687	\$ 489,381	\$ 3,156	\$ 547,462	\$ 73,051	\$ 51,802	\$ 124,853	4.38
2011	1,039,472	485,749	3,156	556,879	75,850	51,601	127,451	4.37
2012	1,067,912	538,349	3,123	532,685	77,635	57,150	134,785	3.95
2013	1,064,782	515,429	3,018	552,371	74,525	54,088	128,613	4.29
2014	1,058,703	546,276	2,739	515,166	72,310	54,310	126,620	4.07
2015	1,122,156	570,297	957	552,816	58,855	41,511	100,366	5.51
2016	1,245,710	657,218	299	588,791	60,300	53,163	113,463	5.19
2017	1,245,383	544,156	133	701,360	67,170	50,260	117,430	5.97
2018	1,307,690	595,537	132	712,285	73,875	54,081	127,956	5.57
2019	1,367,397	645,536	132	721,993	73,005	51,671	124,676	5.79

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, refer to Note 11.

Highway User Tax Revenue Bonds

Year	Pledged Revenue	Debt Service Requirements			
		Principal	Interest	Total	Coverage
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
2015	588,295	70,020	99,528	169,548	3.47
2016	610,576	73,130	101,170	174,300	3.50
2017	620,869	75,465	99,649	175,114	3.55
2018	623,384	66,400	108,025	174,425	3.57
2019	639,992	77,785	110,603	188,388	3.40

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 fees.

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 Income¹	Per Capita Personal Income	Unemployment Rate
2010	3,837,532	\$ 138,618,043	\$ 36,122	10.6%
2011	3,871,728	146,432,157	37,821	9.5%
2012	3,899,118	154,408,518	39,601	8.8%
2013	3,922,908	156,977,053	40,015	7.9%
2014	3,964,106	168,408,760	42,483	6.8%
2015	4,016,918	181,491,700	45,182	5.6%
2016	4,091,404	190,240,952	46,498	4.8%
2017	4,146,592	200,579,203	48,372	4.1%
2018	4,190,713	213,070,136	50,843	4.2%
2019	4,247,700	220,600,000	51,934	4.2%

¹ Personal income presented in thousands.

Source: Population and personal income figures for 2010 through 2018 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 2019 were provided by the Oregon Office of Economic Analysis.

Schedule 14
EMPLOYMENT BY INDUSTRY
 Calendar Year 2018 and Nine Years Prior

	2009		2018	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	67,967	3.11%	68,035	2.64%
Forestry, fishing, and related activities	28,986	1.32%	33,856	1.31%
Mining	4,150	0.19%	5,960	0.23%
Utilities	5,002	0.23%	5,113	0.20%
Construction	111,776	5.11%	141,900	5.50%
Manufacturing	181,386	8.29%	213,599	8.27%
Wholesale trade	82,925	3.79%	82,827	3.21%
Retail trade	230,603	10.53%	261,088	10.11%
Transportation and warehousing	62,492	2.86%	101,927	3.95%
Information	40,696	1.86%	43,637	1.69%
Finance and insurance	94,108	4.30%	96,972	3.76%
Real estate, rental, and leasing	100,681	4.60%	121,277	4.70%
Professional and technical services	130,219	5.95%	169,951	6.58%
Management of companies	31,958	1.46%	50,566	1.96%
Administrative and waste services	109,367	5.00%	134,442	5.21%
Educational services	51,522	2.35%	59,451	2.30%
Health care and social assistance	247,629	11.31%	298,520	11.56%
Arts, entertainment, and recreation	52,167	2.38%	66,732	2.58%
Accommodation and food services	153,214	7.00%	202,374	7.84%
Other services	115,484	5.28%	130,261	5.04%
Federal government, civilian	29,976	1.37%	28,155	1.09%
Military	12,465	0.57%	11,327	0.44%
State government	59,066	2.70%	47,843	1.85%
Local government	185,309	8.47%	206,557	8.00%
Total employment	2,189,148	100.00%	2,582,370	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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Education	13,394	13,394	13,485	13,485	624	642	688	688	704	709
Human Services	11,145	11,145	11,478	11,379	11,694	11,671	12,373	12,360	12,970	12,998
Public Safety	9,069	9,069	8,562	8,532	8,615	8,618	8,667	8,677	8,891	8,891
Economic and Community Services	1,991	1,991	2,358	1,910	1,651	1,670	1,610	1,615	1,664	1,646
Natural Resources	4,332	4,332	4,304	4,288	4,338	4,348	4,324	4,313	4,267	4,282
Transportation	4,554	4,554	4,532	4,533	4,480	4,475	4,411	4,408	4,511	4,517
Consumer and Business Services	1,592	1,592	1,454	1,446	1,421	1,410	1,427	1,423	1,442	1,450
Administration	2,882	2,882	2,809	2,785	2,827	2,827	2,961	2,977	3,052	3,060
Legislative Branch	381	381	427	427	429	429	432	432	452	448
Judicial Branch	1,766	1,766	1,818	1,829	1,840	1,839	1,860	1,859	1,850	1,853
Total FTE Positions	51,106	51,106	51,227	50,614	37,919	37,929	38,753	38,752	39,803	39,855

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, the Oregon University System 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

	2010	2011	2012
Governmental Activities			
Education			
Number of PreK-12 students	561,698	561,331	560,951
Number of FTE community college students	121,815	124,988	117,653
Special education school campuses	1	1	1
Human Services			
Number of individuals eligible for Oregon Health Plan	495,872	590,406	619,994
Average number of basic TANF individuals	54,994	61,768	70,881
Public Safety			
Number of sworn state police officers	660	773	610
Prison inmate population	14,021	14,026	14,186
Number of correctional facilities	14	14	14
Economic and Community Development			
Community development grants provided (in dollars)	\$ 15,065,341	\$ 8,093,200	\$ 12,496,300
Number of technical assistance grants provided	4	4	5
Natural Resources			
Forest acres burned	6,065	2,272	17,396
State park day use visitors (in millions)	41.2	40.0	40.4
Acreage of state parks	103,474	105,684	108,613
Miles of forest roads	3,305	3,377	3,400
Transportation			
Licensed drivers (in millions)	3.0	3.0	3.0
Vehicle miles traveled on state highway system (in billions)	19.7	19.4	19.4
State highway system miles	7,415	7,403	7,401
Number of state owned bridges	2,693	2,703	2,709
Consumer and Business Services			
Number of employers covered by workers' compensation	93,900	99,900	101,400
Historic premiums written for all insurance lines (in billions)	\$ 17.2	\$ 17.5	\$ 18.0
Average bank and credit union assets (in billions)	\$ 40.5	\$ 39.1	\$ 44.0
Construction employment (in thousands)	67.7	68.6	69.9
Administration			
Number of tax returns filed	1,791,680	1,824,788	1,846,257
Percent of returns filed electronically	75.0%	79.0%	81.0%
Uniform rent square footage (in millions)	2.0	2.0	2.0
Leased office space square footage (in millions)	4.7	5.1	4.5
Number of motor pool vehicles	4,247	4,183	3,993
Legislative			
Number of bills introduced	195	3,021	275
Number of bills becoming law	105	732	112
Length of legislative session (in days)	25	150	34
Capitol building	1	1	1
Judicial			
Cases filed in circuit courts	565,397	552,601	549,803
Number of circuit court judges	173	173	173

Sources: Various state agencies

Note: Figures for 2018 and 2019 that are not available until a later date are indicated with N/A.

State of Oregon

2013	2014	2015	2016	2017	2018	2019
563,714	567,100	570,857	576,407	578,947	580,684	581,730
117,233	104,339	97,362	90,478	88,167	85,642	80,582
1	1	1	1	1	1	1
672,210	971,104	1,050,178	1,109,321	1,067,322	1,077,267	991,189
74,313	70,046	60,188	50,490	48,502	44,646	43,257
606	606	719	732	700	680	714
14,578	14,632	14,706	14,721	14,742	14,916	14,632
14	14	14	14	14	14	14
\$ 17,299,550	\$ 18,590,649	\$ 20,287,281	\$ 12,055,779	\$ 11,978,330	\$ 13,162,331	\$ 12,357,434
6	5	1	4	2	2	3
103,836	53,018	87,793	5,649	45,463	75,608	17,164
42.1	43.2	47.6	51.5	49.0	51.4	52.1
108,654	108,499	109,587	107,960	108,499	113,143	113,276
3,432	3,456	3,488	3,528	3,569	3,598	3,642
3.1	3.1	3.1	3.1	3.1	3.2	N/A
19.5	19.8	20.7	21.4	21.4	21.8	N/A
7,401	7,399	7,401	7,402	7,401	7,350	N/A
2,717	2,725	2,726	2,738	2,737	2,744	2,760
100,300	107,900	112,100	116,900	120,200	123,700	N/A
\$ 19.7	\$ 19.5	\$ 20.6	\$ 22.9	\$ 22.5	\$ 24.1	N/A
\$ 45.0	\$ 56.6	\$ 61.0	\$ 66.0	\$ 99.8	\$ 102.8	N/A
74.2	80.1	83.3	90.4	97.8	105.3	N/A
1,886,438	1,942,678	1,993,570	2,040,738	2,085,153	N/A	N/A
83.0%	84.0%	86.0%	86.0%	87.0%	N/A	N/A
2.0	2.0	2.0	2.0	1.9	1.9	1.9
4.0	4.6	4.6	5.0	5.4	4.9	5.0
3,994	3,993	4,022	4,130	4,117	4,192	4,142
2,511	252	2,641	253	2,647	232	2,768
788	126	847	124	747	122	760
156	36	155	32	157	28	168
1	1	1	1	1	1	1
544,687	536,922	522,377	491,681	489,135	522,013	493,361
173	173	173	173	173	173	175

(continued on next page)

Schedule 16
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years
(continued from previous page)

	2010	2011	2012
Business-Type Activities			
Housing and Community Services			
Number of low or moderate income single family home loans closed	171	383	520
Number of affordable rental units financed	-	144	239
Veterans' Loan			
Number of outstanding loans	3,404	2,850	2,408
Percent of delinquent loans	0.73%	1.54%	1.45%
Lottery Operations			
Number of retailers	3,916	3,901	3,907
Number of video terminals	12,393	12,202	12,175
Unemployment Compensation			
Number of claims paid	8,762,507	6,764,818	5,035,594
Amount of claims paid (in millions)	\$ 2,704.1	\$ 1,953.0	\$ 1,489.8
University System			
Total headcount enrollment	87,968	91,345	92,925
Degrees awarded	17,920	18,694	20,209
Number of university campuses	7	7	7
State Hospital System			
Number of mental health patient days served	247,104	232,892	226,104
Number of state owned hospital beds	709	719	771
Liquor Control			
Number of state retail outlets	243	247	249
Number of cases sold	2,573,935	2,676,106	2,791,591
Other Business-type Activities			
Number of residents in Oregon Veterans' Homes	144	140	140
Number of state owned parking spaces	4,545	4,544	4,484

* Starting with FY 2016, the university system is no longer part of the primary government and will no longer be reported.

State of Oregon

2013	2014	2015	2016	2017	2018	2019
360	394	334	410	490	714	1,029
-	94	564	479	440	1,217	1,943
2,050	1,934	1,881	1,864	1,870	1,877	1,927
1.61%	1.45%	0.80%	0.80%	0.91%	0.91%	0.42%
3,848	3,843	3,939	3,920	3,934	3,923	3,975
12,037	11,951	11,925	11,909	11,817	11,742	11,586
3,552,320	1,762,202	1,604,461	1,407,146	1,054,564	1,302,855.0	N/A
\$ 1,067.4	\$ 561.7	\$ 544.9	\$ 504.2	\$ 390.0	\$ 504.5	N/A
93,657	94,129	94,011	*	*	*	*
20,830	21,359	21,429	*	*	*	*
7	7	7	*	*	*	*
231,355	222,776	218,127	220,202	218,966	212,309	221,496
685	727	786	786	766	742	742
248	248	248	248	256	267	282
2,911,100	2,955,352	3,021,190	3,127,664	3,244,159	3,365,467	3,525,882
144	140	155	235	284	268	279
4,742	4,605	4,616	4,595	4,661	4,710	4,752

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