Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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Theodore R. Kulongoski
Governor

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2009

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Oregon
Theodore R. Kulongoski, Governor

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December 30, 2009

To the Honorable Governor Theodore R. Kulongoski 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, 2009. 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, 2009. 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 that there was a reasonable basis for rendering an unqualified opinion that the financial statements for fiscal year 2009 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, 2010.

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 complements this letter of transmittal and should be read in conjunction with it.

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, and judicial programs. Oregon's primary government as reported in the accompanying financial statements consists of approximately 90 state agencies. Although legally separate, the Home Care Commission functions, in essence, as a program of the State; therefore, it has been included as an integral part of the State's financial statements. In addition to the primary government, three entities are reported as discretely presented component units to emphasize that they are legally separate from the State. A more detailed discussion of the reporting entity can be found in Note 1 to the basic financial statements.

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 which 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 authority is required to authorize the transfer of expenditure authority between appropriations. Management can reallocate within an appropriation without legislative approval. The following budgeted appropriated funds account for the State's budgetary functions: General, Federal, Lottery, and Other. Additional information about the budget process and budgetary monitoring are presented in the notes to the required supplementary information.

Local Economy

Oregon is the least populous of the three west coast states that also include California and Washington. Oregon had almost 2 million of the three states' 23.9 million workers in September 2009. Oregon's largest metro area is the Portland-Vancouver-Beaverton metropolitan statistical area. The Portland area has the sixth largest number of workers of the seven metro areas with one million or more workers in the three states. The Oregon portion of the Portland metro area includes almost half of Oregon's jobs.

Employment grew more rapidly in Oregon than in most neighboring states in the mid-1990s due largely to a combination of high net in-migration and a boom in high technology (primarily computer chips), transportation equipment (such as recreational vehicles and heavy trucks), and construction. The Asian financial crisis in 1997 led to weaker manufacturing employment and slower overall job growth in Oregon. Between late 2000 and the middle of 2003, employment fell by as much as 4 percent, much worse than in neighboring states. From late 2003 to mid-2006, Oregon gained jobs at roughly 3 percent per year before growth began to slow markedly. The State's nonfarm payroll jobs peaked in December 2007 and then lost 7 percent by October 2009. Ten of the State's 11 major industries showed over-the-year job losses in October 2009, six of them with losses exceeding 5 percent. As of September 2009, Oregon's 6.1 percent over-the-year loss of nonfarm payroll jobs was the fourth most severe of all states.

During the rapid job growth of the mid-1990s, Oregon's unemployment rate ranked in the middle of all states and lower than its neighboring states. However, the rate rose with the Asian financial crisis. During the economic boom of the late 1990s and in 2000, Oregon's unemployment rate remained above the rates in neighboring states. The nation and Oregon went into a recession after the burst of the information technology bubble. With the onset of the recession, Oregon's unemployment rate soared from just over 5 percent in late 2000 to a peak of 8.5 percent in the middle of 2003. The state's population continued to grow despite the high unemployment rate. Oregon had the nation's highest or second-highest state unemployment rate for 39 of the 40 months from May 2001 to August 2004. Rapid job growth from late 2003 to mid-2006 pulled the unemployment rate down to a low of 5 percent in early 2007. In the summer of 2008, the rate began rising rapidly in response to job losses in many industries. It hit a recent peak of 12.2 percent in May 2009, the second highest in the nation. As of November, it was 11.1 percent.

Oregon's major foreign-export-related industries include computers and electronic products, agricultural crops, machinery, and transportation equipment. Oregon also ships large values of goods to domestic markets; these shipments include wood, food, nursery products, transportation equipment, machinery, instruments, and plastic and paper products. Oregon also serves both foreign and domestic tourists.

Oregon's annual employment growth is expected to be negative 5.1 percent in 2009 and negative 0.9 percent in 2010. It should rise to 2.2 percent in 2011 and to 2.7 percent in 2012 before slowing to 1.7 percent by 2015. The State should outpace the nation's growth rate from 2011 to 2015. Major-sector job growth over this period is expected to be fastest in professional and business services, construction, and manufacturing. Wholesale trade, transportation, and warehousing will post robust job gains, as will most durable goods manufacturing industries and nondurables (other than food manufacturing), as the State's hard-hit sectors recover some of their lost jobs. The State's population is likely to increase faster than the nation's. Overall, employment should grow faster than population in Oregon between 2011 and 2015.

Legislative Response to Worsening Economic Conditions

The fiscal effects of the current recession presented major challenges for Oregon's 2009 Legislature. Those challenges included declining revenues for both the 2007-09 and 2009-11 biennia and record double-digit unemployment levels.

In the first weeks of the 2009 legislative session, the Joint Committee on Ways and Means developed an Oregon economic stimulus package of approximately $186 million in expedited capital construction projects. *Go Oregon!* involved twelve state agencies and 547 deferred maintenance and new construction projects. Through the end of October 2009, the stimulus package had created or retained a total of 6,825 jobs.

During February 2009, the Legislature developed a statewide plan to rebalance the budget for the remainder of the 2007-09 biennium. The plan utilized a mixture of budget reductions and fund shifts, transfers to the General Fund, federal stimulus dollars, and the Emergency Fund balance. When the May forecast increased the projected 2007-09 General Fund deficit by another $351 million, the Legislature decided to use the Education Stability Fund (one of the State's two reserve funds) to cover the projected shortfall.

To balance the 2009-11 budget, the Legislature relied on a combination of actions that again included one-time resources as part of the overall plan. The largest amount came in the form of federal funding through the American Recovery and Reinvestment Act (ARRA) of 2009 (approximately $1 billion in direct General Fund offset). The 2009-11 budget also includes the one-time use of the State's second reserve fund, the Oregon Rainy Day Fund. The Rainy Day Fund transfer provided $225 million for the 2009-11 budget, leaving a balance of approximately $112.5 million in the reserve fund.

Other actions taken to fill the General Fund budget gap included passage of a bill that increases the State's corporate income tax rate, establishes a new corporate minimum tax based on Oregon sales, and increases the Secretary of State filing fees. A second bill increases the State's personal income tax rates on high income filers and phases out the subtraction for federal taxes.

Long-term Financial Planning

The 2009-11 legislatively adopted budget includes capital construction projects totaling $1.3 billion. This total includes $629 million of capital construction and deferred maintenance projects for the Oregon University System (OUS) and an additional $128.6 million in similar projects for local community colleges. The State will fund these projects through a variety of sources, including various categories of bonds, certificates of participation, gifts, grants and other revenues, such as community college matching funds. Unlike in prior biennia, no General Fund is appropriated to support the OUS projects.

The Legislature authorized the issuance of $110 million in bonds and $90 million in other revenues for the construction of a life sciences facility in downtown Portland. The facility will house education and research programs in life sciences, bioengineering, and basic and translational biomedical research. Participants in the undertaking include the Oregon Health and Science University, Portland State University, Oregon State University, University of Oregon, and the Oregon Institute of Technology. Debt service on the bonds will be paid from a combination of resources, including the General Fund and revenues from student tuition, rents paid by research and retail occupants, charges for service, parking, and general university operating funds.

Other major projects funded in the 2009-11 budget include $279.2 million to continue work on the project to replace the current Oregon State Hospital with two new facilities in Salem and Junction City and $44.7 million to complete pre-engineering studies and design, wetland mitigation, and construction of off-site infrastructure for correctional facilities at Junction City. Certificates of participation will fund both of these projects.

The Legislature also authorized the sale of $100 million of lottery revenue bonds for Connect Oregon. This sale is in addition to the $100 million bond sale authorized in the 2005-07 biennium and the $100 million bond sale authorized in 2007-09. Launched to expand the State's investment in key non-highway facilities, Connect Oregon is a multi-modal transportation initiative that includes public transit and air, rail, and marine transportation infrastructure.

Although spending for education during fiscal year 2009 was 35.2 percent higher than the amount spent on education 10 years ago, as a percentage of total expenditures, the amount devoted to education was 4.5

percent lower in the current fiscal year than it was in fiscal year 2000. At the same time, governmental expenditures for administration in fiscal year 2009 were 11.5 percent lower than the amount spent on administration in fiscal year 2000 and, as a percentage of total expenditures, were 2 percent lower. The decrease in expenditures for education and administration as a percentage of total expenditures reflects a shift in the allocation of expenditures to other program areas such as human services, public safety, and debt service. General governmental expenditures related to debt service, for example, have increased as the State expands its use of low-cost capital financing. Debt service expenditures in fiscal year 2009 were over 9 times higher than the amount spent on debt service in fiscal year 2000 and, as a percentage of total expenditures, were 2.8 percent higher than ten years ago.

During this same ten-year period, tax revenues, while increasing in amount overall, decreased as a percentage of total revenues (a ten-year decrease of 9.9 percent). The reason for this decline is twofold. First, tax revenues were lower in fiscal year 2009 due to the recession and the State's jobless rate. Secondly, there has been a relative increase in general governmental expenditures for federally supported programs (e.g., human services) versus governmental activities funded by taxes. As a percentage of total revenues, federal revenues were 11.9 percent higher than they were ten years ago, evidence of the State's increased participation in federal assistance programs, including ARRA.

A large part of the 2009-11 State budget rebalance plan relied on federal stimulus dollars. While there is a possibility of a second federal stimulus package to assist states with their revenue issues, there is no guarantee that an additional $1 billion of federal stimulus funds will be available when the Legislature begins developing the 2011-13 balanced budget.

The December 2009 revenue forecast projects $13.4 billion of General Fund revenues for the 2009-11 biennium. This amount represents a decrease of $182.6 million from the 2009 close of session forecast. The two major components include forecasted decreases in income tax withholdings and lower expectations for interest earnings. The projected General Fund ending balance for the 2009-11 biennium is $79.2 million.

The State's economy is projected to begin recovering from the current recession during the latter half of the 2009-11 biennium. The December 2009 economic and revenue forecast projects a robust recovery in General Fund revenues for the next two biennia, up 15.3 percent to $15.4 billion in 2011-13 and 16.5 percent to $18 billion in 2013-15.

Relevant Financial Policies

The 2007 Legislature established the Oregon Rainy Day Fund (RDF) to begin setting aside resources to assist the State during difficult economic times. Initially, $319.3 million was transferred from the General Fund to the RDF in September of 2007. In addition, as soon as possible after the ending balance for a biennium is determined, an amount equal to one percent of the General Fund appropriations for that biennium is to be transferred to the RDF. If the ending balance does not equal or exceed the one percent, the entire ending balance is transferred to the RDF. The RDF also earns interest on the moneys in the fund.

The Legislature can appropriate up to two-thirds of the amount in the RDF to supplement General Fund resources when certain criteria related to revenue forecasts or economic conditions have been met and such action is approved by three-fifths of both chambers of the Legislature. During the 2009 legislative session, two bills were passed that affected the RDF. The first bill transferred $225 million to the General Fund for the 2009-11 biennium. The second bill directed that revenue collected from corporate income and excise taxes above 6.6 percent be deposited to the RDF beginning with the 2013-15 biennium. This action is projected to result in an ending balance for the 2013-15 biennium of $220.3 million.

Establishment of the Oregon Rainy Day Fund did not affect the Education Stability Fund (ESF). This reserve fund was anticipated to have an available ending balance of $394 million at the conclusion of the 2007-09 biennium. Use of this fund is restricted to education programs and is subject to conditions similar to the RDF. As part of the rebalance of the 2007-09 budget, the 2009 Legislature transferred the full amount of the ESF balance to the State School Fund while disappropriating an equal amount of General Fund. Although the ESF's beginning balance for 2009-11 was zero, deposits from 18 percent of lottery proceeds are expected to total $185 million during the current biennium.

Major Initiatives

Certificates of participation authorized by the 2009 Legislature will provide up to $187.8 million to fund phases 2 and 3 of the Oregon Wireless Interoperability Network (OWIN) project. This project is intended to provide a single emergency response wireless communication infrastructure that supports the communication needs of all state agencies and ensures communications interoperability among all state, local, tribal, and federal public safety agencies. It will also meet the Federal Communications Commission mandates for the conversion of public safety communications frequencies and spectrum allocation by 2013. The fourth and final stage of this project is scheduled for completion during the 2011-13 biennium.

The 2009-11 budget also includes incentives to increase the production and use of renewable energy and alternative fuels. The investment in this area is expected to produce long-term environmental and economic benefits and establish Oregon as a national leader. The initiative includes issuance of $80 million in bonds to build a new research facility, the Oregon Center for Sustainability, in partnership with the Portland Development Commission to develop and promote sustainable technologies in energy, transportation, building construction, and water resources and management.

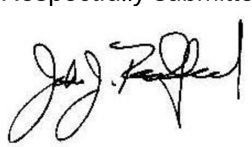
Awards and Acknowledgements

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, 2008. This was the seventeenth consecutive year that the State has achieved this prestigious award. In order to be awarded a 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 State Controller's Division 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 Management Division, the Office of the State Treasurer, and the staff of the Secretary of State Audits Division.

Respectfully submitted,



John J. Radford, Administrator
State Controller's Division
State of Oregon

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, 2008

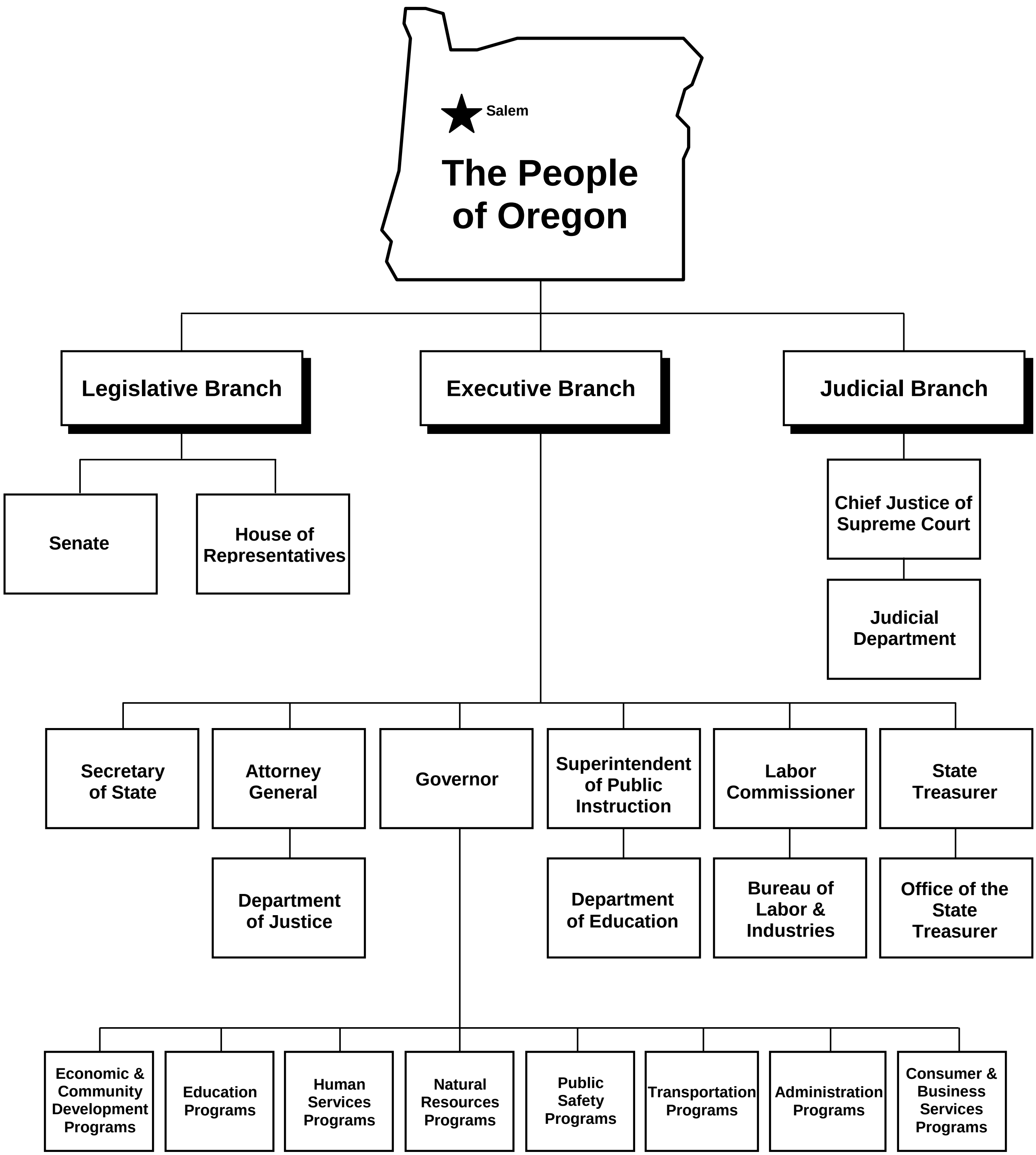
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

STATE OF OREGON
ORGANIZATION CHART



Principal State Officials

EXECUTIVE

Theodore R. Kulongoski, Governor

Kate Brown, Secretary of State

Ben Westlund, State Treasurer

John R. Kroger, Attorney General

Brad Avakian, Commissioner, Labor and Industries

Susan Castillo, Superintendent of Public Instruction

LEGISLATIVE

Peter Courtney, Senate President

Dave Hunt, Speaker of the House of Representatives

JUDICIAL

Paul J. DeMuniz, Chief Justice of the Supreme Court

"To Serve Our Public Well"
Mission of Oregon State Service

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The Honorable Theodore R. Kulongoski
Governor of Oregon

INDEPENDENT AUDITOR'S REPORT

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, 2009, which collectively comprise the State of Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. We also did not audit the financial statements of the University System or the Veterans' Loan Fund, which represent 47 percent and 30 percent, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, the University System, and the Veterans' Loan Fund, is based 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 of material misstatement. The financial statements of the Oregon University System Foundations, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. As part of our audit, we performed audit procedures related to the Common School Fund, a major governmental fund. The State Land Board was created to manage lands dedicated to the Common School Fund with the objective of obtaining the greatest benefit for the people of Oregon. The Oregon Constitution designates the Secretary of State as both a member of the State Land Board and Auditor of Public Accounts. To minimize this impairment, auditors who did not have any known personal impairments in relation to the Common School Fund performed the audit. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

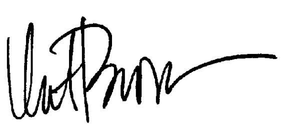
As explained in Note 1D to the financial statements, the Pension and Other Employee Benefit Trust financial statements, within the Statement of Fiduciary Net Assets, include investments valued at $12.4 billion (26.9 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. These investments consist of 100 percent of private equity, 36 percent of opportunity, and 82 percent of real estate reported investment balances. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not qualified with respect to this matter.

In accordance with *Government Auditing Standards*, we also issue a separate report 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, as listed in table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

OREGON AUDITS DIVISION



Kate Brown
Oregon Secretary of State

December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State's Comprehensive Annual Financial Report presents our discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2009. This discussion and analysis is intended to serve as an introduction to the State's basic 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 issues.

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, 2009, the assets of the State exceeded its liabilities by $14.1 billion (net assets). Of this amount, $0.6 billion were classified as unrestricted net assets, while $3.5 billion were restricted for specific uses.
- The State's total net assets decreased by $1 billion as a result of current year operations. The net assets for governmental activities decreased by 3.2 percent of total governmental activities net assets, while the net assets for business-type activities decreased by 14.4 percent of total business-type net assets.
- As of June 30, 2009, the State's governmental funds reported combined ending fund balances of $4.4 billion. Of this amount, approximately 25.1 percent was reserved for nonspendable items, such as inventories and permanent fund principal, or for specific purposes, such as debt service. The remainder was classified as unreserved, undesignated fund balance and was available for spending, subject to statutory and constitutional spending constraints.
- At fiscal year end, unreserved, undesignated fund balance for the General Fund was a negative $333.8 million.
- Outstanding debt (bonds and certificates of participation) increased by $948.1 million during fiscal year 2009. In March 2009, the State issued highway user tax revenue bonds in the amount of $347.3 million to finance projects under the Oregon Transportation Investment Act (OTIA) program. The State also issued lottery revenue bonds in the amount of $381.2 million to fund multimodal transportation projects, the Portland Light Rail Project, and the Oregon Street Car Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information*, and an optional presentation of *combining financial statements* for nonmajor funds, internal service funds, and fiduciary funds. The basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements. A *statistical section* is presented following the combining fund 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 assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*.
- The *statement of activities* presents information showing how the State's net assets changed during the fiscal year. All of the changes in net assets 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).

These two government-wide financial statements report the State's *net assets* and the change in net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the State's financial health, or financial position. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether its 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 government-wide financial statements of the State are divided into the following three categories:

1. *Governmental activities*. This includes the basic services provided by the State to its citizens, such as K-12 schools and community colleges, public assistance programs, public safety and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other departments or state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
2. *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 is also reported under business-type activities as well as the Oregon University System, which consists of seven higher education facilities.
3. *Component units*. The State includes three other entities in its report: Oregon Health and Science University, SAIF Corporation, and the Oregon University System Foundations. Although legally separate, these entities are reported as "component units" either because the State is financially accountable for them or because of the nature and significance of their relationship to the State. Financial information for these component units is reported separately from the financial information of the State itself (known as the primary government). In addition, the Home Care Commission is reported as part of the primary government since it functions, in essence, as a program of the State, even though it is legally separate from the State.

The government-wide financial statements can be found on pages 26–29 of this report.

Fund Financial Statements

The fund financial statements provide more detailed 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 bond covenants. The State establishes other funds to control and manage money for particular purposes (like health and social services) or to show that it is properly using certain taxes and grants (like 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 assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. 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 additional long-term focus of the government-wide statements, we provide information following the governmental fund statements that reconciles the government-wide focus to the governmental fund focus.

The State maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund financial statements for the seven major governmental funds, including the general fund. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 30–37 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 its business-type activities, but provide more detail and additional information, such as cash flows. We use internal service funds (the other type of proprietary fund) to report activities that provide services to the State's other programs and activities (such as the State's Central Services Fund).

The proprietary fund financial statements provide separate information for the State's five major proprietary funds. Data from the other nine 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 form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 38–47 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, because of 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 assets and a statement of changes in fiduciary net assets. 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 investment trust fund, the agency fund, and aggregated data for the State's pension and other employee benefit trust funds. Individual fund data for each of the pension and other employee benefit trust funds is provided in the form of combining statements elsewhere in this report. The basic fiduciary fund financial statements can be found on pages 48–49 of this report.

Discretely Presented Component Units

Combining statements that report activities of the State's discretely presented component units, SAIF Corporation, the Oregon Health and Science University, and the Oregon University System Foundations can be found on pages 51–53 of this report. Although activity for component units is reported in the government-wide statements in an aggregate column, the combining statements provide greater detail for each component unit.

Notes to the Financial Statements

The basic financial statements also include notes, which provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55–122 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a section of required supplementary information (RSI), beginning on page 125, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes to the RSI. This section also includes a Schedule of Funding Progress and accompanying notes for the Retiree Health Insurance Premium Account, a defined benefit single-employer other postemployment benefit plan and the Public Employees Benefit Board Plan, an agent multiple-employer other postemployment benefit plan.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 138 of this report. These combining statements provide details about our nonmajor governmental funds, nonmajor enterprise funds, and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The combining financial statements also provide details about the fiduciary funds when data has been aggregated in a single column in the basic financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. The State's *combined* net assets at June 30, 2009, were approximately $14.1 billion as shown in Table 1. Most of this balance was invested in capital assets, with infrastructure being the largest component; the amount invested in capital assets, net of related debt, was $10 billion. Restricted net assets represent resources that are subject to external restrictions on how they may be used. At June 30, 2009, restricted net assets totaled $3.5 billion. The remaining $0.6 billion were classified as unrestricted net assets.

Table 1
State of Oregon's Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 10,252.1	$ 10,596.4	$ 7,636.1	$ 8,438.8	$ 17,888.2	$ 19,035.2
Capital assets	10,903.2	10,057.7	1,940.3	1,734.4	12,843.5	11,792.1
Total assets	**21,155.3**	**20,654.1**	**9,576.4**	**10,173.2**	**30,731.7**	**30,827.3**
Long-term liabilities	7,398.6	6,574.4	4,121.7	4,029.8	11,520.3	10,604.2
Other liabilities	3,634.7	3,620.3	1,481.4	1,501.1	5,116.1	5,121.4
Total liabilities	**11,033.3**	**10,194.7**	**5,603.1**	**5,530.9**	**16,636.4**	**15,725.6**
Net assets:						
Invested in capital assets, net of related debt	9,094.5	8,554.1	897.2	808.0	9,991.7	9,362.1
Restricted	1,126.9	950.5	2,399.1	3,177.4	3,526.0	4,127.9
Unrestricted	(99.4)	954.8	677.0	656.9	577.6	1,611.7
Total net assets	**$ 10,122.0**	**$ 10,459.4**	**$ 3,973.3**	**$ 4,642.3**	**$ 14,095.3**	**$ 15,101.7**

Changes in net assets. The change in the State's total net assets as the result of current year operations was a decrease of $1 billion as shown in Table 2. Net assets of governmental activities decreased by 3.2 percent of total governmental activities net assets, while net assets of business-type activities decreased by 14.4 percent of total business-type activities net assets.

Total ending net assets of governmental activities for fiscal year 2009 were $10.1 billion, down from the $10.5 billion reported in the prior year. Personal and corporate income tax revenues were significantly lower in fiscal year 2009, an outgrowth of Oregon's high unemployment and the overall downturn in the local economy. Unrestricted investment earnings also saw a sharp decline. The recession increased the need for spending in the area of human services, while State spending to boost economic and community development also increased. To offset the decrease in general revenues, most agencies implemented spending reductions in the last quarter of fiscal year 2009. These reductions are most apparent in consumer and business services and administration. The only revenue sources experiencing significant increases were operating grants and contributions (up $854.8 million) and capital grants and contributions (up $54.5 million). The 16.6 percent increase in operating grants is attributable in part to the federal stimulus program, while state matching requirements for capital construction projects explains the increase in capital grants.

For business-type activities, ending net assets were $4 billion, down from $4.6 billion reported for fiscal year 2008. A major contributor to this decrease was the rise in unemployment. Although operating grants and contributions increased 60.3 percent, year over year, unemployment benefit payments jumped 172.8 percent.

On the positive side, the Veterans' Loan Fund saw a 42.4 percent reduction in expenses. Bond interest expense in fiscal year 2009 was $11.2 million less than the previous year due primarily to the retirement of $44.2 million of general obligation bonds.

Table 2
State of Oregon's Changes in Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
Revenues:	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	$ 1,378.5	$ 1,462.1	$ 3,421.2	$ 3,441.9	$ 4,799.7	$ 4,904.0
Operating grants & contributions	6,017.3	5,162.5	1,064.4	664.2	7,081.7	5,826.7
Capital grants & contributions	86.6	32.1	87.5	71.7	174.1	103.8
General revenues:						
Personal income taxes	5,182.7	6,102.9	-	-	5,182.7	6,102.9
Corporate income taxes	253.7	448.0	-	-	253.7	448.0
Other taxes	1,649.4	1,751.1	16.3	16.1	1,665.7	1,767.2
Unrestricted investment earnings	17.7	81.8	-	-	17.7	81.8
Total revenues	**14,585.9**	**15,040.5**	**4,589.4**	**4,193.9**	**19,175.3**	**19,234.4**
Expenses:						
Education	4,225.0	4,175.0	-	-	4,225.0	4,175.0
Human services	6,057.0	5,316.5	-	-	6,057.0	5,316.5
Public safety	1,185.5	1,184.0	-	-	1,185.5	1,184.0
Economic & community development	397.0	355.1	-	-	397.0	355.1
Natural resources	658.6	613.3	-	-	658.6	613.3
Transportation	2,249.6	2,251.4	-	-	2,249.6	2,251.4
Consumer and business services	408.8	461.0	-	-	408.8	461.0
Administration	470.6	570.9	-	-	470.6	570.9
Legislative	44.7	39.1	-	-	44.7	39.1
Judicial	307.9	311.8	-	-	307.9	311.8
Interest on long-term debt	297.3	315.5	-	-	297.3	315.5
Housing and community services	-	-	91.0	100.7	91.0	100.7
Veterans' loan	-	-	26.9	46.7	26.9	46.7
Lottery operations	-	-	537.3	573.2	537.3	573.2
Unemployment compensation	-	-	1,875.3	687.4	1,875.3	687.4
University system	-	-	1,948.8	1,808.4	1,948.8	1,808.4
State hospitals	-	-	215.6	203.8	215.6	203.8
Liquor control	-	-	314.6	307.4	314.6	307.4
Other business-type activities	-	-	87.9	75.1	87.9	75.1
Total expenses	**16,302.0**	**15,593.6**	**5,097.4**	**3,802.7**	**21,399.4**	**19,396.3**
Increase (decrease) before contributions, special and extraordinary items, and transfers	(1,716.1)	(553.1)	(508.0)	391.2	(2,224.1)	(161.9)
Contributions to permanent funds	0.2	-	-	-	0.2	0.0
Transfers	157.7	154.5	(157.7)	(154.5)	-	-
Increase (decrease) in net assets	**(1,558.2)**	**(398.6)**	**(665.7)**	**236.7**	**(2,223.9)**	**(161.9)**
Net assets – beginning	10,459.4	10,873.1	4,642.3	4,396.0	15,101.7	15,269.1
Prior period adjustments	1,221.0	(15.1)	(3.3)	9.6	1,217.7	(5.5)
Cumulative effect of accounting change	(0.2)	-	-	-	(0.2)	0.0
Net assets – beginning – as restated	11,680.2	10,858.0	4,639.0	4,405.6	16,319.2	15,263.6
Net assets – ending	**$10,122.0**	**$ 10,459.4**	**$ 3,973.3**	**$ 4,642.3**	**$ 14,095.3**	**$15,101.7**

Figure 1 below illustrates fiscal year 2009 revenues of the State as a whole, by source. Approximately 36.9 percent of total revenue comes from other entities and governments in the form of operating grants and contributions (e.g., federal revenues). An additional 28.4 percent comes from personal and corporate income taxes and 25 percent comes from charges for services provided.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2009

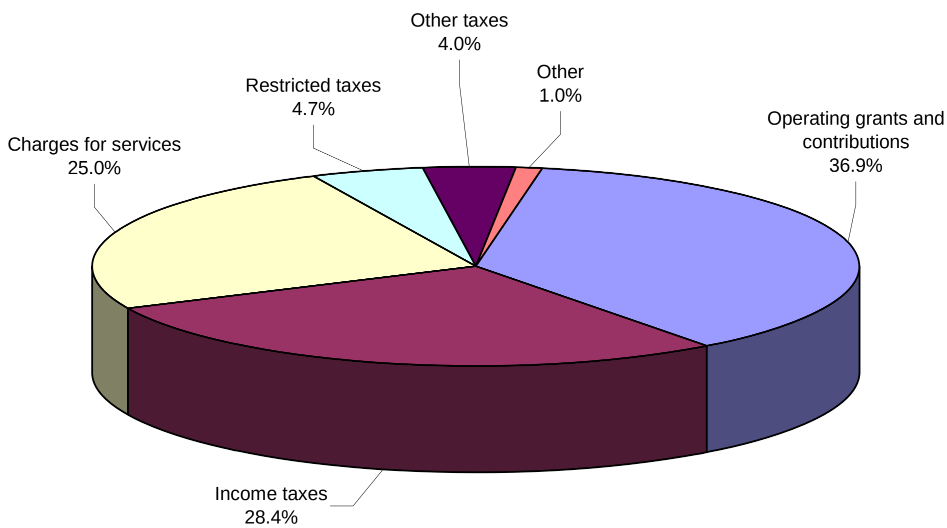
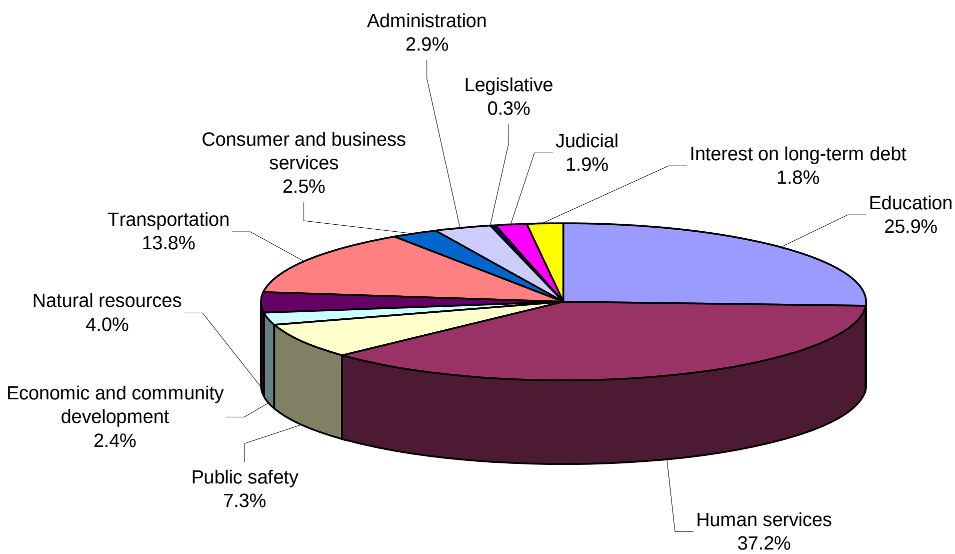


Figure 2 below shows the percentages of total governmental activity expenses for each function of the State. The largest area of expenses is human services provided for Oregon's citizens in need of assistance at 37.2 percent, with elementary and secondary education the second largest at 25.9 percent of total governmental activity expenses.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2009



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, *unreserved, undesignated fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2009, approximately 74.9 percent of the total fund balances of governmental funds was classified as unreserved, undesignated fund balance, and was available for spending on governmental programs subject to statutory, constitutional or other regulatory constraints. The remainder of the fund balances was classified as reserved, meaning it was not available for new spending. For example, portions of the total fund balances of governmental funds reported as of June 30, 2009, were reserved to pay debt service and claims and judgments.

For fiscal year 2009, the State's governmental funds reported combined ending fund balances of $4.4 billion, down from the $4.9 billion reported at the end of fiscal year 2008. In the General Fund, which is the operating fund of the State, ending fund balance for fiscal year 2009 was down $508.7 million from the prior year. General Fund operating revenues declined $1.2 billion, or 18.1 percent, due primarily to a 15.4 percent decrease in personal income taxes and a 46.8 percent decrease in corporate income taxes. General Fund operating revenues were fully offset by the fund's operating expenditures. Transfers to other funds, which included $365.4 million transferred to the University System Fund, exceeded transfers from other funds by $478.2 million. As a result of these activities, the General Fund's unreserved, undesignated fund balance reported as of June 30, 2009, was a negative $333.8 million.

Total revenues in the Health and Social Services Fund increased $585.1 million over the prior year, with federal revenues up 22.7 percent. (Federal revenues included approximately $301.1 million in funding received under the American Recovery and Reinvestment Act (ARRA) of 2009.) The deepening recession, however, increased the demand for human services. As a result, total expenditures as a percentage of revenues rose from 91.7 percent in 2008 to 98.5 percent in 2009, contributing to a decrease in ending fund balance of $36.4 million. In the Public Transportation Fund, $728.5 million of long-term debt was issued in fiscal year 2009, compared to $10.1 million in fiscal year 2008. This increase in other financing sources contributed significantly to the $266.8 million increase in the fund balance of the Public Transportation Fund. The issuance of $106 million of long-term debt also increased fund balance in the Educational Support Fund. An investment loss of $200.3 million in fiscal year 2009 was the primary reason for the $250.4 million decrease in the fund balance of the Common School Fund.

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 greater detail.

Housing and Community Services finances home ownership and multi-family units for elderly, disabled, and lower to moderate income persons through the issuance of bonds. The Veterans' Loan Fund provides home purchase and home improvement loans at favorable interest rates to eligible veterans. For fiscal year 2009, the Housing and Community Services Fund experienced an operating loss of $5.4 million; the $6.3 million increase in net assets was due to investment income of $13.3 million. The Veterans' Loan Fund experienced an operating loss of $7.1 million that was partially offset by investment income of $4.7 million. Although investment income helped to compensate for the operating losses in both funds, on a year-over-year basis, investment income declined sharply, down 56.4 percent in the Housing and Community Services Fund and 85.9 percent in the Veterans' Loan Fund. (Effective for fiscal year 2009, investment income for both funds was reclassified from operating revenues to nonoperating revenues and expenses.)

Net assets of the Lottery Operations Fund decreased by $26 million, or 12.4 percent. Lottery sales declined 10.8 percent as a result of the current recession, while transfers to other funds of $600.7 million exceeded both current year income from operations and investment earnings. For fiscal year 2009, the Unemployment Compensation Fund reported federal revenues of $466 million (including $4.4 million received under ARRA), a major increase over the $29.3 million reported in fiscal year 2008. However, benefit payments to unemployed Oregonians during fiscal year 2009 exceeded all revenue sources, both operating and nonoperating. As a result, net assets in the Unemployment Compensation Fund declined $685.3 million, or 29.5 percent. The University System Fund saw a 9.3 percent increase in total operating revenues, while operating expenses increased only 4.4 percent. As a result, the fund's operating loss for fiscal year 2009 was $521.5 million, an improvement of 6.8 percent over the prior year. Even with the operating loss, the University System Fund saw an increase in net assets of $9.1 million, due in large part to capital contributions of $87.4 million plus transfers from other funds, including a transfer of $365.4 million from the General Fund.

At the end of fiscal year 2009, approximately 63.6 percent of the total net assets reported by the State's proprietary funds was classified as unrestricted and was available for spending on business-activities subject to statutory, constitutional, or other regulatory constraints. However, restrictions significantly affected the availability of resources in the Housing and Community Services Fund with 96 percent of the fund's net assets restricted for debt service. In the University System Fund, 59.5 percent of its net assets was invested in capital assets, net of related debt, while 28 percent was restricted for capital construction, higher education, debt service, and for purposes stipulated by donors of resources.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. Net assets 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, decreased by $15.4 billion, or 25.1 percent. The net depreciation in fair value of investments was the primary factor contributing to this decrease. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State budgets on a biennial basis rather than an annual basis. Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the budgetary statements represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budgeted expenditures represent the original appropriated budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year. For the 2007-09 biennium, final estimated revenues for the General Fund saw an increase of less than one percent compared to the original estimate. However, due to unfavorable economic conditions, the General Fund's final budgeted expenditures were reduced by $1.2 billion.

For fiscal year 2009, actual General Fund revenues and other financing sources exceeded actual expenditures and other financing uses by $214.8 million, leaving an ending budget balance of $137.1 million. Actual revenues for the biennium were $1.5 billion less than forecasted due mainly to the recession and the growing jobless rate, while actual expenditures were $141.4 million less than budgeted primarily as the result of statewide spending cuts that took effect in the last quarter of fiscal year 2009. The remaining budget is expected to be used during the six-month lapse period from July 1 to December 31, 2009, to pay for obligations incurred prior to July 1, 2009. To manage differences in the timing of cash flows, the State issued $737.2 million of tax anticipation notes in July 2009. These notes will be repaid with income tax revenue prior to the end of fiscal year 2010.

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 rating, which is an indication of the State's ability to repay its debt, remained the same for fiscal year 2009 with ratings of AA by Fitch and Standard & Poor's, and Aa2 by Moody's.

Debt outstanding for the years ended June 30, 2009 and 2008, is summarized in Table 3 below. For governmental activities, new revenue bonds were issued in fiscal year 2009 to fund transportation infrastructure improvement projects, community projects and public works, grants to local school districts, and residential assistance for low income families. The majority of new revenue bonds issued for business-type activities in fiscal year 2009 were for single-family mortgage revenue bonds.

During the fiscal year, the majority of new general obligation bonds were issued to finance acquisition and construction of new higher education facilities. New general obligation bonds were also issued to provide loans for energy products. New certificates of participation were issued to finance the costs of replacing the current Oregon State Hospital with two new facilities and for renovation of the State Capitol. Certificates of participation were also issued to finance the Oregon Wireless Interoperability Network (a project undertaken to increase public safety sharing and enhance voice interoperability) and Go Oregon! (a stimulus package that provides funding for construction, renovation and major deferred maintenance of buildings and other facilities owned by state government, local communities, universities and community colleges). In addition, the State refinanced some of its existing debt to take advantage of favorable interest rates. Additional information on the State's long-term debt may be found in Note 9 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2009 and 2008
(dollars in millions)

			2009 Over (Under) 2008	
	2009	2008	Amount	Percent
General Obligation Bonds	$ 4,697.3	$ 4,596.6	$ 100.7	2.2%
Revenue Bonds	4,440.2	3,802.0	638.2	16.8%
Certificates of Participation	1,385.2	1,120.1	265.1	23.7%
General Appropriation Bonds	296.0	351.9	(55.9)	-15.9%
Total	**$ 10,818.7**	**$ 9,870.6**	**$ 948.1**	**9.6%**

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009, was $12.8 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 historical treasures. The State's investment in capital assets for fiscal year 2009 increased by $1.1 billion, or 9.6 percent.

Table 4
State of Oregon's Capital Assets, Net of Depreciation
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 1,701.4	$ 1,691.3	$ 112.2	$ 106.5	$ 1,813.6	$ 1,797.8
Buildings, property and equipment	1,700.1	1,570.9	1,494.6	1,385.5	3,194.7	2,956.4
Construction in progress	2,393.7	695.0	251.0	164.7	2,644.7	859.7
Infrastructure	5,106.7	6,028.0	20.4	16.5	5,127.1	6,044.5
Works of art and historical treasures	1.3	1.2	62.1	61.3	63.4	62.5
Total	**$ 10,903.2**	**$ 9,986.4**	**$ 1,940.3**	**$ 1,734.5**	**$ 12,843.5**	**$ 11,720.9**

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

- Prior period adjustments resulted in a $1.4 billion increase in construction in progress, primarily related to infrastructure.
- Commitments of $1.1 billion have been made for highway and bridge construction.

Additional information on the State's capital assets may be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

The unemployment rate for Oregon was 11.1 percent in November 2009 compared to 7.8 percent the previous year. The US unemployment rates for the same time periods were 10 percent and 6.7 percent, respectively. The third quarter of 2009 was the State's sixth consecutive quarter of job losses. The job losses in the third quarter were considerably less than the large losses of the previous three quarters. On a year-over-year basis, jobs decreased in the third quarter by 5.7 percent. Oregon's annual average employment decline for 2009 is expected to be 5.1 percent. Job growth for 2010 is expected to be a negative 0.9 percent with modest job gains starting in the second quarter through the end of the year. The Oregon economy is not expected to see above 2 percent job growth until the first quarter of 2011.

The December 2009 forecast for General Fund revenues for 2009-11 is $13.4 billion. This figure is $182.6 million below the Legislature's close of session forecast. The projected General Fund ending balance for the 2009-11 biennium is $79.2 million. The current revenue projections are dependent on two bills passed by the Legislature that would increase the State's corporate income tax rate, establish a new corporate minimum tax based on Oregon sales, and raise the personal income tax rate on high income filers. Both measures will be submitted to voters for their approval in January 2010. If the measures fail, the Legislature will have to take additional actions to balance the budget for the remainder of the biennium.

The State's economy is projected to begin recovering from the current recession during the latter half of the 2009-11 biennium. The December 2009 revenue forecast projects a robust recovery in General Fund revenues for the next two biennia, up 15.3 percent to $15.4 billion in 2011-13 and 16.5 percent to $18 billion in 2013-15.

Basic Financial Statements

Statement of Net Assets
June 30, 2009
(In Thousands)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,087,069	$ 2,244,864	$ 4,331,933	$ 201,486
Cash and Cash Equivalents - Restricted	-	17,988	17,988	-
Investments	1,137,150	35,470	1,172,620	3,410,116
Investments - Restricted	-	81,667	81,667	-
Securities Lending Collateral	1,647,044	903,746	2,550,790	439,181
Accounts and Interest Receivable (net)	726,671	445,736	1,172,407	620,045
Taxes Receivable (net)	421,442	-	421,442	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	257,013
Internal Balances	132,376	(132,376)	-	-
Due from Component Units	-	16,626	16,626	-
Due from Other Governments	-	7,754	7,754	-
Due from Primary Government	-	-	-	14,776
Inventories	85,981	32,153	118,134	13,758
Prepaid Items	3,148	19,946	23,094	57,676
Foreclosed and Deeded Property	-	2,253	2,253	-
Total Current Assets	6,240,881	3,675,827	9,916,708	5,014,051
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	779,147	1,072,337	1,851,484	-
Investments	51,821	114,181	166,002	418,997
Investments - Restricted	131,181	323,721	454,902	1,327,715
Custodial Assets	31,236	-	31,236	-
Taxes Receivable (net)	389,172	-	389,172	-
Deferred Charges	29,005	18,052	47,057	12,059
Interfund Loans	(1,510)	1,510	-	-
Advances to Component Units	-	23,306	23,306	-
Net Contracts, Notes, and Other Receivables	240,985	89,742	330,727	-
Long-term Receivable - Component Units	1,965	-	1,965	-
Loans Receivable	569,411	2,317,474	2,886,885	-
Conservatorship Assets	140	-	140	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	100,955
Net Pension Asset	1,788,700	-	1,788,700	-
Capital Assets:				
Land	1,701,350	112,157	1,813,507	62,229
Buildings, Property, and Equipment	2,835,405	2,872,185	5,707,590	2,054,433
Construction in Progress	2,393,745	250,989	2,644,734	51,716
Infrastructure	14,293,396	62,615	14,356,011	-
Works of Art and Historical Treasures	1,300	62,136	63,436	-
Less Accumulated Depreciation and Amortization	(10,322,016)	(1,419,784)	(11,741,800)	(853,823)
Total Noncurrent Assets	14,914,433	5,900,621	20,815,054	3,174,281
Total Assets	21,155,314	9,576,448	30,731,762	8,188,332

(continued on next page)

Statement of Net Assets
June 30, 2009
(In Thousands)
(continued from previous page)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	815,759	221,065	1,036,824	171,969
Reserve for Loss and Loss Adjustment Expense	-	-	-	209,139
Obligations Under Securities Lending	1,647,044	903,746	2,550,790	465,208
Due to Component Units	14,656	-	14,656	-
Due to Other Governments	139,093	9,012	148,105	8,386
Due to Primary Government	-	-	-	21,968
Matured Bonds/COPS and Coupons Payable	-	5,437	5,437	-
Obligations Under Capital Lease	629	63	692	2,042
Bonds/COPS Payable	291,092	105,360	396,452	5,867
Claims and Judgments Payable	124,314	-	124,314	17,285
Custodial Liabilities	399,180	23,106	422,286	10,889
Unearned Revenue	21,623	116,851	138,474	283,424
Lottery Prize Awards Payable	-	32,583	32,583	-
Compensated Absences Payable	105,948	52,776	158,724	48,174
Arbitrage Rebate Payable	1,194	1,249	2,443	-
Contracts, Mortgages, and Notes Payable	70,389	9,601	79,990	1,690
Pollution Remediation Obligation	3,749	584	4,333	-
Total Current Liabilities	3,634,670	1,481,433	5,116,103	1,246,041
Noncurrent Liabilities:				
Bonds/COPS Payable	6,420,380	3,997,360	10,417,740	718,012
Obligations Under Capital Lease	1,270	74	1,344	6,890
Obligations Under Life Income Agreements	-	-	-	80,947
Obligations to Primary Government	-	-	-	1,965
Advances from Primary Government	-	-	-	23,306
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,702,170
Claims and Judgments Payable	885,317	-	885,317	48,262
Custodial Liabilities	-	369	369	-
Lottery Prize Awards Payable	-	98,365	98,365	-
Compensated Absences Payable	52,183	5,693	57,876	-
Arbitrage Rebate Payable	1,489	6,858	8,347	-
Net OPEB Obligation	27,076	12,759	39,835	3,387
Contracts, Mortgages, and Notes Payable	855	261	1,116	39,009
Pollution Remediation Obligation	10,035	-	10,035	-
Total Noncurrent Liabilities	7,398,605	4,121,739	11,520,344	3,623,948
Total Liabilities	11,033,275	5,603,172	16,636,447	4,869,989
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	9,094,498	897,150	9,991,648	595,553
Expendable Restricted Net Assets:				
Restricted for Unemployment Compensation	-	1,634,715	1,634,715	-
Restricted for Residential Assistance	127,546	1,541	129,087	-
Restricted for Higher Education	-	175,635	175,635	-
Restricted for Debt Service	-	282,102	282,102	-
Restricted for Capital Construction	-	71,999	71,999	-
Restricted for Workers' Compensation	14	-	14	574,987
Restricted for Education	487,359	-	487,359	877,729
Restricted for Natural Resource Programs	458,213	-	458,213	-
Restricted for Health Services	28,732	-	28,732	-
Restricted for Lottery Projects	-	88,353	88,353	-
Restricted for War Veterans' Programs	-	128,457	128,457	-
Nonexpendable Restricted Net Assets:				
Restricted for Donor Purposes	-	16,287	16,287	632,738
Restricted for Education	1,443	-	1,443	127,160
Restricted for Residential Assistance	23,385	-	23,385	-
Restricted for Workers' Compensation	250	-	250	-
Unrestricted	(99,401)	677,037	577,636	510,176
Total Net Assets	$ 10,122,039	$ 3,973,276	$ 14,095,315	$ 3,318,343

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

Statement of Activities
For the Year Ended June 30, 2009
(In Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs					
Primary Government:					
Governmental Activities:					
Education	$ 4,224,991	$ 6,275	$ 608,289	$ 50,634	$ (3,559,793)
Human Services	6,057,047	250,524	4,085,363	-	(1,721,160)
Public Safety	1,185,507	94,613	172,257	32,966	(885,671)
Economic and Community Development	397,032	17,475	293,432	-	(86,125)
Natural Resources	658,553	282,380	(52,975)	136	(429,012)
Transportation	2,249,632	138,400	471,417	2,827	(1,636,988)
Consumer and Business Services	408,803	313,602	15,704	-	(79,497)
Administration	470,583	111,537	421,700	-	62,654
Legislative	44,683	4,912	250	-	(39,521)
Judicial	307,916	158,736	1,870	-	(147,310)
Interest on Long-term Debt	297,308	-	-	-	(297,308)
Total Governmental Activities	16,302,055	1,378,454	6,017,307	86,563	(8,819,731)
Business-type Activities:					
Housing and Community Services	91,010	84,963	13,333	-	7,286
Veterans' Loan	26,855	18,462	4,673	-	(3,720)
Lottery Operations	537,332	1,100,228	12,676	-	575,572
Unemployment Compensation	1,875,259	662,346	567,030	-	(645,883)
University System	1,948,793	1,003,897	458,753	87,425	(398,718)
State Hospitals	215,576	53,242	-	-	(162,334)
Liquor Control	314,563	418,559	-	-	103,996
Other Business-type Activities	87,977	79,484	7,918	-	(575)
Total Business-type Activities	5,097,365	3,421,181	1,064,383	87,425	(524,376)
Total Primary Government	$ 21,399,420	$ 4,799,635	$ 7,081,690	$ 173,988	$ (9,344,107)
Component Units:					
SAIF Corporation	$ 527,838	$ 439,569	$ (242,496)	$ -	$ (330,765)
Oregon Health and Science University	1,654,056	1,223,350	519,806	7,841	96,941
Oregon University System Foundations	219,163	17,937	(29,755)	-	(230,981)
Total Component Units	$ 2,401,057	$ 1,680,856	$ 247,555	$ 7,841	$ (464,805)

(continued on next page)

Statement of Activities
For the Year Ended June 30, 2009
(In Thousands)
(continued from previous page)

	Primary Government			
	Governmental Activities	**Business- type Activities**	**Total**	**Component Units**
Changes in Net Assets:				
Net (Expense) Revenue	$ (8,819,731)	$ (524,376)	$ (9,344,107)	$ (464,805)
General Revenues:				
Taxes:				
Personal Income Taxes	5,182,743	-	5,182,743	-
Corporate Income Taxes	253,685	-	253,685	-
Tobacco Taxes	250,243	-	250,243	-
Healthcare Provider Taxes	143,535	-	143,535	-
Inheritance Taxes	77,622	-	77,622	-
Public Utilities Taxes	88,295	-	88,295	-
Insurance Premium Taxes	46,952	-	46,952	-
Other Taxes	140,726	16,340	157,066	-
Restricted for Transportation Purposes:				
Motor Fuels Taxes	399,048	-	399,048	-
Weight Mile Taxes	210,055	-	210,055	-
Vehicle Registration Taxes	185,202	-	185,202	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	36,635	-	36,635	-
Employer-Employee Taxes	71,119	-	71,119	-
Total Taxes	7,085,860	16,340	7,102,200	-
Unrestricted Investment Earnings	17,717	-	17,717	-
Contributions to Permanent Funds	259	-	259	-
Transfers - Internal Activities	157,663	(157,663)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	7,261,499	(141,323)	7,120,176	-
Change in Net Assets	(1,558,232)	(665,699)	(2,223,931)	(464,805)
Net Assets - Beginning	10,459,426	4,642,307	15,101,733	3,783,148
Prior Period Adjustments	1,221,039	(3,332)	1,217,707	-
Cumulative Effect of Change in Accounting Principles	(194)	-	(194)	-
Net Assets - Beginning - As Restated	11,680,271	4,638,975	16,319,246	3,783,148
Net Assets - Ending	$ 10,122,039	$ 3,973,276	$ 14,095,315	$ 3,318,343

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

Balance Sheet
Governmental Funds
June 30, 2009
(In Thousands)

	General	Health and Social Services	Public Transportation	Environmental Management
ASSETS				
Cash and Cash Equivalents	$ -	$ 356,291	$ 702,896	$ 201,825
Investments	-	26,321	119,081	931
Custodial Assets	-	-	18,218	857
Securities Lending Collateral	-	187,051	443,590	112,778
Accounts and Interest Receivable (net)	2,853	247,740	65,564	32,513
Taxes Receivable (net)	725,137	19,290	57,893	-
Due from Other Funds	16,206	108,145	159,355	70,420
Inventories	27,482	4,790	22,642	20,408
Prepaid Items	1,554	-	-	25
Advances to Other Funds	-	-	-	-
Net Contracts, Notes, and Other Receivables	19,952	7,559	2,402	4,197
Long-term Receivables - Component Units	-	-	-	-
Loans Receivable	-	1,278	21,388	436,646
Conservatorship Assets	-	-	-	-
Total Assets	$ 793,184	$ 958,465	$ 1,613,029	$ 880,600
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	$ 160,077	$ 192,432	$ 150,180	$ 27,458
Obligations Under Securities Lending	-	187,051	443,590	112,778
Due to Other Funds	395,035	12,203	14,736	5,222
Due to Component Units	-	14,656	-	-
Due to Other Governments	2,611	14,281	53,393	14,950
Advances from Other Funds	844	-	-	300
Custodial Liabilities	8,404	12,205	18,228	6,474
Deferred Revenue	530,969	20,572	12,173	17,656
Contracts, Mortgages, and Notes Payable	-	60,000	134	-
Total Liabilities	1,097,940	513,400	692,434	184,838
Fund Balances:				
Reserved for Inventories	27,482	4,790	22,642	20,408
Reserved for Loans Receivable	-	1,278	21,388	436,646
Reserved for Advances to Other Funds	-	-	-	-
Reserved for Prepaid Items	1,554	-	-	25
Reserved for Debt Service	-	-	-	-
Reserved for Permanent Fund Principal	-	-	-	-
Reserved for Claims and Judgments Payable	-	-	-	-
Reserved for Revolving Accounts	4	242	40	354
Unreserved, Undesignated	(333,796)	438,755	876,525	238,329
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Permanent Funds	-	-	-	-
Total Fund Balances	(304,756)	445,065	920,595	695,762
Total Liabilities and Fund Balances	$ 793,184	$ 958,465	$ 1,613,029	$ 880,600

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

Educational Support	Common School	Oregon Rainy Day	Other	Total
$ 507,206	$ 4,162	$ 337,271	$ 704,395	$ 2,814,046
21,527	749,215	-	320,937	1,238,012
-	9,798	-	2,363	31,236
281,903	58,645	154,395	268,129	1,506,491
34,413	79,668	-	185,891	648,642
2,570	-	-	5,724	810,614
121,198	1,080	274	250,783	727,461
-	10	-	9,155	84,487
216	-	-	1,215	3,010
-	313	-	-	313
-	-	-	205,546	239,656
-	-	-	1,965	1,965
-	1,659	-	108,439	569,410
-	140	-	-	140
$ 969,033	$ 904,690	$ 491,940	$ 2,064,542	$ 8,675,483
$ 62,009	$ 11,631	$ -	$ 130,838	$ 734,625
281,903	58,645	154,395	268,129	1,506,491
6,513	847	-	155,350	589,906
-	-	-	-	14,656
26,167	-	-	27,690	139,092
-	-	-	1,121	2,265
37	347,247	-	4,684	397,279
2,625	-	-	211,575	795,570
-	-	-	244	60,378
379,254	418,370	154,395	799,631	4,240,262
-	10	-	9,155	84,487
-	1,659	-	108,439	569,410
-	313	-	-	313
216	-	-	1,215	3,010
-	-	-	283,367	283,367
-	-	-	25,209	25,209
-	-	-	144,738	144,738
9	-	-	226	875
589,554	484,338	337,545	-	2,631,250
-	-	-	558,276	558,276
-	-	-	130,498	130,498
-	-	-	3,788	3,788
589,779	486,320	337,545	1,264,911	4,435,221
$ 969,033	$ 904,690	$ 491,940	$ 2,064,542	$ 8,675,483

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009
(In Thousands)

Total fund balances of governmental funds		$	4,435,221
Amounts reported for governmental activities in the Statement of Net Assets 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	1,690,353		
Buildings, property, and equipment	2,289,651		
Construction in progress	2,362,347		
Infrastructure	14,292,759		
Works of art and historical treasures	1,133		
Accumulated depreciation and amortization	(10,074,971)		
Total capital assets			10,561,272
The net pension asset resulting from contributions in excess of the annual required contribution in 2004 are not financial resources and, therefore, are not reported in the funds. (See Note 14)			1,788,700
Some of the State's revenues will be collected after year-end but are not available soon enough to pay the current year liabilities and, therefore, are deferred in the funds.			774,165
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.			213,831
Unamortized debt issuance costs are reported as deferred charges for governmental activities in the Statement of Net Assets but are reported as expenditures in the funds.			28,118
Some liabilities are not due and payable in the current year and, therefore, are not reported in the funds. Those liabilities consist of:			
Bonds and COPS	(6,529,557)		
Accrued interest on bonds and COPS	(63,038)		
Claims and judgments	(887,465)		
Compensated absences	(149,038)		
Obligations under capital lease	(1,899)		
Net OPEB obligation	(25,908)		
Arbitrage rebate	(2,421)		
Contracts, mortgages, and notes payable	(6,158)		
Pollution remediation obligation	(13,784)		
Total long-term liabilities			(7,679,268)
Net assets of governmental activities		$	10,122,039

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009
(In Thousands)

	General	Health and Social Services	Public Transportation	Environmental Management
Revenues:				
Personal Income Taxes	$ 5,134,544	$ -	$ -	$ -
Corporate Income Taxes	237,635	-	-	-
Tobacco Taxes	56,217	187,127	-	-
Healthcare Provider Taxes	-	143,535	-	-
Inheritance Taxes	77,622	-	-	-
Public Utilities Taxes	-	-	-	-
Insurance Premium Taxes	46,952	-	-	-
Motor Fuels Taxes	-	-	399,414	-
Weight Mile Taxes	-	-	210,354	-
Vehicle Registration Taxes	-	-	185,202	-
Employer-Employee Taxes	-	-	-	-
Workers' Compensation Insurance Taxes	-	-	-	-
Other Taxes	208	77,925	1,873	25,504
Licenses and Fees	36,990	100,887	57,845	108,795
Federal	-	3,319,935	544,464	122,001
Charges for Services	4,332	128,013	37,580	25,802
Fines and Forfeitures	3,309	678	4,598	719
Rents and Royalties	-	764	5,398	2,808
Investment Income	17,717	8,816	19,421	16,219
Sales	502	4,807	6,470	91,136
Donations and Grants	3	5,086	-	1,103
Contributions to Permanent Funds	-	-	-	-
Tobacco Settlement Proceeds	-	98,078	-	-
Pension Bond Debt Service Assessments	-	-	-	-
Other	6,577	208,818	34,188	17,899
Total Revenues	5,622,608	4,284,469	1,506,807	411,986
Expenditures:				
Current:				
Education	2,912,219	-	-	-
Human Services	1,310,499	4,023,095	-	-
Public Safety	822,224	-	-	-
Economic and Community Development	11,578	-	-	-
Natural Resources	67,195	-	-	524,464
Transportation	224	9,220	1,690,860	-
Consumer and Business Services	6,288	166,377	-	-
Administration	121,603	19,703	112,527	-
Legislative	38,515	-	-	-
Judicial	255,402	1,593	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	48,299	-	-	5,034
Interest	53,059	-	461	139
Other Debt Service	691	638	4,666	16
Total Expenditures	5,647,796	4,220,626	1,808,514	529,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,188)	63,843	(301,707)	(117,667)
Other Financing Sources (Uses):				
Transfers from Other Funds	217,270	83,744	5,421	141,322
Transfers to Other Funds	(695,487)	(256,965)	(184,039)	(59,133)
Insurance Recoveries	3,664	-	666	468
Long-term Debt Issued	-	75,619	728,485	885
Debt Issuance Premium	-	1,984	19,094	27
Debt Issuance Discount	-	-	(2,926)	-
Refunded Debt Issued	-	-	-	-
Leases Incurred	-	-	-	17
Refunded Debt Payment to Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	(474,553)	(95,618)	566,701	83,586
Net Change in Fund Balances	(499,741)	(31,775)	264,994	(34,081)
Fund Balances - Beginning	203,918	481,477	653,825	728,106
Prior Period Adjustments	(6,195)	(7,691)	1,106	1,623
Fund Balances - Beginning - As Restated	197,723	473,786	654,931	729,729
Change in Reserve for Inventories	(2,738)	3,054	670	114
Fund Balances - Ending	$ (304,756)	$ 445,065	$ 920,595	$ 695,762

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

Educational Support	Common School	Oregon Rainy Day	Other	Total
$ -	$ -	$ -	$ -	$ 5,134,544
-	-	-	-	237,635
-	-	-	-	243,344
-	-	-	-	143,535
-	-	-	-	77,622
-	-	-	88,295	88,295
-	-	-	-	46,952
-	-	-	-	399,414
-	-	-	-	210,354
-	-	-	-	185,202
-	-	-	71,119	71,119
-	-	-	36,634	36,634
913	-	-	23,642	130,065
400	637	-	145,301	450,855
583,677	-	-	1,474,174	6,044,251
3,108	161	-	70,200	269,196
-	84	-	78,527	87,915
119	3,572	-	3,118	15,779
4,881	(200,347)	7,713	30,449	(95,131)
99	208	-	4,205	107,427
55,088	3	-	10,056	71,339
-	-	-	259	259
-	-	-	-	98,078
-	-	-	4,509	4,509
466	62	-	77,329	345,339
648,751	(195,620)	7,713	2,117,817	14,404,531
1,099,339	-	-	212,612	4,224,170
-	-	-	786,673	6,120,267
-	-	-	348,228	1,170,452
-	-	-	386,358	397,936
-	24,995	-	41,830	658,484
-	-	-	9,515	1,709,819
-	-	-	307,547	480,212
39,395	-	843	123,277	417,348
-	-	-	1,462	39,977
-	-	-	60,670	317,665
-	-	-	90,695	90,695
-	-	-	176,266	229,599
-	-	-	235,233	288,892
1,187	-	-	964	8,162
1,139,921	24,995	843	2,781,330	16,153,678
(491,170)	(220,615)	6,870	(663,513)	(1,749,147)
587,629	13,930	-	1,357,764	2,407,080
(64,844)	(46,751)	-	(909,119)	(2,216,338)
-	-	-	204	5,002
106,000	-	-	225,724	1,136,713
3,120	-	-	8,068	32,293
-	-	-	-	(2,926)
-	-	-	33,997	33,997
-	-	-	-	17
-	-	-	(35,261)	(35,261)
631,905	(32,821)	-	681,377	1,360,577
140,735	(253,436)	6,870	17,864	(388,570)
476,657	736,767	330,675	1,251,572	4,862,997
(27,613)	2,999	-	(7,393)	(43,164)
449,044	739,766	330,675	1,244,179	4,819,833
-	(10)	-	2,868	3,958
$ 589,779	$ 486,320	$ 337,545	$ 1,264,911	$ 4,435,221

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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, 2009
(In Thousands)

Net change in fund balances of total governmental funds		$ (388,570)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported as an expenditure in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:		
Capital outlay	307,109	
Depreciation expense	(700,078)	
Excess of depreciation over capital outlay		(392,969)
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net assets.		(9,644)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing. In the Statement of Net Assets, a lease obligation is reported as a liability.		(17)
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Assets.		(1,200,077)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Assets.		264,860
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these items are deferred and amortized in the Statement of Activities.		13,289
Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds.		
Accrued interest on long-term debt	(12,533)	
Claims and judgments payable	62,566	
Compensated absences	(10,563)	
Net pension asset	(49,000)	
Net OPEB obligation	(12,780)	
Contracts, mortgages, and notes payable	(2,579)	
Pollution remediation obligation	(13,590)	
Total		(38,479)
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds.		(30)
Some revenues will not be collected for several months after the State's fiscal year ends. Therefore, they are not considered "available" revenues and are deferred in the governmental funds.		180,080
The change in inventory is reported as a separate line after the change in fund balances in governmental funds but is included in expenses in the Statement of Activities.		3,958
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported within governmental activities.		9,367
Change in net assets of governmental activities		$ (1,558,232)

Balance Sheet
Proprietary Funds
June 30, 2009
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 5,917	$ 63,667	$ 230,140
Cash and Cash Equivalents - Restricted	10,269	5,454	-
Investments	-	22,126	13,344
Investments - Restricted	56,130	25,537	-
Securities Lending Collateral	44,918	209,835	147,739
Accounts and Interest Receivable (net)	8,583	2,263	24,891
Due from Other Funds	11	72	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	1,863
Prepaid Items	-	5	937
Foreclosed and Deeded Property	1,661	592	-
Total Current Assets	127,489	329,551	418,914
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	83,250	413,147	-
Investments	-	15,816	98,365
Investments - Restricted	222,606	25,521	-
Deferred Charges	12,595	2,025	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	3,206	2,817
Loans Receivable	1,416,942	295,153	-
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	191	8,912	178,579
Construction in Progress	-	-	339
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	85	-
Less Accumulated Depreciation and Amortization	(188)	(4,775)	(83,229)
Total Noncurrent Assets	1,735,396	759,090	196,871
Total Assets	$ 1,862,885	$1,088,641	$ 615,785

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	**University System**	**Other**	**Total**	**Governmental Activities Internal Service Funds**
$ 1,424,675	$ 334,192	$ 186,273	$ 2,244,864	$ 47,514
-	2,195	70	17,988	-
-	-	-	35,470	81,625
-	-	-	81,667	-
40,436	375,493	85,325	903,746	140,552
194,548	193,092	22,359	445,736	77,244
-	4,375	16,203	20,661	2,464
-	16,626	-	16,626	-
7,754	-	-	7,754	-
-	6,796	23,494	32,153	1,494
-	18,550	454	19,946	140
-	-	-	2,253	-
1,667,413	951,319	334,178	3,828,864	351,033
-	537,651	38,289	1,072,337	4,659
-	-	-	114,181	-
-	67,305	8,289	323,721	516
-	-	3,432	18,052	887
1,108	-	27,596	28,704	732
-	23,306	-	23,306	-
15,732	67,849	138	89,742	1,331
-	-	605,379	2,317,474	-
-	106,698	5,459	112,157	10,997
-	2,563,849	120,654	2,872,185	545,754
-	250,592	58	250,989	31,398
-	61,735	880	62,615	637
-	62,011	40	62,136	167
-	(1,280,449)	(51,143)	(1,419,784)	(247,045)
16,840	2,460,547	759,071	5,927,815	350,033
$ 1,684,253	$ 3,411,866	$ 1,093,249	$ 9,756,679	$ 701,066

(continued on next page)

Balance Sheet
Proprietary Funds
June 30, 2009
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	$ 36,629	$ 1,600	$ 15,408
Obligations Under Securities Lending	44,918	209,835	147,739
Due to Other Funds	24	-	133,675
Due to Other Governments	75	-	-
Matured Bonds/COPS and Coupons Payable	5	3,167	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	35,210	2,100	-
Claims and Judgments Payable	-	-	-
Custodial Liabilities	-	2,287	334
Unearned Revenue	964	-	559
Lottery Prize Awards Payable	-	-	32,583
Compensated Absences Payable	264	283	1,809
Arbitrage Rebate Payable	788	453	-
Contracts, Mortgages, and Notes Payable	1,500	-	-
Pollution Remediation Obligation	-	-	-
Total Current Liabilities	120,377	219,725	332,107
Noncurrent Liabilities:			
Bonds/COPS Payable	1,548,547	730,266	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	-	-
Claims and Judgments Payable	-	-	-
Custodial Liabilities	-	-	-
Lottery Prize Awards Payable	-	-	98,365
Compensated Absences Payable	130	140	891
Arbitrage Rebate Payable	414	5,767	-
Net OPEB Obligation	50	64	379
Contracts, Mortgages, and Notes Payable	-	-	-
Total Noncurrent Liabilities	1,549,141	736,237	99,635
Total Liabilities	1,669,518	955,962	431,742
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4	4,222	95,690
Expendable Restricted Net Assets:			
Restricted for Residential Assistance	1,541	-	-
Restricted for Higher Education	-	-	-
Restricted for Debt Service	185,650	-	-
Restricted for Capital Construction	-	-	-
Nonexpendable Restricted Net Assets:			
Restricted for Donor Purposes	-	-	-
Unrestricted	6,172	128,457	88,353
Total Net Assets	193,367	132,679	184,043
Total Liabilities and Net Assets	$ 1,862,885	$ 1,088,641	$ 615,785

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ -	$ 139,236	$ 28,192	$ 221,065	$ 18,094
40,436	375,493	85,325	903,746	140,552
165	-	25,987	159,851	51
8,937	-	-	9,012	-
-	2,195	70	5,437	-
-	63	-	63	-
-	44,592	23,458	105,360	26,755
-	-	-	-	32,500
-	18,637	1,848	23,106	1,904
-	115,021	307	116,851	218
-	-	-	32,583	-
-	43,610	6,810	52,776	6,093
-	8	-	1,249	98
-	8,101	-	9,601	4,708
-	584	-	584	-
49,538	747,540	171,997	1,641,284	230,973
-	1,399,545	319,002	3,997,360	155,160
-	69	5	74	-
-	27,093	100	27,193	291
-	-	-	-	89,666
-	-	369	369	-
-	-	-	98,365	-
-	1,246	3,286	5,693	3,000
-	677	-	6,858	164
-	10,111	2,155	12,759	1,168
-	261	-	261	-
-	1,439,002	324,917	4,148,932	249,449
49,538	2,186,542	496,914	5,790,216	480,422
-	729,382	67,852	897,150	162,907
-	-	-	1,541	-
-	175,635	-	175,635	-
-	79,407	17,045	282,102	-
-	71,999	-	71,999	-
-	16,287	-	16,287	-
1,634,715	152,614	511,438	2,521,749	57,737
1,634,715	1,225,324	596,335	3,966,463	220,644
$ 1,684,253	$ 3,411,866	$ 1,093,249	$ 9,756,679	$ 701,066

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are included with the business-type activities.	6,813
Net assets of business-type activities	$ 3,973,276

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Operating Revenues:			
Assessments	$ -	$ -	$ -
Licenses and Fees	2,420	124	-
Federal	-	-	-
Charges for Services	412	2,271	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	621	-
Sales	-	-	1,100,396
Loan Interest Income	82,877	16,316	-
Gifts, Grants, and Contracts	-	-	-
Other	42	365	579
Gain (Loss) on Foreclosed Property	51	35	-
Total Operating Revenues	85,802	19,732	1,100,975
Operating Expenses:			
Salaries and Wages	5,126	5,774	37,331
Services and Supplies	8,091	5,072	256,515
Cost of Goods Sold	-	-	-
Distributions to Other Governments	519	-	-
Loan Interest Expense	57	50	-
Special Payments	850	-	205,520
Bond and COP Interest	75,928	15,702	-
Other Debt Service	394	134	-
Depreciation and Amortization	1	113	37,080
Bad Debt Expense	194	-	-
Total Operating Expenses	91,160	26,845	536,446
Operating Income (Loss)	(5,358)	(7,113)	564,529
Nonoperating Revenues (Expenses):			
Bond and COP Interest	-	-	-
Investment Income (Loss)	13,333	4,674	12,676
Other Taxes	-	-	-
Other Nonoperating Items	(839)	(1,270)	(809)
Gain (Loss) on Disposition of Assets	-	(8)	(1,767)
Insurance Recoveries	-	-	62
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	12,494	3,396	10,162
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	7,136	(3,717)	574,691
Capital Contributions	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(794)	(416)	(600,718)
Change in Net Assets	6,342	(4,133)	(26,027)
Net Assets - Beginning	187,025	136,812	210,070
Prior Period Adjustments	-	-	-
Net Assets - Beginning - As Restated	187,025	136,812	210,070
Net Assets - Ending	$ 193,367	$ 132,679	$ 184,043

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ 616,181	$ -	$ -	$ 616,181	$ -
-	-	4,234	6,778	-
465,983	349,068	3,921	818,972	-
-	542,276	79,589	624,548	321,414
3,198	-	551	3,749	-
-	-	42	663	42,580
-	349,019	433,345	1,882,760	10,806
-	-	29,303	128,496	-
-	104,353	-	104,353	-
51,934	22,939	4,457	80,316	85,936
-	-	-	86	-
1,137,296	1,367,655	555,442	4,266,902	460,736
-	1,229,018	206,662	1,483,911	129,093
-	465,293	109,954	844,925	223,499
-	-	219,597	219,597	21,368
-	-	51,796	52,315	1,079
-	-	-	107	-
1,876,723	103,867	391	2,187,351	73
-	-	15,215	106,845	8,415
-	-	369	897	165
-	90,938	3,812	131,944	37,541
-	-	10,305	10,499	-
1,876,723	1,889,116	618,101	5,038,391	421,233
(739,427)	(521,461)	(62,659)	(771,489)	39,503
-	(64,508)	-	(64,508)	-
101,047	5,331	3,996	141,057	4,661
-	-	16,340	16,340	-
(8,967)	88,637	(248)	76,504	(837)
-	2,968	(16)	1,177	(1,803)
-	1,026	13	1,101	204
-	-	-	-	44
-	-	-	-	(18)
92,080	33,454	20,085	171,671	2,251
(647,347)	(488,007)	(42,574)	(599,818)	41,754
-	87,425	5,544	92,969	144
5,715	436,530	213,492	655,737	9,394
(42,236)	(26,898)	(147,882)	(818,944)	(37,568)
(683,868)	9,050	28,580	(670,056)	13,724
2,320,050	1,216,274	569,620	4,639,851	204,273
(1,467)	-	(1,865)	(3,332)	2,647
2,318,583	1,216,274	567,755	4,636,519	206,920
$ 1,634,715	$ 1,225,324	$ 596,335	$ 3,966,463	$ 220,644

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.	4,357
Change in net assets of business-type activities	$ (665,699)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
Cash Flows from Operating Activities:			
Receipts from Customers	$ 3,053	$ 1,970	$ 1,103,426
Receipts from Other Funds for Services	-	1,466	-
Loan Principal Repayments	103,202	45,178	-
Loan Interest Received	82,346	19,220	-
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(4,940)	(5,739)	(36,875)
Payments to Suppliers	(7,664)	(3,039)	(254,179)
Payments to Other Funds for Services	-	(965)	-
Payments to Prize Winners	-	-	(202,794)
Claims Paid	-	-	-
Loans Made	(140,939)	(35,294)	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(288)	94	862
Net Cash Provided (Used) in Operating Activities	34,770	22,891	610,440
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	92,710	-	-
Loan Proceeds	-	10,000	-
Principal Payments on Bonds/COPS	(194,231)	(45,476)	-
Principal Payments on Loans	-	(11,000)	-
Interest Payments on Bonds/COPS	(76,637)	(17,598)	-
Interest Payments on Loans	(59)	(50)	-
Bond/COP Issuance Costs	(861)	(1,173)	-
Taxes and Assessments Received	-	-	-
Other Nonoperating Receipts (Payments)	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(794)	(416)	(636,435)
Net Cash Provided (Used) in Noncapital Financing Activities	(179,872)	(65,713)	(636,435)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Bond/COP Issuance Costs	-	-	-
Principal Payments on Advances	-	-	-
Interest Payments on Advances	-	-	-
Loan Proceeds	-	-	-
Interest Payments on Loans	-	-	-
Acquisition of Capital Assets	-	-	(25,975)
Proceeds from Disposition of Capital Assets	-	-	1,002
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	(24,973)
Cash Flows from Investing Activities:			
Purchases of Investments	(410,856)	(35,200)	(7,955)
Proceeds from Sales and Maturities of Investments	577,845	79,879	14,047
Interest on Investments and Cash Balances	8,614	12,895	4,637
Interest Income from Securities Lending	1,277	1,935	1,460
Interest Expense from Securities Lending	(839)	(1,270)	(809)
Net Cash Provided (Used) in Investing Activities	176,041	58,239	11,380
Net Increase (Decrease) in Cash and Cash Equivalents	30,939	15,417	(39,588)
Cash and Cash Equivalents - Beginning	68,497	466,851	269,728
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 99,436	$ 482,268	$ 230,140

Business-type Activities - Enterprise Funds: Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ -	$ 1,352,806	$ 526,644	$ 2,987,899	$ 67,555
-	-	177	1,643	293,259
-	13,105	58,535	220,020	-
-	-	27,379	128,945	-
592,295	-	-	592,295	-
-	(1,220,980)	(211,948)	(1,480,482)	(137,897)
-	(438,608)	(323,353)	(1,026,843)	(201,978)
-	-	(5,453)	(6,418)	(36,668)
-	-	-	(202,794)	-
(1,872,633)	-	-	(1,872,633)	(14,941)
-	(99,939)	(94,930)	(371,102)	-
-	-	(54,840)	(54,840)	(1,152)
513,635	5,497	103	519,903	82,117
(766,703)	(388,119)	(77,686)	(564,407)	50,295
-	-	49,139	141,849	-
-	-	-	10,000	-
-	-	(44,298)	(284,005)	-
-	-	-	(11,000)	-
-	-	(15,464)	(109,699)	-
-	-	-	(109)	-
-	-	(252)	(2,286)	-
-	-	16,238	16,238	-
-	148,903	13	148,916	206
8,642	442,188	224,210	675,040	17,635
(44,998)	-	(138,782)	(821,425)	(39,795)
(36,356)	591,091	90,804	(236,481)	(21,954)
-	243,010	-	243,010	8,195
-	(56,921)	(1,141)	(58,062)	(28,300)
-	(69,272)	(395)	(69,667)	(9,114)
-	-	-	-	(335)
-	-	-	-	(30)
-	-	-	-	22
-	-	-	-	4,500
-	-	-	-	(18)
-	(302,530)	(2,167)	(330,672)	(25,598)
-	21,126	13	22,141	770
-	(164,587)	(3,690)	(193,250)	(49,908)
-	-	(8,289)	(462,300)	(44,153)
-	174	2,416	674,361	50,939
87,472	18,909	3,569	136,096	5,393
13,659	1,785	379	20,495	1,258
(8,967)	(1,163)	(248)	(13,296)	(836)
92,164	19,705	(2,173)	355,356	12,601
(710,895)	58,090	7,255	(638,782)	(8,966)
2,135,570	815,948	222,360	3,978,954	59,026
-	-	(4,983)	(4,983)	2,113
$ 1,424,675	$ 874,038	$ 224,632	$ 3,335,189	$ 52,173

(continued on next page)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(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)	$ (5,358)	$ (7,113)	$ 564,529
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	1	113	37,080
Amortization of Bond/COP Issuance Costs	876	-	-
Amortization of Bond/COP Premium and Discount	(547)	56	-
Amortization of Deferred Charges	(265)	134	-
Bad Debt Expense	194	-	-
Interest Payments Reported as Operating Expense	76,314	17,647	-
Bond/COP Issuance Costs Reported as Operating Expense	-	1,173	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	(392)	206	2,878
Due from Other Funds	-	(9)	-
Due from Other Governments	-	-	-
Inventories	-	-	352
Prepaid Items	-	11	(29)
Foreclosed and Deeded Property	(1,010)	(582)	-
Deferred Charges	-	-	-
Advances to Other Funds	-	-	-
Loans Receivable	(35,178)	10,442	-
Net Contracts, Notes, and Other Receivables	-	-	-
Accounts and Interest Payable	(165)	778	1,686
Due to Other Funds	-	-	-
Due to Other Governments	75	-	-
Custodial Liabilities	-	-	204
Unearned Revenue	79	-	558
Claims and Judgments Payable	-	-	-
Contracts, Mortgages, and Notes Payable	-	-	-
Compensated Absences Payable	123	5	268
Lottery Prize Awards Payable	-	-	2,726
Net OPEB Obligation	23	30	188
Total Adjustments	40,128	30,004	45,911
Net Cash Provided (Used) by Operating Activities	$ 34,770	$ 22,891	$ 610,440
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ 2,106	$ (9,637)	$ 6,579
Capital Assets Transferred from Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Capital Assets Transferred to Governmental Funds	-	-	-
Capital Assets Contributed	-	-	-
Foreclosed Property	5,594	592	-
Loan Modifications	88	-	-
Total Noncash Investing and Capital and Related Financing Activities	$ 7,788	$ (9,045)	$ 6,579

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ (739,427)	$ (521,461)	$ (62,659)	$ (771,489)	$ 39,503
-	90,938	3,812	131,944	37,541
-	-	344	1,220	84
-	-	(86)	(577)	(814)
-	-	114	(17)	242
-	-	10,305	10,499	-
-	-	15,690	109,651	9,114
-	-	51	1,224	335
(29,135)	(26,191)	(1,656)	(54,290)	(146)
-	-	321	312	1,961
(67)	-	-	(67)	-
-	(79)	2,193	2,466	312
-	(1,446)	71	(1,393)	290
-	-	-	(1,592)	-
-	-	(7)	(7)	(70)
-	-	(8,230)	(8,230)	-
-	-	(29,751)	(54,487)	-
(2,166)	10,845	(131)	8,548	614
-	31,768	(9,888)	24,179	(10,477)
-	-	1,201	1,201	(801)
4,092	-	(195)	3,972	-
-	33	(749)	(512)	897
-	20,369	(30)	20,976	(27,004)
-	-	-	-	(2,668)
-	7,105	-	7,105	(97)
-	-	532	928	871
-	-	-	2,726	-
-	-	1,062	1,303	608
(27,276)	133,342	(15,027)	207,082	10,792
$ (766,703)	$ (388,119)	$ (77,686)	$ (564,407)	$ 50,295
$ -	$ (14,251)	$ 5	$ (15,198)	$ (2,063)
-	-	5,544	5,544	144
-	290	-	290	-
-	-	-	-	(1)
-	3,380	-	3,380	-
-	-	-	6,186	-
-	-	-	88	-
$ -	$ (10,581)	$ 5,549	$ 290	$ (1,920)

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	$ 1,331,388	$ 27,475	$ 3,881,988	$ -
Investments:				
Fixed Income	14,241,426	360	-	-
Equity	17,443,513	748	-	-
Real Estate	4,793,460	-	-	-
Alternative Equity	8,148,658	-	-	-
Opportunity Portfolio	959,637	-	-	-
Total Investments	45,586,694	1,108	-	-
Restricted Cash and Investments	-	-	-	1,727,630
Securities Lending Collateral	4,600,950	12,577	1,502,660	-
Receivables:				
Employer Contributions	26,124	-	-	-
Plan Member Contributions	14,969	-	-	-
Interest and Dividends	274,687	-	10,012	-
Member Loans	5,079	-	-	-
Investment Sales	579,687	-	-	-
Accounts	-	1,078	-	7,066
From Other Funds	1,465	6	-	-
Total Receivables	902,011	1,084	10,012	7,066
Prepaid Items	12,291	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	94,750
Conservatorship and Custodial Assets	-	4,409	-	43
Receivership Assets	-	-	-	67,278
Loans Receivable	-	-	68,405	-
Capital Assets (net of accumulated depreciation):				
Land	944	14	-	-
Buildings, Property, and Equipment	9,856	-	-	-
Total Assets	52,444,134	46,667	5,463,065	1,896,767
LIABILITIES				
Accounts and Interest Payable	1,610,703	117	3,523	455
Obligations Under Securities Lending	4,600,950	12,577	1,502,660	-
Obligations Under Reverse Repurchase Agreements	110,001	-	-	-
Due to Other Funds	1,465	784	-	-
Due to Other Governments	-	11	-	4,569
Bonds/COPS Payable	4,578	-	-	-
Trust Funds Payable	95,181	1,643	-	-
Custodial Liabilities	-	-	-	1,891,743
Deferred Revenue	797	-	-	-
Contracts, Mortgages, and Notes Payable	-	2,091	-	-
Net OPEB Obligation	284	-	-	-
Total Liabilities	6,423,959	17,223	1,506,183	1,896,767
NET ASSETS				
Held in Trust for:				
Pension Benefits	45,013,918	-	-	-
Other Postemployment Benefits	190,765	-	-	-
Other Employee Benefits	815,492	-	-	-
External Investment Pool Participants	-	-	3,956,882	-
Individuals, Organizations, and Other Governments	-	29,444	-	-
Total Net Assets	$ 46,020,175	$ 29,444	$ 3,956,882	$ -

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	$ 680,523	$ -	$ -
Plan Members	686,499	-	-
Total Contributions	1,367,022	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(14,727,129)	-	-
Interest, Dividends, and Other Investment Income	1,455,380	609	92,768
Total Investment Income	(13,271,749)	609	92,768
Less Investment Expense	381,774	47	20,080
Net Investment Income	(13,653,523)	562	72,688
Gifts, Grants, and Contracts	-	2,169	-
Income of Individuals in State Care	-	3,431	-
Veterans' Income	-	7,386	-
Other Income	1,508	602	-
Share Transactions:			
Participant Contributions	-	-	20,726,501
Participant Withdrawals	-	-	20,795,792
Net Share Transactions	-	-	(69,291)
Transfers from Other Funds	-	639	-
Total Additions	(12,284,993)	14,789	3,397
DEDUCTIONS			
Pension Benefits	2,838,840	-	-
Death Benefits	913	-	-
Contributions Refunded	36,549	-	-
Healthcare Premium Subsidies	30,188	-	-
Distributions to Other Governments	-	115	-
Distributions to Participants	-	-	93,950
Retiree Healthcare Expenses	113,075	-	-
Deferred Compensation Benefits	38,858	-	-
Administrative Expenses	46,107	7,884	-
Payments in Accordance with Trust Agreements	-	7,168	-
Total Deductions	3,104,530	15,167	93,950
Change in Net Assets Held in Trust for:			
Pension Benefits	(15,220,643)	-	-
Other Postemployment Benefits	(54,303)	-	-
Other Employee Benefits	(114,577)	-	-
External Investment Pool Participants	-	-	(90,553)
Individuals, Organizations, and Other Governments	-	(378)	-
Net Assets			
Net Assets - Beginning	61,409,698	32,167	4,047,435
Prior Period Adjustments	-	(2,345)	-
Net Assets - Beginning - As Restated	61,409,698	29,822	4,047,435
Net Assets - Ending	$ 46,020,175	$ 29,444	$ 3,956,882

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

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Combining Balance Sheet
Discretely Presented Component Units
June 30, 2009
(In Thousands)

	SAIF Corporation	Oregon Health and Science University	Oregon University System Foundations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 39,478	$ 103,672	$ 58,336	$ 201,486
Investments	3,398,861	11,255	-	3,410,116
Securities Lending Collateral	439,181	-	-	439,181
Accounts and Interest Receivable (net)	371,013	249,032	-	620,045
Pledges, Contributions, and Grants Receivable (net)	-	19,945	237,068	257,013
Due from Primary Government	120	14,656	-	14,776
Inventories	69	13,689	-	13,758
Prepaid Items	8,285	11,940	37,451	57,676
Total Current Assets	4,257,007	424,189	332,855	5,014,051
Noncurrent Assets:				
Investments	-	418,997	-	418,997
Investments - Restricted	-	403,127	924,588	1,327,715
Deferred Charges	-	12,059	-	12,059
Pledges, Contributions, and Grants Receivable (net)	-	100,955	-	100,955
Capital Assets:				
Land	3,029	59,200	-	62,229
Buildings, Property, and Equipment	45,237	1,948,544	60,652	2,054,433
Construction in Progress	-	51,716	-	51,716
Less Accumulated Depreciation and Amortization	(28,921)	(814,255)	(10,647)	(853,823)
Total Noncurrent Assets	19,345	2,180,343	974,593	3,174,281
Total Assets	$ 4,276,352	$ 2,604,532	$ 1,307,448	$ 8,188,332
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts and Interest Payable	$ 39,714	$ 120,934	$ 11,321	$ 171,969
Reserve for Loss and Loss Adjustment Expense	209,139	-	-	209,139
Obligations Under Securities Lending	465,208	-	-	465,208
Due to Other Governments	3,256	5,130	-	8,386
Due to Primary Government	12,380	2,238	7,350	21,968
Obligations Under Capital Lease	-	2,042	-	2,042
Bonds/COPS Payable	-	5,867	-	5,867
Claims and Judgments Payable	-	17,285	-	17,285
Custodial Liabilities	-	-	10,889	10,889
Unearned Revenue	246,569	36,855	-	283,424
Compensated Absences Payable	3,112	45,062	-	48,174
Contracts, Mortgages, and Notes Payable	-	1,690	-	1,690
Total Current Liabilities	979,378	237,103	29,560	1,246,041
Noncurrent Liabilities:				
Bonds/COPS Payable	-	657,613	60,399	718,012
Obligations Under Capital Lease	-	6,890	-	6,890
Obligations Under Life Income Agreements	-	17,007	63,940	80,947
Obligations to Primary Government	-	1,965	-	1,965
Advances from Primary Government	-	23,306	-	23,306
Reserve for Loss and Loss Adjustment Expense	2,702,170	-	-	2,702,170
Claims and Judgments Payable	-	48,262	-	48,262
Net OPEB Obligation	472	2,915	-	3,387
Contracts, Mortgages, and Notes Payable	-	39,009	-	39,009
Total Noncurrent Liabilities	2,702,642	796,967	124,339	3,623,948
Total Liabilities	3,682,020	1,034,070	153,899	4,869,989
Net Assets:				
Invested in Capital Assets, Net of Related Debt	19,345	576,208	-	595,553
Expendable Restricted Net Assets:				
Restricted for Workers' Compensation	574,987	-	-	574,987
Restricted for Education	-	332,885	544,844	877,729
Nonexpendable Restricted Net Assets:				
Restricted for Donor Purposes	-	-	632,738	632,738
Restricted for Education	-	127,160	-	127,160
Unrestricted	-	534,209	(24,033)	510,176
Total Net Assets	594,332	1,570,462	1,153,549	3,318,343
Total Liabilities and Net Assets	$ 4,276,352	$ 2,604,532	$ 1,307,448	$ 8,188,332

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

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Units
For the Year Ended June 30, 2009
(In Thousands)

	SAIF Corporation	Oregon Health and Science University	Oregon University System Foundations
Operating Revenues:			
Charges for Services	$ -	$ 1,135,976	$ -
Sales	-	28,488	-
Premiums Earned (net)	416,016	-	-
Investment Income (net)	-	-	(190,465)
Gifts, Grants, and Contracts	-	562,635	160,710
Auxiliary Enterprises (net)	-	14,585	-
Other Revenues	23,553	44,301	17,937
Total Operating Revenues	439,569	1,785,985	(11,818)
Operating Expenses:			
Salaries and Wages	-	940,950	-
Services and Supplies	-	536,483	209,169
Loss and Loss Adjustment Expense	436,079	-	-
Underwriting Expenses	89,459	-	-
Bond and COP Interest	-	32,279	-
Depreciation and Amortization	1,494	93,305	-
Bad Debt Expense	-	48,306	-
Other Expenses	806	-	9,994
Total Operating Expenses	527,838	1,651,323	219,163
Operating Income (Loss)	(88,269)	134,662	(230,981)
Nonoperating Revenues (Expenses):			
Investment Income	(242,496)	(82,251)	-
Other	-	(2,733)	-
State Appropriations	-	39,422	-
Total Nonoperating Revenues (Expenses)	(242,496)	(45,562)	-
Income (Loss) Before Capital Contributions and Transfers	(330,765)	89,100	(230,981)
Capital Contributions	-	7,841	-
Change in Net Assets	(330,765)	96,941	(230,981)
Net Assets - Beginning	925,097	1,473,521	1,384,530
Net Assets - Ending	$ 594,332	$ 1,570,462	$ 1,153,549

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

Total	Adjustments to Recast	Statement of Activities
$ 1,135,976	$ 544,880	$ 1,680,856
28,488	(28,488)	-
416,016	(416,016)	-
(190,465)	190,465	-
723,345	(475,790)	247,555
14,585	(14,585)	-
85,791	(85,791)	-
2,213,736	(285,325)	1,928,411
940,950	-	940,950
745,652	-	745,652
436,079	-	436,079
89,459	-	89,459
32,279	-	32,279
94,799	-	94,799
48,306	-	48,306
10,800	2,733	13,533
2,398,324	2,733	2,401,057
(184,588)	(288,058)	(472,646)
(324,747)	324,747	-
(2,733)	2,733	-
39,422	(39,422)	-
(288,058)	288,058	-
(472,646)	-	(472,646)
7,841	-	7,841
(464,805)	-	(464,805)
3,783,148	-	3,783,148
$ 3,318,343	$ -	$ 3,318,343

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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, which includes all agencies, boards, commissions, courts, and colleges and universities that are legally part of the State (primary government) and its component units. Component units are legally separate entities for which a 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.

Blended Component Unit

Although legally separate entities, component units that are in substance part of the government's operations are reported as part of the primary government through a blended presentation.

The Home Care Commission (Commission) is a blended component unit of the State of Oregon included within the financial activity of the Department of Human Services. The Commission is an independent public commission consisting of nine members appointed by the Governor and confirmed by the Senate. It is responsible for ensuring the quality of home care services that the Department of Human Services provides for seniors and people with disabilities. The Commission establishes qualifications of home care workers and provides them training opportunities, maintains a statewide registry of home care workers, and provides referrals to the elderly and disabled who need services.

Discretely Presented Component Units

The State reports its discretely presented component units in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State. The component unit column in the government-wide financial statements includes the data of the State's three 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 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, 2008, financial information of SAIF is included in this report.

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. It is an academic health center that provides education and training to health care 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. The State legislature has acknowledged its intent to make funds available to pay any shortfall in general obligation bonds issued for OHSU purposes prior to July 1, 1995, when OHSU became an independent public corporation. OHSU uses proprietary fund accounting principles.

The Oregon University System (OUS) Foundations are not-for-profit corporations that provide assistance in fundraising, public outreach, and other support for the missions of Oregon's seven public universities. The OUS foundations report under Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. The OUS foundations are component units of the Oregon University System, a proprietary fund of the State, because the majority of resources that each foundation holds and invests can only be used by, or for the benefit of, the OUS universities. Combined, the foundations are discretely presented as a component unit of the State.

Readers may obtain complete financial statements for SAIF, OHSU, and OUS from their respective administrative offices or from the State Controller's Division, 155 Cottage Street NE U50, 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. The State has no financial accountability for these related organizations.

The Oregon Utility Notification Center (OUNC) is an independent nonprofit public corporation. Although the Governor appoints members to OUNC's board of directors, OUNC is funded through fees paid by operators of underground utilities who subscribe to OUNC. The OUNC receives no general fund moneys, and the State has no financial accountability for OUNC.

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be 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 to be 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 are considered to be measurable and available only when cash is received; for example, license and fee revenue, the principal portion of loan repayments, and cash sales of goods and services.

Expenditures generally are 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:

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.

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

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

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

The *Educational Support Fund* accounts for programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood into postgraduate research, not including activities accounted for in the Common School Fund. The principal funding sources for these programs come from federal grants 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. Assets of the fund, including investment income, are dedicated through statutory, as well as constitutional provisions, to be used for common school purposes. Constitutionally dedicated assets of the Common School Fund represent a trust created to support the State's public school system. The primary funding sources for these programs include investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.

The *Oregon Rainy Day Fund* accounts for resources that have been transferred from the General Fund in accordance with state law. These resources, along with investment income generated, can be appropriated by the Legislature only when certain criteria related to economic or revenue conditions have been met.

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

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

Additionally, the State reports the following fund types:

The *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. These 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 are also accounted for in internal service funds.

The *Pension and Other Employee Benefit Trust Funds* account for activities of the Public Employees Retirement System, 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 Funds* account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds, investment trust funds or special revenue funds, under which principal and income benefit individuals, private organizations, or other governments.

The *Investment Trust Fund* accounts for the portion of the Oregon Short-term Fund (OSTF) belonging to local governments. The OSTF is a cash and investment pool, managed by the Office of the State Treasurer, which 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 *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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of, the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds. However, neither the primary government, nor its component units, currently applies private sector guidance issued after November 30, 1989, except for those standards limited to not-for-profit organizations.

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. The primary operating revenues for the State's enterprise funds and internal service funds include assessments, charges for services, sales revenue, and grants. The primary operating expenses for enterprise funds and internal service funds include salaries and wages, services and supplies, and special payments. Bond costs, including bond interest expense, are reported as operating transactions within those funds for which lending is the primary activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Deposits and Investments

<u>Deposits</u>

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 Office of the State Treasurer in the Oregon Short-term Fund, cash deposits held in demand deposit accounts with custodial banks, and cash deposits of debt proceeds in investment funds held by a trustee.

<u>Investments</u>

Investments are reported at fair value, except for the following investments which are reported using cost-based measures:

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.
- Investments in the Oregon Short-term Fund with remaining maturities of up to ninety days. These investments are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet and statement of net assets, 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 custodial agent using nationally recognized pricing services. The custodial agent values equity securities at the last reported sales price and debt securities using evaluated bid prices. The fair value of real estate investment trust (REIT) securities and 64 percent of the Opportunity Portfolio investments, both of which are traded in active markets, is determined using recognized pricing services. (The Opportunity Portfolio is an investment portfolio within the Oregon Public Employees Retirement Fund that utilizes innovative investment approaches across a wide range of investment opportunities.) For securities that do not have an active market, such as private placements or commingled investment vehicles, the custodial agent or investment manager uses a similar benchmark security to estimate fair value. The benchmark used to value a debt security, for example, typically has a coupon rate and maturity date comparable to the debt security being valued, as well as similar market risk.

Investments in private equities and 36 percent of the Opportunity Portfolio investments are valued at estimated fair value based on good faith determinations of the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. The general partner's estimate of fair value is based on the best information available and is determined by reference 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 any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to estimate 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, which relies on the discounted cash flow method. Investments in private equities representing publicly traded securities are stated at quoted market prices.

Direct investments in real estate are appraised every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate for which observable market prices in active markets do not exist are reported at fair value as determined in good faith by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. The general partner determines fair value using the valuation methodology most appropriate for the type of investment. Consideration is given to a range of factors, 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.

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

Derivatives

In accordance with State investment policies, the Office of the State Treasurer invests either directly or through outside investment managers on behalf of the State in contracts that have derivative characteristics. Derivatives are used to manage the overall risk of investment portfolios.

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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 equally offset by a reservation of fund balance since they are not available for appropriation. In proprietary funds, inventories are expended when consumed rather than when purchased. OHSU records inventories at the lower of cost or market, with the majority accounted for under the first-in-first-out method.

H. Prepaid Items. Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

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 balance sheet or statement of net assets because these resources are segregated and their use is limited by applicable bond covenants or COP financing agreements. Generally, this includes cash and investments set aside for current and future debt service payments.

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 fair market value.

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

L. Capital Assets. Capital assets, which include property, equipment, and infrastructure assets (i.e., highways, tunnels, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of $5,000 or more and an estimated useful life of more than one year. Such assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to fiscal years ended after June 30, 1980 is reported. The costs of normal maintenance and repairs that do not add to the value of assets or significantly extend asset lives are expensed rather than capitalized.

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

Capital assets of the primary government, as well as its component units, are depreciated over their estimated useful lives using the straight-line method, unless they are considered inexhaustible. Useful lives for buildings and related assets range from 10 to 75 years, while useful lives of equipment and machinery range from 3 to 50 years. For infrastructure assets, useful lives range from 5 to 75 years, with docks, dikes and dams having useful lives between 30 to 50 years. Useful lives for 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 assets, 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 balance sheet. Bond or certificate of participation (COP) premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the debt using the effective interest method or the bonds outstanding method. Bonds/COP payable is reported net of the applicable bond/COP premium or discount. Bond/COP issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 debt service expenditures.

O. Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. No portion of the unreserved fund balance in the accompanying financial statements has been designated.

In the government-wide statement of net assets and the proprietary fund balance sheet, fund equity (referred to as net assets) is reported in three components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Restricted net assets result from restrictions imposed on a portion of net assets 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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available for use, the individual state agencies decide whether to use restricted resources first, then unrestricted resources as they are needed, or to use unrestricted resources first, then restricted resources.

P. Changes in Accounting Principles. For the fiscal year ended June 30, 2009, the State adopted two new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* establishes accounting and financial reporting standards for pollution remediation obligations. These obligations address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of this accounting standard excludes pollution *prevention* or *control* obligations. Implementation of this standard resulted in recognition of current and noncurrent liabilities totaling $14.4 million at June 30, 2009. Additional information about the nature and sources of the reported remediation obligations and the methods and assumptions used to estimate the obligations is disclosed in Note 10 and Note 22.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, requires that land and other real estate held as investments by endowments be reported at fair market value. Endowments include permanent and term endowments, and permanent funds. The standard does not apply to lands granted by the federal government in connection with a state being admitted to the United States or to quasi-endowments. Implementation of this accounting standard had no material effect on the State's financial statements.

Q. Pending Accounting Changes**.** GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies between state and local governments and to enhance comparability of the accounting and financial reporting of such assets. This Statement provides guidance specific to the recognition, initial measurement, and amortization of intangible assets. Statement No. 51 is effective in fiscal year 2010. The State is currently evaluating the impact of this standard on the financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, establishes criteria for the measurement, recognition, and disclosure of information regarding derivative instruments entered into by state and local governments. Statement No. 53 is effective in fiscal year 2010. The State is currently evaluating the impact of this standard on the financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting standards for all governments that report governmental funds. The Statement provides more clearly defined categories for classifying fund balance to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies existing governmental fund type definitions to improve the comparability, usefulness, and understandability of governmental fund balance information. Statement No. 54 is effective in fiscal year 2011. The State is currently evaluating the impact of this standard on the financial statements.

2. DEPOSITS AND INVESTMENTS

The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit with the Office of the State Treasurer (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 and fixed-income investments and also has the authority to direct equity investment transactions, although these transactions are currently directed by external investment managers under contract with the Council. Furthermore, equity investments are limited to not more than 50 percent of the moneys contributed to the Oregon Public Employees Retirement Fund (OPERF) and the Industrial Accident Fund (SAIF Corporation), and not more than 65 percent of the other trust and endowment funds managed by the Council or the Treasury. The Deferred Compensation Fund, the Education Stability Fund, the State Board of Higher Education, and the Oregon Health and Science University (OHSU) may also invest in equities.

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 the 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 Office of the State Treasurer, Finance Division,350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:
http://www.ost.state.or.us/divisions/investment/index.htm#fund.

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 bank failure, the State's deposits may not be recovered, or the State will not be able to recover 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. Bank 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 bank 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 PFCP is an application created by the Treasury to facilitate bank depository, custodian, and public official compliance with ORS Chapter 295. Under the PFCP, banks are required to report quarterly to the Treasury, providing quarter-end public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. Banks are also required to report their net worth and FDIC capitalization information. The FDIC assigns each bank a capitalization category quarterly: well capitalized, adequately capitalized or undercapitalized. Based on this information, the bank's minimum collateral (maximum liability) pledged with the custodian is calculated for the next quarter. The maximum liability is reported to the bank, the Treasury, and the custodian.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10 percent of the bank's quarter-end public fund deposits if the bank is well capitalized, 25 percent if the bank is adequately capitalized, or 110 percent if the bank is undercapitalized or assigned to pledge 110 percent by Treasury.

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

1. A bank may not accept public fund deposits from one depositor in excess of the bank's net worth. If the bank has a drop in net worth that takes it out of compliance, the bank is required to post 100 percent collateral on any amount the depositor has in excess of the bank's net worth while working to eliminate that excess.

2. A bank may not hold aggregate public funds in excess of a percentage of the bank's net worth based on its capitalization category (100 percent for undercapitalized, 150 percent for adequately capitalized, 200 percent for well capitalized) unless approved, for a period of 90 days or less, by the Treasury.

3. A bank may only hold in excess of 30 percent of all aggregate public funds reported by all banks holding Oregon public funds if the excess is collateralized at 100 percent.

All deposits in the OSTF at June 30, 2009, are with financial institutions participating in the FDIC's Transaction Account Guarantee Program. Under that program, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. Consequently, the entire bank balance of the OSTF was fully insured.

As of June 30, 2009, $128.5 million in other bank balances of the primary government and its discretely presented component units were exposed to custodial credit risk (in thousands):

	Primary Government	Discretely Presented Component Units	Total
Uninsured and uncollateralized	$ 109,465	$ 4,550	$ 114,015
Uninsured and collateralized by the pledging bank's trust department, but not in the State's name	14,445	-	14,445
Total	$ 123,910	$ 4,550	$ 128,460

Included in these deposits are $71.9 million in uninsured and uncollateralized deposits held by pension plan investment managers. These deposits were backed by the full faith and credit of the custodian banks.

Custodial Credit Risk for Investments

Custodial credit risk for investments of the primary government 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. No investment holdings of SAIF Corporation or Oregon Health and Science University were exposed to custodial credit risk. For the primary government as of June 30, 2009, $14.7 million in U.S. agency securities were exposed to custodial credit risk because the securities were held by a custodial agent and were not registered in the State's name nor insured.

B. Investments – Primary Government (Excluding the OPERF)

Investments of the primary government (excluding the OPERF) held by the Treasurer require the exercise of prudent and reasonable care in the context of a fund's investment portfolio and as part of an overall investment strategy. The Treasurer is required to diversify investments unless it is not prudent to do so. In addition, the Treasurer must exercise reasonable care to incorporate risk and return objectives reasonably suitable to the particular investment fund. Each Treasury fund has a policy and procedure that addresses objectives and strategies. For investments held outside of the Treasury, statutes govern the placement of funds with outside parties as part of trust agreements or mandatory asset holdings by regulatory agencies.

Interest Rate Risk

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

For variable-rate securities, the next interest-rate reset date is used instead of the maturity date.

Interest rate risk information for investments of the primary government (excluding the OPERF) using the segmented time distribution method as of June 30, 2009 (in thousands):

Schedule of Interest Rate Risk

	Investment Maturities (in years)				
Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Fair Value
U.S. Treasury securities	$ 46,289	$ 183,981	$ 99,709	$ 61,620	$ 391,599
U.S. Treasury strips	6,969	27,332	19,738	24,464	78,503
U.S. Agency securities	3,534,739	1,351,432	23,713	69,575	4,979,459
U.S. Agency strips	7,434	20,918	8,996	1,567	38,915
U.S. Agency mortgage securities	7,427	-	-	14,822	22,249
International debt securities	41	1,580	2,307	1,906	5,834
Bank notes	96,139	-	-	-	96,139
Commercial paper	1,687,419	-	-	-	1,687,419
Corporate bonds	2,791,654	266,818	22,138	10,841	3,091,451
Municipal bonds	36,103	202,556	297,965	661,961	1,198,585
Collateralized mortgage obligations	11,316	435	72	1,278	13,101
Asset-backed securities	3,016	46	-	981	4,043
Time certificates of deposit	103,764	730	-	-	104,494
Short-term investment fund	15,407	-	-	-	15,407
Money market fund	1,033	-	-	-	1,033
Temporary liquidity guarantee	971,239	143,174	-	-	1,114,413
Guaranteed investment contracts	56,760	44,249	4,825	13,096	118,930
Mutual funds - domestic fixed income	-	138,416	-	-	138,416
Mutual funds - international fixed income	-	-	3,098	-	3,098
Total	$ 9,376,749	$ 2,381,667	$ 482,561	$ 862,111	$ 13,103,088

Included in the schedule above are fixed-income mutual funds reported using the duration method instead of average maturity: domestic, $138.4 million, and international, $3.1 million. In addition, the schedule includes $4.4 billion in interest-rate sensitive securities. The terms and relevant indexes of these interest-rate sensitive securities include the following: 81.7 percent and 6.6 percent are indexed to the three-month and one-month London Interbank Offered Rate (LIBOR), respectively. Another 7.4 percent of these securities had variable interest rates during fiscal year 2009 but will convert to fixed interest rates in 2010. The remaining securities use different indexes or contain other interest-rate sensitive features.

<u>Credit Risk</u>

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.

Credit quality ratings of investments in debt securities of the primary government (excluding the OPERF) as of June 30, 2009 (in thousands):

Credit Quality Ratings (S&P)	Fair Value
AAA	$ 6,192,134
AA	3,691,486
A	2,059,261
BBB	136,465
BB	5,564
B	12,388
CCC	2,408
CC and below	145
Not rated	349,094
Total	$ 12,448,945

Concentration of Credit Risk

Investment policies for fixed-income investments under the management of the Treasurer generally limit investments in a single issuer to 5 percent of the portfolio, with the exception of securities of the U.S. government and U.S. agencies. For investments not under the management of the Treasurer, there are no formal policies on concentration of credit risk. At June 30, 2009, there were three issuers that exceeded 5 percent of the primary government's holdings: $1.5 billion (11.1 percent) in Federal Home Loan Bank (FHLB); $1.2 billion (8.9 percent) in Federal Home Loan Mortgage Corporation (FHLMC); and $1.2 billion (8.8 percent) in Federal National Mortgage Association (FNMA).

The Oregon Housing and Community Services Department also carried concentration of credit risk with 39 percent of the department's total investments in FHLB, 24 percent in FHLMC, 18.2 percent in FNMA, and 7.9 percent in Maryland Community Development Authority.

Total investments for the Oregon Department of Veterans' Affairs included 14.2 percent in Merrill Lynch, 11.3 percent in General Electric Cap Corp (Temporary Liquidity Guarantee Program (TLGP)/FDIC guarantee), 11.3 percent in FNMA, 11.2 percent in JP Morgan Chase, and 11.2 percent in Bear Stearns.

The Oregon State Lottery's investments included 34.8 percent in the Resolution Funding Corporation (RFC), a U.S. government agency. The U.S. government does not explicitly guarantee these investments.

Within the major governmental funds, both the Health and Social Services Fund and the Environmental Management Fund were 100 percent invested in nonparticipating guaranteed investment contracts (GICs) with Natixis Funding Corporation. The Public Transportation Fund's investments included 8.9 percent in FHLB, 8.4 percent in FNMA, 5.3 percent in Bear Stearns, and 5 percent in General Electric Capital Corporation. The Educational Support Fund held the following concentrations of credit risk in venture capital firms: 22.5 percent in Endeavour Capital, 12.2 percent in Madrona Venture Fund 3, 10.7 percent in Angel Fund 2008, 9.4 percent in OVP Venture Partners VII LP, 8.8 percent in Buerk Dale Victor II LP, 5.9 percent in Adventure Fund I LP, 5.9 percent in Riverlake Equity Partners LP, and 5.8 percent in Epic Ventures Fund IV.

The aggregated nonmajor governmental funds' total investments included 8.9 percent in FHLB, 8.9 percent in FHLMC, and 7.9 percent in FNMA. These funds also held nonparticipating GICs with the following concentrations: 8.1 percent in ING Group, 7.1 percent in Natixis Funding Corporation, and 6.9 percent in AIG.

The aggregated nonmajor enterprise funds held concentrations of credit risk with 62.4 percent invested in FHLMC and 37.6 percent invested in FNMA.

The Central Services Fund held 10.7 percent of its investments in FNMA, 7.9 percent in FHLMC, 6.7 percent in FHLB, 5.2 percent in Goldman Sachs Group Inc., and 5.1 percent in Federal Agriculture Mortgage Corporation.

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 and the Oregon University System Pooled Endowment Fund are allowed to invest in international equity securities within a target allocation range of 25 to 35 percent of their respective portfolios. For investments not under the management of the Treasurer, there are no formal policies on foreign currency risk.

Deposits and investments that are exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2009 (in thousands):

Foreign Currency Denomination	Deposits (U.S. Dollars)
Australian dollar	$ 69
British sterling pound	334
Canadian dollar	65
Danish krone	1
Euro	259
Hong Kong dollar	48
Japanese yen	267
New Taiwan dollar	6
New Zealand dollar	16
Norwegian krone	114
Singapore dollar	39
Swedish krona	86
Swiss franc	43
Total	$ 1,347

Foreign Investment Type	Investments (U.S. Dollars)
Equity	$ 198,683
Fixed income	5,834
Mutual fund (equity)	173,472
Mutual fund (fixed income)	3,098
Total	$ 381,087

Derivatives - Interest Rate Swaps

The Oregon Housing and Community Services Department (OHCSD) has entered into eleven separate pay-fixed, receive-variable interest rate swaps to lower borrowing costs compared to fixed-rate bonds. The notional amounts of the swaps match the principal amounts of the associated debt.

The terms, fair values, counterparties, and credit ratings of OHCSD's outstanding swaps as of June 30, 2009 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	S&P
MF[1] 2004 B	$ 14,635	12/16/2004	3.894%	64% of LIBOR[3] + .27%	$ (988)	7/1/2046	Merrill Lynch	A
MRB[2] 2004 C	15,000	1/24/2006	4.032%	64% of LIBOR + .29%	(859)	7/1/2034	Morgan Stanley	A
MRB 2004 I	15,000	1/24/2006	4.012%	64% of LIBOR + .29%	(1,044)	7/1/2034	Morgan Stanley	A
MRB 2006 C	20,000	2/28/2006	4.184%	64% of LIBOR + .29%	(1,676)	7/1/2036	Morgan Stanley	A
MRB 2006 F	20,000	7/18/2006	4.430%	64% of LIBOR + .29%	(2,048)	7/1/2037	Bank of America	A+
MRB 2006 G	16,105	7/18/2006	3.833%	64% of LIBOR + .19%	(1,807)	7/1/2016	Merrill Lynch	A
MRB 2007 E	30,000	7/31/2007	4.388%	64% of LIBOR + .29%	(3,441)	7/1/2038	Bear Stearns	AAA
MRB 2007 H	30,000	11/20/2007	4.060%	64% of LIBOR + .30%	(2,588)	7/1/2038	Merrill Lynch	A
MRB 2008 C	35,000	2/26/2008	3.747%	64% of LIBOR + .30%	(1,934)	7/1/2038	Bank of America	A+
MRB 2008 F	35,000	5/13/2008	3.738%	64% of LIBOR + .31%	(1,712)	7/1/2039	Bank of America	A+
MRB 2008 I	34,650	8/26/2008	3.723%	64% of LIBOR + .31%	(2,304)	7/1/2037	Bank of America	A+
Total	$ 265,390				$ (20,401)			

[1] Multifamily Housing Revenue Bonds

[2] Mortgage Revenue Bonds

[3] One-month London Interbank Offered Rate

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

Credit risk is the risk that a counterparty will not fulfill its obligations. OHCSD is exposed to credit risk in the amount of the fair value for any swap with a positive fair value. As of June 30, 2009, OHCSD was not exposed to credit risk since all swaps had negative fair values. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. This valuation methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. A remarketing agent determines all variable interest rates on OHCSD's tax-exempt bonds weekly. OHCSD is exposed to basis risk when the variable rate received, which is based on the one-month LIBOR rate, does not offset the variable rate paid on the bonds. As of June 30, 2009, the LIBOR rate was 0.31 percent.

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

Debt service requirements of the variable-rate debt and net swap payments of OHCSD, using interest rates as of June 30, 2009 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2010	$ 165	$ 1,220	$ 9,139	$ 10,524
2011	175	926	9,240	10,341
2012	180	926	9,234	10,340
2013	190	925	9,224	10,339
2014	200	924	9,221	10,345
2015-2019	1,115	4,611	45,995	51,721
2020-2024	8,210	4,565	45,520	58,295
2025-2029	52,260	4,256	42,334	98,850
2030-2034	104,420	2,853	28,176	135,449
2035-2039	90,025	915	9,138	100,078
2040-2044	6,630	63	670	7,363
2045-2049	1,820	9	95	1,924
Total	$ 265,390	$ 22,193	$ 217,986	$ 505,569

On February 21, 2008, the Department of Veterans' Affairs, with the approval of the Treasurer, entered into an interest rate swap to hedge its interest rate risk in connection with its General Obligation Veterans' Welfare Bonds, Series 84. The swap and underlying floating-rate bonds together create synthetic fixed-rate debt. The term, fair value, and credit rating of the outstanding swap as of June 30, 2009 (dollars in thousands):

Series	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Paid	Fair Value	Swap Termination Date	Counterparty	S&P
84	$25,000	3/1/2008	3.665%	62.6% of LIBOR[1] + .265%	$ (1,333)	6/1/2040	Morgan Stanley	A

[1]London Interbank Offered Rate

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

Because of interest rate decreases after the swap was executed, the fair value as of June 30, 2009, is negative. The valuations provided are from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and are provided by an independent third party source. This valuation methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

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 Department of Veterans' Affairs.

Debt service requirements of the variable-rate debt and net swap payments of the Department of Veterans' Affairs, using interest rates as of June 30, 2009 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swap (Net)	Total
2010	$ -	$ 163	$ 802	$ 965
2011	-	163	802	965
2012	-	163	802	965
2013	-	162	802	964
2014	-	163	802	965
2015-2019	1,840	791	3,881	6,512
2020-2024	3,085	708	3,454	7,247
2025-2029	4,245	591	2,862	7,698
2030-2034	5,850	431	2,046	8,327
2035-2039	8,035	209	1,355	9,599
2040	1,945	9	15	1,969
Total	$ 25,000	$ 3,553	$ 17,623	$ 46,176

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

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

<u>Interest Rate Risk</u>

Investment policy requires that the fixed-income manager positions will maintain an average bond-duration level of plus or minus 20 percent of the benchmark duration. There is no policy restriction for non-fixed-income investment managers who may hold fixed-income positions. As of June 30, 2009, the average duration of the debt investment portfolio was 4.25 years. In the following schedule, fixed-income mutual funds of $3.6 billion are reported using duration instead of average maturity, and the amounts presented are a portion of the amount shown in the financial statements.

Since the debt investment portfolio may contain holdings with prepayments and variable cash flows, an analysis of interest rate risk using the segmented time distribution method as of June 30, 2009, is presented in the schedule below (in thousands):

Schedule of Interest Rate Risk

Investment Type	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10	Fair Value
U.S. Treasury securities	$ -	$ 271,393	$ 301,082	$ 77,857	$ 650,332
U.S. Treasury strips	-	-	2,760	-	2,760
U.S. Treasury TIPS	76	-	37,891	62,050	100,017
U.S. Agency securities	9,355	210,143	39,205	100,330	359,033
U.S. Agency strips	-	-	15,126	100	15,226
U.S. Agency mortgage securities	107,264	2,273	66,987	1,053,236	1,229,760
International debt securities	150,764	593,874	611,043	236,483	1,592,164
Corporate bonds	355,737	1,847,349	2,022,932	521,156	4,747,174
Government gauranteed corporate bonds	-	62,065	-	-	62,065
Municipal bonds	-	-	1,268	38,010	39,278
Collateralized mortgage obligations	708,427	21,258	3,189	639,935	1,372,809
Asset-backed securities	188,307	53,082	39,416	69,962	350,767
Repurchase agreements	94,731	-	-	-	94,731
Mutual funds - short term investments	1,807,411	-	-	-	1,807,411
Mutual funds - domestic fixed income	37,121	1,234,583	174,526	-	1,446,230
Mutual funds - international fixed income	-	46,270	325,399	-	371,669
Total debt investments	$ 3,459,193	$ 4,342,290	$ 3,640,824	$ 2,799,119	$ 14,241,426

Credit Risk

Investment policy requires that no more than 30 percent of the fixed-income manager positions be below investment grade. Securities with a quality rating below BBB- (S&P) are considered below investment grade. Policies also require that the minimum aggregate credit quality be A+ as measured by the weighted average of the portfolio. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2009, the fair value of below grade investments is $3.7 billion, or 25.9 percent, of the fixed-income securities portfolio, and the weighted quality rating average is A+.

Credit quality ratings for debt securities within the OPERF investment portfolio as of June 30, 2009 (in thousands):

Credit Quality Ratings (S&P)	Fair Value
AAA	$ 4,213,994
AA	2,835,428
A	1,119,588
BBB	1,463,731
BB	677,558
B	718,214
CCC	240,689
CC	26,581
C	7,206
D	10,856
Not Rated	2,013,562
Total	$ 13,327,407

Concentrations of Credit Risk

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

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

At June 30, 2009, there were no single issuer debt investments that exceeded the above guidelines, nor were there investments in any one issuer that represent 5 percent or more of plan net assets.

Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. Foreign currency risk is controlled via contractual agreements with the investment managers. Policy requires that no more than 15 percent of the fixed-income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of the portfolio are silent regarding this risk. As of June 30, 2009, approximately 3.9 percent of the debt investment portfolio was invested in non-dollar denominated securities.

The OPERF's exposure to foreign currency risk as of June 30, 2009 (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars) Deposits	International Equity Securities	International Debt Securities	Total
Argentine peso	$ 88	$ -	$ -	$ 88
Australian dollar	2,390	290,688	47,398	340,476
Brazilian real	1,668	122,730	44,777	169,175
British sterling pound	8,646	1,325,414	46,244	1,380,304
Canadian dollar	2,004	310,697	21,722	334,423
Chilean peso	280	3,652	-	3,932
Chinese yuan	58	-	-	58
Colombian peso	-	2,346	1,037	3,383
Czech koruna	411	10,696	-	11,107
Danish krone	735	39,267	16,746	56,748
Egyptian pound	2	13,674	-	13,676
Euro	20,469	2,211,174	177,607	2,409,250
Hong Kong dollar	2,248	496,065	-	498,313
Hungarian forint	75	9,852	-	9,927
Indonesian rupiah	25	33,609	-	33,634
Israeli shekel	250	7,725	-	7,975
Japanese yen	13,691	1,657,754	131,199	1,802,644
Malaysian ringgit	274	18,299	-	18,573
Mexican peso	29	16,210	136	16,375
New Taiwan dollar	5,422	152,292	-	157,714
New Zealand dollar	260	9,332	29,021	38,613
Norwegian krone	2,466	49,345	267	52,078
Pakistan rupee	192	4,584	-	4,776
Peruvian nuevo sol	-	607	-	607
Philippine peso	29	2,222	-	2,251
Polish zloty	5	12,749	1,011	13,765
Russian ruble	27	-	399	426
Singapore dollar	2,403	127,324	1,606	131,333
South African rand	2,832	143,382	-	146,214
South Korean won	225	177,870	-	178,095
Sri Lanka rupee	-	1,767	-	1,767
Sudanese pound	52	-	-	52
Swedish krona	1,449	200,312	30,423	232,184
Swiss franc	1,482	357,676	-	359,158
Thai baht	225	29,458	-	29,683
Turkish lira	1,440	85,352	401	87,193
Venezuelan bolivar	12	-	-	12
Total	$ 71,864	$ 7,924,124	$ 549,994	$ 8,545,982

Derivatives

Derivatives are contracts for which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. In accordance with its investment policy, the Treasury invests either directly or through its outside investment managers on behalf of the Public Employees Retirement System (PERS) in contracts that have derivative characteristics. Derivatives are used to manage the overall risk of investment portfolios. OPERF investments, including those with derivative characteristics, are reported at fair value in the Statement of Fiduciary Net Assets.

D. Investments – Discretely Presented Component Units

Interest Rate Risk

The Oregon Health and Science University (OHSU) investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities in these portfolios are based upon returns available at the time of investing, while considering cash requirements of the organization.

The endowment portfolio seeks to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. Fixed-income securities held in this portfolio have a medium to long duration (3 to 10 years). The charitable gift annuity funds held in this portfolio seek to produce a relatively predictable and stable payout stream to satisfy the distribution obligations, while achieving long-term capital appreciation of the overall portfolio balance. Fixed-income securities in this portfolio have a short duration (1 to 3 years). Charitable trust investments are managed to produce a relatively predictable and stable payout stream to satisfy the distribution obligations, while achieving long-term capital appreciation of the overall portfolio balance. Fixed-income security duration is determined based on the individual circumstances of each trust account.

As of June 30, 2009, OHSU held $34 million of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations. These securities are valued at fair value. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments. These factors may increase the interest rate volatility of OHSU's investment portfolio. OHSU has certain partnerships, alternative investments, real estate investments and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

SAIF Corporation's (SAIF) investment policies are governed by statute and the Oregon Investment Council (Council). The Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. Equity investments are limited to not more than 50 percent of the moneys contributed to SAIF's Industrial Accident Fund. However, SAIF's adopted investment policy as approved by the Council limits equity holdings to a range of 10 to 20 percent of the market value of invested assets, with a target allocation of 15 percent.

SAIF's policy for fixed-income investments effective January 1, 2005, provides that a duration target be used to manage interest rate risk. The policy calls for the portfolio duration to be within 20 percent of the benchmark duration. The benchmark duration as of December 31, 2008, was 7.1 years, with an acceptable range of 5.7 to 8.5 years. As of that date, the fixed-income portfolio's duration was 6.7 years. Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. SAIF also holds $787.2 million in interest-rate sensitive securities. As of December 31, 2008, SAIF held $591.6 million of U.S. Federal Agency mortgage-backed securities and $161.1 million of commercial mortgage obligations (CMOs). These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. In addition, SAIF held $34.5 million of asset-backed securities, which consist primarily of sequential-pay tranches of utility, student loan, equipment lease receivables, and callable pass-through certificates issued by airlines and railroads. The value of these securities can be volatile as interest rates fluctuate. Additional risk inherent with these securities is the unpredictability of default on loans that are collateral for the debt.

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

The Oregon University System (OUS) Foundations follow the investment reporting requirements of the Financial Accounting Standards Board (FASB). Because FASB accounting and reporting standards differ from the Governmental Accounting Standards Board (GASB), the OUS Foundations are excluded from investment risk disclosures.

Interest rate risk information for debt investments of OHSU as of June 30, 2009, and SAIF as of December 31, 2008 (in thousands):

Schedule of Interest Rate Risk

	Investment Maturities (in years)				
Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Fair Value
U.S. Treasury securities	$ 1,813	$ 104,760	$ 13,316	$ 306,889	$ 426,778
U.S. Treasury strips	-	-	-	80,362	80,362
U.S. Agency securities	49,613	92,096	59,176	57,660	258,545
U.S. Agency mortgage securities	80,458	191,570	132,187	187,432	591,647
International debt securities	1,046	69,378	53,989	173,829	298,242
Commercial paper	724	-	-	-	724
Corporate bonds	51,413	375,513	474,375	600,943	1,502,244
Municipal bonds	-	-	1,269	17,897	19,166
Collateralized mortgage obligations	23,631	44,858	85,591	7,050	161,130
Asset-backed securities	13,038	41,406	11,689	1,883	68,016
Money market fund	108,101	-	-	-	108,101
Mutual funds - domestic fixed income	1,428	3,035	2,355	220	7,038
Total debt investments	$ 331,265	$ 922,616	$ 833,947	$ 1,434,165	$ 3,521,993

Credit Risk

OHSU's operating and trustee-held portfolios require minimum ratings from Moody's/S&P between Baa3/BBB- and Aaa/AAA at the date of purchase. The endowment portfolio requires a weighted average credit rating of each fixed-income portfolio (within the pool) of A or higher and an avoidance of the prospect of credit failure or risk of permanent loss. Issues of state or municipal agencies are prohibited, except under unusual circumstances. The endowment portfolio may hold up to a maximum of 10 percent of the fixed-income portion of the fund in below investment grade (but rated B or higher by Moody's or S&P) fixed-income securities. The charitable gift annuity and charitable trust investments require a minimum credit quality rating in investment grade Baa/BBB bond investments and a minimum of A1-P1 for investments in commercial paper.

SAIF's credit risk policy is to maintain a well-diversified investment portfolio. Fixed-income holdings shall be the largest component of the portfolio. SAIF maintains an overall fixed-income portfolio quality of at least AA- or higher.

Credit quality ratings for debt investments of OHSU as of June 30, 2009, and SAIF as of December 31, 2008 (in thousands):

Credit Quality Ratings (S&P)	Fair Value
AAA	$ 833,550
AA	237,574
A	859,944
BBB	657,605
BB	51,158
B and Lower	112,464
Not Rated	58,229
Total	$ 2,810,524

Concentration of Credit Risk

OHSU's operating and trustee-held portfolios limit investments in any one issue to a maximum of 10 percent depending on the investment type, except for issues of the U.S. government or agencies of the U.S. government, which may be held without limitation. The endowment and charitable gift annuity portfolios limit investments in any one issue to a maximum of 5 percent, except for issues of the U.S government or agencies of the U.S. government, which may also be held without limitation. The charitable trusts place no limit on the amount that may be invested in any one issuer. As of June 30, 2009, OHSU had no investments in excess of these thresholds.

SAIF's investment policy places a limit on the amount that may be invested in any one issuer. The following specific limitations reflect, in part, the Oregon Investment Council's current investment philosophy regarding diversification.

- No fixed-income investment in any one issue may exceed 5 percent of the outstanding fixed-income obligations of the issuer.
- Not more than 3 percent of the total market value of the SAIF fixed-income portfolio may be invested in fixed-income securities of any one issuer, except U.S. government and agency obligations (no limit) and private mortgage-backed and asset-backed securities, which shall be limited to 10 percent per issuer.
- Obligations of other national governments are limited to 10 percent per issuer.

As of December 31, 2008, SAIF did not have a concentration of credit risk in any one issuer that represented 5 percent or more of total investments.

Foreign Currency Risk

OHSU investment policies permit investments in international equities and other asset classes, which can include foreign currency exposure. The operating and trustee-held portfolios allow investments in Eurodollar certificates of deposit. The endowment portfolio allows up to 35 percent of the portfolio to be invested in international equities and up to 25 percent of the fixed-income portion of the portfolio to be invested in non-U.S. dollar denominated bonds. The charitable gift annuity portfolio allows up to 10 percent of the portfolio to be invested in international equities. The charitable trust investments are permitted to include international equities and the amount of the investment is determined based on the individual circumstances of each trust account.

SAIF is prohibited by investment policy from investing in non-dollar denominated securities.

For the discretely presented component units, there were no deposits in foreign currencies. However, there were international securities denominated in foreign currencies for OHSU. The fair value of foreign-denominated securities held by OHSU by currency type as of June 30, 2009 (in thousands):

Foreign Currency Denomination	Investments (U.S. Dollars)
Australian dollar	$ 1,801
Brazilian real	529
British sterling pound	3,283
Canadian dollar	755
Euro	2,129
Indonesian rupiah	329
Japanese yen	1,082
Malaysian ringgit	736
Mexican peso	521
New Zealand dollar	706
Norwegian krone	287
Polish zloty	528
Singapore dollar	69
South African rand	390
South Korean won	427
Swedish krona	338
Turkish lira	138
Total	$ 14,048

<u>Derivatives - Interest Rate Swap</u>

In connection with the Oregon Health and Science University Medical Group (OHSUMG) integration, the refinancing of the Term Loan (for the 2004 Bonds and related swaps) and the 2005 Revenue Bonds in 2009, OHSU renegotiated its Master Swap Agreement. OHSU reassigned the original swap into four successor interest rate swap agreements with notional amounts of $45.9 million (the 2005 swaps) and $57.7 million (the 2004 swaps), respectively. The intention of the swaps was to effectively change the variable-rate debt to a synthetic fixed rate between 3.37 percent and 3.34 percent as of the closing date of the bonds.

The notional amounts of the swaps and the principal amounts of the associated debt decline over time and terminate on July 1, 2012 for the 2004 swaps and on July 1, 2027 for the 2005 swaps. For the 2005 swap, OHSU is currently making fixed-rate interest payments to the counterparty and receives variable-rate payments computed as 62.67 percent of the London Interbank Offered Rate (LIBOR) plus 0.18 percent. For the 2004 swaps consolidated as part of the OHSUMG integration, OHSU pays the counterparties a fixed payment of 3.37 percent and receives variable payments computed as 67 percent of LIBOR. The variable-rate bonds re-price weekly based upon market conditions.

The aggregated estimated fair value of the interest rate swaps was a liability of $12.8 million at June 30, 2009. The fair value represents the estimated amount that OHSU would pay if the swap agreements were terminated at year-end, taking into account current interest rates and the credit worthiness of the underlying counterparty.

OHSU is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2009, the counterparty's credit ratings were AA- from S&P and Aa2 from Moody's. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable-rate bonds and the swap formula of 62.67 percent of one-month LIBOR plus 0.18 percent varies from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments. As these rates change, the effective synthetic rate on the bonds will change. OHSU or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract.

E. Repurchase and Reverse Repurchase Agreements. Investments in repurchase agreements made with cash collateral from securities lending transactions had the following fair values at June 30, 2009:

- $1.1 billion, or 24.9 percent of the Oregon Short-term Investment Fund, the cash collateral pool for all agencies except PERS.
- $349.8 million, or 8.1 percent of PERS' share of the collective investment pool, the cash collateral pool in which PERS is a participant along with other qualified pension plans.

Oregon Investment Council policy permits OPERF to enter into reverse repurchase agreements. As of June 30, 2009, OPERF had outstanding reverse repurchase agreements of $110 million, including accrued interest (rates from 0.33 percent to 0.35 percent), the balance to be repaid on or before July 13, 2009, the maturity date of the agreements. The securities underlying the reverse repurchase agreements were federal agency mortgage pool securities with coupon rates from 5 to 5.5 percent. As of June 30, 2009, the underlying securities had a fair value of $115.8 million. Therefore, the credit exposure on that date was $5.8 million should the dealers fail to resell the securities to the OPERF or provide collateral of equal value. In reinvesting the proceeds of these agreements, the investment manager follows the contractual investment guidelines under which it operates.

F. Securities Lending. The State participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities to broker-dealers and banks pursuant to a form of loan agreement. There were no significant violations of the provisions of securities lending agreements.

During the year, State Street loaned U.S. government and agency securities, domestic fixed-income and equity securities, and international fixed-income and equity securities, and received as collateral U.S. dollar-denominated cash, U.S. government and agency securities, and international debt and equity securities. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the fair value of the loaned security, or 105 percent in the case of international securities. Loans are marked to market daily. If the market value of collateral falls below 102 percent or 105 percent of the fair value of the loaned security, the lender may demand from the borrower sufficient collateral to raise the market value to 102 percent or 105 percent. If the market value of collateral falls below 100 percent, the borrower must provide additional collateral to raise the market value to 102 percent or 105 percent. The State did not impose any restrictions during the fiscal year on the amount of the loans State Street made on its behalf. The State did not have the ability to pledge or sell collateral securities absent a borrower default, but was fully indemnified by State Street against such losses.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the OPERF and other participants in State Street's securities lending program. 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 Statement of Net Assets and Statement of Fiduciary Net Assets. The Declaration also provides that if a significant difference exists between the constant value and the market-based net asset value of investments made with the collateral, the agent may determine that a condition exists that would create inequitable results if redemptions were made at the constant value. In that case, the agent may direct that units be redeemed at fair value, engage in in-kind redemptions, or take other actions to avoid inequitable results for the fund participants, until the difference between the constant value and the fair value is deemed immaterial.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. Since the funds are accounted for at amortized cost, the fair value of the State's position in the funds is not the same as the value of the funds' shares. No income from the funds was assigned to any other funds.

During the year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral is reported in the Statement of Net Assets and, since the cash collateral for all agencies is pooled, it is not exposed to custodial credit risk. Because loans were terminable at will by either party, their duration did not generally match the duration of investments made with cash collateral in either the Pool or the Fund. The State had no credit risk exposure to borrowers related to securities on loan. As of December 31, 2008, the fair values of securities on loan and collateral held for SAIF Corporation were $448.7 million and $439.2 million, respectively.

Securities lending balances on loan, collateral received, and investments of cash collateral as of June 30, 2009, of the primary government (in thousands):

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury and Agency Securities	$ 4,013,108	$ 4,098,182	$ 4,034,197
International Equity Securities	1,674,054	1,781,541	1,374,876
Domestic Equity Securities	2,135,550	2,200,903	2,028,385
Domestic Fixed Income Securities	958,845	979,175	947,648
International Fixed Income Securities	47,833	49,072	26,286
Total	$ 8,829,390	$ 9,108,873	$ 8,411,392

G. Restricted Assets. Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2009, the primary government had restricted assets of $1.9 billion in deposits and $537 million in investments. The discretely presented component units had restricted assets of $1.3 billion in investments.

3. RECEIVABLES AND PAYABLES

A. Receivables. The following tables disaggregate receivable balances reported in the fund financial statements as Accounts and Interest Receivable (net) and Net Contracts, Notes, and Other Receivables. Contracts, Notes, and Other Receivables are not expected to be collected within one year of the date of the financial statements.

Receivables reported for governmental activities at June 30, 2009 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Other	Total	Internal Service
Governmental activities:									
General accounts	$ 2,853	$ 73,398	$ 6,208	$ 8,155	$ 5,784	$ 6,782	$ 84,711	$ 187,891	$ 76,307
Due from federal government	-	174,342	57,264	22,581	28,629	-	96,163	378,979	-
Interest	-	-	2,091	1,777	-	1,613	5,017	10,498	938
Broker receivable	-	-	-	-	-	71,273	-	71,273	-
Contracts	-	-	1,362	355	-	-	-	1,717	-
Mortgages	-	4,301	-	18	-	-	-	4,319	-
Court fines and fees	-	-	-	-	-	-	316,771	316,771	-
Collection assessments	-	-	-	-	-	-	248,448	248,448	-
Child support recoveries	-	-	-	-	-	-	269,964	269,964	-
Workers' compensation recoveries	-	-	-	-	-	-	56,248	56,248	-
Other	43,110	4,445	2,656	4,912	9	-	77,278	132,410	1,347
Gross receivables	45,963	256,486	69,581	37,798	34,422	79,668	1,154,600	1,678,518	78,592
Allowance for uncollectibles	(23,158)	(1,187)	(1,615)	(1,088)	(9)	-	(763,163)	(790,220)	(17)
Total receivables, net	$ 22,805	$255,299	$ 67,966	$ 36,710	$ 34,413	$ 79,668	$ 391,437	$ 888,298	$ 78,575

Receivables reported for business-type activities at June 30, 2009 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities:							
General accounts	$ 10	$ 106	$ 25,102	$ 179,420	$ 157,611	$ 5,673	$ 367,922
Due from federal government	-	-	-	17,257	38,714	1,406	57,377
Interest	8,573	2,158	-	382	14	15,280	26,407
Broker receivable	-	-	-	-	150	-	150
Contracts	-	2,935	-	-	-	-	2,935
Loans	-	-	-	-	16,214	-	16,214
Loans - long-term	-	-	-	-	71,135	-	71,135
Other	-	270	2,817	19,792	-	215	23,094
Gross receivables	8,583	5,469	27,919	216,851	283,838	22,574	565,234
Allowance for uncollectibles	-	-	(211)	(6,571)	(22,897)	(77)	(29,756)
Total receivables, net	$ 8,583	$ 5,469	$ 27,708	$ 210,280	$ 260,941	$ 22,497	$ 535,478

Receivables reported for fiduciary funds at June 30, 2009 (in thousands):

	Agency
Fiduciary fund activities:	
Restitution	$ 373,187
Other	761
Gross receivables	373,948
Allowance for uncollectibles	(279,198)
Total receivables, net	$ 94,750

Receivables reported for SAIF Corporation (SAIF) at December 31, 2008, and the Oregon Health and Science University (OHSU) at June 30, 2009 (in thousands):

	SAIF	OHSU
Discretely presented component units:		
Patient accounts	$ -	$ 327,285
Premiums	321,041	-
Due from federal government	-	17,420
Interest	38,485	2,928
Student loans	-	30,682
Broker receivable	132	-
Other	13,047	6,770
Gross receivables	372,705	385,085
Allowance for uncollectibles	(1,692)	(136,053)
Total receivables, net	$ 371,013	$ 249,032

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

Payables reported for governmental activities at June 30, 2009 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Other	Total	Internal Service
Governmental activities:									
General accounts	$ 160,050	$ 192,432	$ 150,180	$ 27,458	$ 62,009	$ 7,171	$ 130,837	$ 730,137	$ 16,692
Interest	-	-	-	-	-	-	1	1	1,402
Broker payable	-	-	-	-	-	4,460	-	4,460	-
Taxes	27	-	-	-	-	-	-	27	-
Loans	-	60,000	-	-	-	-	-	60,000	4,500
Contracts	-	-	134	-	-	-	171	305	208
Mortgages	-	-	-	-	-	-	73	73	-
Total payables	$ 160,077	$ 252,432	$ 150,314	$ 27,458	$ 62,009	$ 11,631	$ 131,082	$ 795,003	$ 22,802

Payables reported for business-type activities at June 30, 2009 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	University System	Other	Total
Business-type activities:						
General accounts	$ 911	$ 350	$ 15,408	$ 123,122	$ 22,304	$ 162,095
Interest	35,718	1,250	-	15,739	5,888	58,595
Broker payable	-	-	-	375	-	375
Loans	1,500	-	-	-	-	1,500
Notes	-	-	-	20	-	20
Contracts	-	-	-	8,342	-	8,342
Total payables	$ 38,129	$ 1,600	$ 15,408	$ 147,598	$ 28,192	$ 230,927

Payables reported for fiduciary funds at June 30, 2009 (in thousands):

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
Fiduciary fund activities:				
General accounts	$ 277,555	$ 117	$ 3,523	$ 455
Compensated absences payable	1,322	-	-	-
Broker payable	1,331,826	-	-	-
Mortgages	-	2,091	-	-
Total payables	$ 1,610,703	$ 2,208	$ 3,523	$ 455

Payables reported for SAIF Corporation (SAIF) at December 31, 2008, and the Oregon Health and Science University (OHSU) at June 30, 2009 (in thousands):

	SAIF	OHSU
Discretely presented component units:		
General accounts	$ 22,692	$ 120,934
Contracts	-	40,699
Reinsurance	6,330	-
Commission payable	10,687	-
Broker payable	5	-
Total payables	$ 39,714	$ 161,633

4. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and the operating expenses of MUSL. The Oregon Lottery's share of MUSL's operating expenses for the fiscal year ended June 30, 2009, was $20 thousand.

MUSL 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. The executive committee carries out the budgeting and financing of MUSL, and the board contracts annually with an independent auditor. 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.

The fiscal year end for MUSL is June 30. 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 summarized financial activity of MUSL as of June 30, 2009 and 2008 (in thousands):

	2009	2008
Assets	$ 816,490	$ 899,702
Total Assets	$ 816,490	$ 899,702
Liabilities	$ 815,696	$ 899,427
Net Assets - Unrestricted	794	275
Liabilitites and Net Assets	$ 816,490	$ 899,702
Unrestricted Revenues	$ 4,818	$ 11,168
Unrestricted Expenses	4,299	11,090
Change in Unrestricted Net Assets	$ 519	$ 78

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

5. CAPITAL ASSETS

A. Primary Government

Capital Asset Activity

Capital asset activity for the primary government for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,691,286	$ 13,591	$ 3,527	$ 1,701,350
Construction in Progress	694,961	1,699,540	756	2,393,745
Works of Art and Historical Treasures	1,224	66	(10)	1,300
Total capital assets not being depreciated	2,387,471	1,713,197	4,273	4,096,395
Capital assets being depreciated:				
Buildings, Property, and Equipment	2,657,864	231,704	54,163	2,835,405
Infrastructure	14,863,177	118,117	687,898	14,293,396
Total capital assets being depreciated	17,521,041	349,821	742,061	17,128,801
Less accumulated depreciation for:				
Buildings, Property, and Equipment	1,087,001	91,991	43,697	1,135,295
Infrastructure	8,835,096	716,355	364,730	9,186,721
Total accumulated depreciation	9,922,097	808,346	408,427	10,322,016
Total capital assets being depreciated, net	7,598,944	(458,525)	333,634	6,806,785
Governmental activities capital assets, net	$ 9,986,415	$ 1,254,672	$ 337,907	$10,903,180

The beginning balance has been restated from $10,057,724 to $9,986,415 to reflect prior period adjustments totaling $71,309. Increases in accumulated depreciation include current year depreciation expense of $737,619 and a prior period adjustment of $70,727.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 106,478	$ 5,679	$ -	$ 112,157
Construction in Progress	164,680	257,333	171,024	250,989
Works of Art and Historical Treasures	61,353	899	116	62,136
Total capital assets not being depreciated	332,511	263,911	171,140	425,282
Capital assets being depreciated:				
Buildings, Property, and Equipment	2,669,657	241,826	39,298	2,872,185
Infrastructure	56,437	6,319	141	62,615
Total capital assets being depreciated	2,726,094	248,145	39,439	2,934,800
Less accumulated depreciation for:				
Buildings, Property, and Equipment	1,284,155	129,670	36,280	1,377,545
Infrastructure	39,938	2,274	(27)	42,239
Total accumulated depreciation	1,324,093	131,944	36,253	1,419,784
Total capital assets being depreciated, net	1,402,001	116,201	3,186	1,515,016
Business-type activities capital assets, net	$ 1,734,512	$ 380,112	$ 174,326	$ 1,940,298

The beginning balance has been restated from $1,734,414 to $1,734,512 to reflect a prior period adjustment of $98.

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary fund activities:				
Capital assets not being depreciated:				
Land	$ 958	$ -	$ -	$ 958
Total capital assets not being depreciated	958	-	-	958
Capital assets being depreciated:				
Buildings, Property, and Equipment	19,355	86	-	19,441
Total capital assets being depreciated	19,355	86	-	19,441
Less accumulated depreciation for:				
Buildings, Property, and Equipment	8,326	1,259	-	9,585
Total accumulated depreciation	8,326	1,259	-	9,585
Total capital assets being depreciated, net	11,029	(1,173)	-	9,856
Fiduciary fund activities capital assets, net	$ 11,987	$ (1,173)	$ -	$ 10,814

Depreciation Expense

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

Governmental activities:	
Education	$ 297
Human Services	2,888
Public Safety	34,086
Economic and Community Development	906
Natural Resources	15,793
Transportation	639,499
Consumer and Business Services	256
Administration	3,040
Legislative	1,673
Judicial	1,640
Subtotal	700,078
Internal Service Funds	37,541
Total depreciation expense - governmental activities	$ 737,619
Business-type activities:	
Housing and Community Services	$ 1
Veterans' Loan	113
Lottery Operations	37,080
University System	90,938
Other business-type activities	3,812
Total depreciation expense - business-type activities	$ 131,944
Fiduciary fund activities:	
Pension and Other Employee Benefit Trust	$ 1,259
Total depreciation expense - fiduciary activities	$ 1,259

Construction Commitments

The State has active construction projects which will be funded either through general fund appropriation, federal grants, lottery resources, or other funding sources as noted in the schedule below. The State's construction commitments with contractors as of June 30, 2009 (in thousands):

			Remaining Commitment Source of Funds			
Project	Spent-to-Date	Remaining Commitment	General	Federal	Lottery	Other
Military facilities	$ 60,854	$ 95,549	$ 512	$ 80,388	$ -	$ 14,649
Oregon State Hospital facility	27,462	39,598	-	-	-	39,598
Prison construction and upgrades	18,197	13,233	46	-	-	13,187
University building construction and upgrades	574,134	447,275	13,811	383	22,968	410,113
Road and bridge construction	2,225,195	1,139,424	-	638,300	-	501,124
State park facilities	1,063	2,938	-	711	537	1,690
Upgrade and maintenance of various facilities	42,749	22,823	8	2,650	-	20,165
Total	$ 2,949,654	$ 1,760,840	$ 14,377	$ 722,432	$ 23,505	$ 1,000,526

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets include highway maintenance equipment displayed at various district and regional offices; printing equipment displayed at the Salem Print Plant; historic documents displayed at the Oregon State Archives; a museum of military artifacts at Camp Withycombe in Clackamas, Oregon; a collection of historic buildings, furniture, paintings, and ancestral artifacts displayed at various state parks; a collection of wildlife mounts displayed at various Department of Fish and Wildlife locations; and a collection of photographs portraying various Oregon locales displayed at the Oregon Liquor Control Commission headquarters. They have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. 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 Statement of Activities, program revenues include insurance recoveries of the applicable functions (in thousands):

Governmental activities:	
Public Safety	$ 393
Natural Resources	515
Transportation	666
Administration	288
Legislative	3,341
Judicial	3
Total insurance recoveries - governmental activities	$ 5,206
Business-type activities:	
University System	$ 13
Lottery Operations	62
Other business-type activities	1,026
Total insurance recoveries - business-type activities	$ 1,101

Idle Impaired Capital Assets

At fiscal year end, eight reader boards used to monitor computer systems at the State Data Center with a carrying value of $132 thousand were temporarily idle and impaired due to a system failure that requires major repairs. The Department of Corrections' Deer Ridge Correctional Institution, a medium security facility with a carrying value of $108.4 million, is 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

Capital asset activity for SAIF Corporation for the year ended December 31, 2008 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 3,029	$ -	$ -	$ 3,029
Total capital assets not being depreciated	3,029	-	-	3,029
Capital assets being depreciated:				
Buildings, Property, and Equipment	46,260	1,173	2,196	45,237
Total capital assets being depreciated	46,260	1,173	2,196	45,237
Less accumulated depreciation for:				
Buildings, Property, and Equipment	29,623	1,494	2,196	28,921
Total accumulated depreciation	29,623	1,494	2,196	28,921
Total capital assets being depreciated, net	16,637	(321)	-	16,316
SAIF Corporation capital assets, net	$ 19,666	$ (321)	$ -	$ 19,345

Capital asset activity for the Oregon Health and Science University (OHSU) for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 59,875	$ -	$ 675	$ 59,200
Construction in Progress	54,308	72,082	74,674	51,716
Total capital assets not being depreciated	114,183	72,082	75,349	110,916
Capital assets being depreciated:				
Buildings, Property, and Equipment	1,710,744	250,142	12,342	1,948,544
Total capital assets being depreciated	1,710,744	250,142	12,342	1,948,544
Less accumulated depreciation for:				
Buildings, Property, and Equipment	728,166	93,305	7,216	814,255
Total accumulated depreciation	728,166	93,305	7,216	814,255
Total capital assets being depreciated, net	982,578	156,837	5,126	1,134,289
OHSU capital assets, net	$ 1,096,761	$ 228,919	$ 80,475	$ 1,245,205

6. LEASES

A. Operating Leases. The State and its discretely presented component units have 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 and reported in services and supplies. Rental costs for operating leases for the year ended June 30, 2009, were $91 million for the primary government and $24.8 million for component units.

Future minimum rental payments for operating leases in effect as of June 30, 2009 (in thousands):

Year Ending June 30,	Primary Government	Component Units
2010	$ 88,269	$ 26,106
2011	75,565	16,149
2012	61,316	12,814
2013	48,947	12,058
2014	38,115	9,223
2015-2019	99,717	27,426
2020-2024	25,717	6,830
2025-2029	6,360	-
2030-2034	40	-
2035-2039	40	-
2040-2044	40	-
2045-2049	40	-
2050-2054	40	-
Total future minimum rental payments	$ 444,206	$ 110,606

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 in the accompanying financial statements.

Carrying value of assets acquired through capital leases as of June 30, 2009 (in thousands):

Asset Class	Governmental Activities	Business-type Activities	Component Units
Buildings, Property, and Equipment	$ 4,091	$ 347	$ 16,006
Less accumulated depreciation	(397)	(161)	(6,942)
Total	$ 3,694	$ 186	$ 9,064

Future minimum lease payments for capital leases and the related net present value as of June 30, 2009 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities	Component Units
2010	$ 728	$ 75	$ 2,538
2011	686	55	2,014
2012	685	19	1,311
2013	-	2	4,024
2014	-	-	270
Total future minimum lease payments	2,099	151	10,157
Less amounts representing interest	(200)	(14)	(1,225)
Present value of minimum lease payments	$ 1,899	$ 137	$ 8,932

C. Lease Receivables. The State receives income from operating leases on land, property, and equipment that is leased to non-state entities. Rental income received was $9.5 million for the year ended June 30, 2009, on assets valued at over $21.3 million, net of $10.7 million in accumulated depreciation.

Future minimum lease revenues for non-cancelable operating leases as of June 30, 2009 (in thousands):

Year Ending June 30,	Primary Government
2010	$ 7,871
2011	6,763
2012	5,881
2013	5,255
2014	3,938
2015-2019	15,892
2020-2024	15,308
2025-2029	14,989
2030-2034	13,976
2035-2039	10,450
2040-2044	1,007
2045-2049	633
2050-2054	49
Total future minimum lease revenues	$ 102,012

7. DONOR-RESTRICTED ENDOWMENTS

Oregon University System

Oregon Revised Statute 351.130 gives the Oregon University System (OUS) authority to use the interest, income, dividends, or profits from donor-restricted endowments for the benefit of the designated institution. Current OUS Board policy calls for the annual distribution of 4 percent of the five-year moving average of the market value of the endowment funds for expenditure purposes. For the year ended June 30, 2009, the net amount of appreciation available for authorization for expenditure was $10 million. The amount of net appreciation is reported in the proprietary funds balance sheet under University System as part of expendable net assets restricted for higher education.

Oregon Health and Science University

Oregon Revised Statutes 128.318, 128.322, 128.326, and 128.328 give the Oregon Health and Science University (OHSU) authority to use the net appreciation of restricted endowments, subject to the terms established by the donors. Currently, the OHSU Board allows distributions of 4.6 percent of the three-year moving average of the market value of the endowment pool. For the year ended June 30, 2009, the net amount of appreciation available for authorization for expenditure was $23.4 million. The amount of net appreciation is reported in the combining balance sheet of the discretely presented component units as part of expendable net assets restricted for education.

8. SHORT-TERM DEBT

During the year, the State repaid the tax anticipation notes that were issued to manage the temporary cash flow deficits that resulted when the timing of required expenditures did not coincide with the timing of the collection of taxes and other revenues.

The Oregon Department of Human Services (DHS) used a line of credit for short-term cash flow needs.

The Oregon Health and Science University used a line of credit to defease OHSU Medical Group’s 2004AB Bonds, meeting conditions to complete the integration regarding asset and liability transfer.

The Oregon Department of Veterans’ Affairs used a line of credit to help preserve certain refunding opportunities that may be used to finance veterans’ housing loans. The revolving line of credit is with Key Bank National Association and interest rates on draws are based on a London Interbank Offered Rate (LIBOR) index or the bank’s prime rate.

Short-term debt activity for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Issued	Repaid	Ending Balance
Governmental activities:				
Tax anticipation notes	$ -	$ 741,205	$ 741,205	$ -
DHS line of credit	-	60,000	-	60,000
Business-type activities:				
OHSU line of credit	-	115,000	115,000	-
Veterans' Affairs line of credit	1,000	10,000	11,000	-
Total short-term debt activity	$ 1,000	$ 926,205	$ 867,205	$ 60,000

9. LONG-TERM LIABILITIES

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

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Obligations issued for highway construction pursuant to article XI, section 7, are fully self-supporting. Article XI-H authorizes the financing of pollution abatement and control facilities as well as pollution control and disposal activities. Facilities acquired under the pollution control program are required to conservatively appear to be at least 70 percent self-supporting and self-liquidating from revenues, gifts, federal grants, assessments, user charges, and other fees. Article XI-L provides authorization to finance capital costs of the Oregon Health and Science University. Article XI-O provides authorization to finance pension liabilities through the issuance of general obligation bonds.

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

Debt service requirements for general obligation bonds as of June 30, 2009 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal [1]	Interest
2010	$ 33,130	$ 129,991	$ 55,667	$ 88,704
2011	39,850	129,094	53,407	87,336
2012	47,790	127,321	60,716	85,596
2013	56,315	125,123	59,392	84,053
2014	64,910	122,471	59,374	80,575
2015-2019	491,120	550,531	599,263	351,856
2020-2024	861,235	375,529	443,679	240,338
2025-2029	734,460	95,317	350,810	148,593
2030-2034	21,275	3,844	283,135	78,806
2035-2039	5,630	581	234,745	28,104
2040-2044	-	-	56,715	2,701
2045-2049	-	-	5,025	113
Total	$ 2,355,715	$ 1,659,802	$ 2,261,928	$ 1,276,775

[1] Includes a total of $598.3 million of bonds with a variable interest rate based on the daily or weekly rate determination of the remarketing agent. The interest rate at the end of the fiscal year was 0.205 percent for $370 million, 0.65 percent for $98.9 million, and 0.18 percent for $129.4 million.

B. Revenue Bonds. Authority for the State to issue revenue bonds is granted in the Oregon Revised Statutes (ORS). Revenue bonds are secured by a pledge of revenues derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

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

Highway user tax bonds, authorized by ORS 367.615, are issued by the Department of Transportation for governmental activities to build and maintain public roads. Debt service payments for these bonds are funded by highway user taxes.

The Housing and Community Services Department is authorized by ORS 456.645 to issue revenue bonds for financing single-family mortgage loans and multi-family housing projects. Mortgage payments and fees as well as rental revenues support these bonds. The Business Development Department is authorized in ORS 285B.467 through 285B.479 to issue revenue bonds for financing infrastructure improvement projects through the Special Public Works Fund and is authorized in ORS 285B.572 through 285B.578 to issue revenue bonds for financing water projects through the Water Fund. Loan repayments support the bonds for both of these activities. All of these bonds for business-type activities are self-supporting.

Authority is granted in ORS 353.340 for the Oregon Health and Science University (OHSU), a discretely presented component unit of the State, to issue revenue bonds for the construction and refurbishment of facilities or the acquisition of equipment in accordance with ORS Chapter 287A. These revenue bonds are payable from the revenues of OHSU.

Debt service requirements for revenue bonds as of June 30, 2009 (in thousands):

	Governmental Activities		Business-type Activities		Discretely Presented Component Units	
Year ending June 30,	Principal [1]	Interest	Principal [2,3]	Interest	Principal [4,5]	Interest
2010	$ 111,756	$ 124,460	$ 41,604	$ 65,191	$ 5,867	$ 18,863
2011	116,004	109,873	43,521	63,807	10,984	31,012
2012	121,067	104,851	43,713	62,083	11,441	30,652
2013	365,892	99,337	44,133	60,292	11,784	30,365
2014	85,650	93,548	46,563	58,414	13,391	29,944
2015-2019	625,591	384,443	254,558	259,682	69,569	161,865
2020-2024	528,645	272,922	304,972	197,104	89,817	146,034
2025-2029	610,352	158,429	345,749	121,791	130,585	95,021
2030-2034	157,860	36,084	317,960	53,859	162,440	59,927
2035-2039	-	-	186,355	16,603	112,880	27,849
2040-2044	-	-	22,725	2,781	26,615	1,530
2045-2049	-	-	3,770	154	-	-
Total	$ 2,722,817	$ 1,383,947	$ 1,655,623	$ 961,761	$ 645,373	$ 633,062

[1] Includes a total of $265.2 million of bonds with a variable interest rate based on the weekly rate determination of the remarketing agents. The interest rate at the end of the fiscal year was 0.45 percent for $55 million, 0.55 percent for $105.1 million, and 0.75 percent for $105.1 million.

[2] Includes bonds with a monthly adjusted variable interest rate based on the London Interbank Offered Rate (LIBOR) plus 0.4 percent not to exceed 11 percent for $2.2 million and not to exceed 11.5 percent for $2.6 million. The interest rate at the end of the fiscal year for those bonds was 0.72 percent.

[3] Includes bonds with a weekly adjusted variable interest rate based on the rate determination of the remarketing agent, not to exceed 12 percent. The interest rate at the end of the fiscal year was 0.27 percent for $16.1 million, 0.3 percent for $35 million, 0.32 percent for $84 million, 0.35 percent for $20 million, 0.37 percent for $50 million, 0.39 percent for $44.9 million, 0.4 percent for $40.5 million, and 0.45 percent for $30 million.

[4] Includes bonds with a variable rate of interest adjusted every 35 days based on the auction rate. The rate as of fiscal year end was 0.58 percent for $91.7 million and 0.68 percent for $49 million.

[5] Includes $80 million of bonds with a variable rate of interest adjusted weekly. The rate as of fiscal year end was 0.58 percent.

C. 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 systems, the acquisition of telecommunication systems, and for the acquisition, construction, or remodeling of State facilities. Certificates of participation have been issued for both governmental and business-type activities.

Debt service requirements for certificates of participation as of June 30, 2009 (in thousands):

	Governmental Activities		Business-type Activities		Pension Trust Fund	
Year ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 89,866	$ 60,681	$ 8,089	$ 4,676	$ 470	$ 239
2011	88,236	55,051	7,874	3,803	500	214
2012	81,751	51,302	7,514	3,516	520	188
2013	79,249	47,586	7,216	3,202	550	161
2014	70,307	44,174	6,173	2,903	580	132
2015-2019	319,231	171,333	19,849	11,226	1,930	206
2020-2024	272,725	99,125	16,605	7,389	-	-
2025-2029	155,730	44,578	19,815	2,975	-	-
2030-2034	81,320	12,980	-	-	-	-
2035-2039	16,145	2,630	-	-	-	-
Total	$ 1,254,560	$ 589,440	$ 93,135	$ 39,690	$ 4,550	$ 1,140

D. General Appropriation Bonds. During the 2003 legislative session, Senate Bill 856 authorized the State to issue general appropriation bonds. The State has issued general appropriation bonds for general government activities.

Debt service requirements for general appropriation bonds as of June 30, 2009 (in thousands):

	Governmental Activities	
Year ending June 30,	Principal	Interest
2010	$ 56,340	$ 12,518
2011	60,545	9,623
2012	65,100	6,502
2013	69,900	3,136
2014	28,195	696
Total	$ 280,080	$ 32,475

E. Changes in Long-Term Liabilities. The following schedule summarizes the changes in long-term liabilities for governmental activities for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	$ 2,320,545	$ 60,090	$ 24,920	$ 2,355,715	$ 33,130
Revenue bonds	2,010,207	837,854	125,244	2,722,817	111,756
Certificates of participation	1,058,930	255,880	60,250	1,254,560	89,866
General appropriation bonds	332,290	-	52,210	280,080	56,340
Less deferred amounts:					
For issuance discounts	(572)	(2,938)	(30)	(3,480)	-
For issuance premiums	102,569	32,590	13,409	121,750	-
On refunding	(24,641)	1,072	(3,599)	(19,970)	-
Total bonds/certificates payable	5,799,328	1,184,548	272,404	6,711,472	291,092
Other liabilities:					
Obligations under capital lease	2,480	17	598	1,899	629
Claims and judgments	1,071,001	123,987	185,357	1,009,631	124,314
Compensated absences	146,698	12,153	720	158,131	105,948
Arbitrage rebate	2,699	515	531	2,683	1,194
Net OPEB obligation	13,687	13,389	-	27,076	-
Contracts, mortgages, and notes	9,082	76,291	14,129	71,244	70,389
Pollution remediation obligation	-	13,784	-	13,784	3,749
Total other liabilities	1,245,647	240,136	201,335	1,284,448	306,223
Total governmental activities long-term liabilities	$ 7,044,975	$ 1,424,684	$ 473,739	$ 7,995,920	$ 597,315

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for them are included as part of the totals for governmental activities. The capital lease obligations are generally liquidated through the General Fund and the Environmental Management Fund. The claims and judgments liability is generally liquidated through the Employment Services Fund and the Central Services Fund, an internal service fund. The compensated absences liability is generally liquidated through the General Fund, the Public Transportation Fund, the Health and Social Services Fund, and the Environmental Management Fund. The arbitrage rebate liability is generally liquidated through the Revenue Bond Fund, the Certificates of Participation Fund, and the Central Services Fund. The pollution remediation obligation will be mainly liquidated through the Environmental Management Fund and the Public Transportation Fund. The liability for contracts, mortgages, and notes is generally liquidated through the Health and Social Services Fund, the Capital Projects Fund, and the Public Transportation Fund.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds/certificates payable:					
General obligation bonds	$ 2,198,869	$ 182,810	$ 119,751	$ 2,261,928	$ 55,667
Revenue bonds	1,745,789	125,540	215,706	1,655,623	41,604
Certificates of participation	30,400	67,885	5,150	93,135	8,089
Less deferred amounts:					
For issuance discounts	(2,740)	(77)	(455)	(2,362)	-
For issuance premiums	41,438	9,002	3,453	46,987	-
On refunding	(19,696)	(434)	(1,308)	(18,822)	-
Accreted interest	70,150	7,185	11,104	66,231	-
Total bonds/certificates payable	4,064,210	391,911	353,401	4,102,720	105,360
Other liabilities:					
Obligations under capital lease	164	121	148	137	63
Compensated absences	53,701	4,832	64	58,469	52,776
Arbitrage rebate	8,098	2,992	2,983	8,107	1,249
Net OPEB obligation	6,494	6,265	-	12,759	-
Contracts, mortgages, and notes	8,730	12,299	11,167	9,862	9,601
Lottery prize awards	128,222	213,562	210,836	130,948	32,583
Custodial liabilities	19,422	469,588	465,535	23,475	23,106
Total other liabilities	224,831	709,659	690,733	243,757	119,378
Total business-type activities long-term liabilities	$ 4,289,041	$ 1,101,570	$ 1,044,134	$ 4,346,477	$ 224,738

Changes in long-term liabilities for fiduciary fund activities for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities:					
Bonds/certificates payable:					
Certificates of participation	$ 7,070	$ -	$ 2,520	$ 4,550	$ 470
Less deferred amounts:					
For issuance premiums	238	-	39	199	-
On refunding	(200)	-	(29)	(171)	-
Total bonds/certificates payable	7,108	-	2,530	4,578	470
Other liabilities:					
Net OPEB obligation	147	137	-	284	-
Contracts, mortgages, and notes	1,928	256	93	2,091	63
Custodial liabilities	1,785,485	120,190	13,932	1,891,743	124,890
Total other liabilities	1,787,560	120,583	14,025	1,894,118	124,953
Total fiduciary fund activities long-term liabilities	$ 1,794,668	$ 120,583	$ 16,555	$ 1,898,696	$ 125,423

Changes in long-term liabilities for SAIF Corporation (SAIF) for the year ended December 31, 2008, and for the Oregon Health and Science University (OHSU) for the year ended June 30, 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component units:					
Bonds/certificates payable:					
Revenue bonds	$ 506,346	$ 238,505	$ 99,478	$ 645,373	$ 5,867
Less deferred amounts:					
For issuance discounts	(2,390)	(4,077)	(198)	(6,269)	-
For issuance premiums	928	-	50	878	-
On refunding	(5,052)	-	(350)	(4,702)	-
Accreted interest	26,423	1,777	-	28,200	-
Total bonds/certificates payable - OHSU	526,255	236,205	98,980	663,480	5,867
Other liabilities:					
Obligations under capital lease	8,240	2,853	2,161	8,932	2,042
Claims and judgments	89,608	17,313	41,374	65,547	17,285
Net OPEB obligation	1,579	1,808	-	3,387	-
Contracts, mortgages, and notes	31,512	10,851	1,664	40,699	1,690
Obligations under life income agreements	20,509	-	3,502	17,007	-
Obligation to primary government	1,951	14	-	1,965	-
Reserve for loss and loss adjustment	2,805,365	105,944	-	2,911,309	209,139
Advances from primary government	28,755	1,069	4,280	25,544	2,238
Total other liabilities - SAIF and OHSU	2,987,519	139,852	52,981	3,074,390	232,394
Total SAIF and OHSU long-term liabilities	$ 3,513,774	$ 376,057	$ 151,961	$ 3,737,870	$ 238,261

F. Demand Bonds. The following schedule shows State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, included in long-term debt, along with selected terms of their Standby Bond Purchase Agreements (SBPAs) at June 30, 2009 (dollars in thousands):

Series	Outstanding Principal Amount	Liquidity Provider	Scheduled Termination Date	Maximum Interest Commitment	Commitment Fee
73 E & G	$ 185,000	JPMorgan Chase Bank	6/30/2010	40 days/14%	0.0850%
73 F & H	185,000	Bayerische Landesbank	11/30/2015[1]	40 days/14%	0.0850%
83	30,000	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
84	30,000	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
85	49,000	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
86	31,320	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
87C	9,045	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
88B	30,000	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
89B	10,000	Dexia Credit Local	12/31/2014	34 days/12%	0.0925%
90B	38,885	Dexia Credit Local	12/31/2013	34 days/12%	0.2500%

[1] Bayerische Landesbank has the option to terminate its purchase commitment obligations, at its sole discretion, as of June 30, 2010.

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

The Department of Veterans' Affairs (DVA) remarketing agents are 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 their applicable mode. The designated remarketing agent for such bonds will determine the interest rate borne by each series of bonds. DVA pays its designated remarketing agents a fee for this service.

State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, included in long-term debt, along with their respective remarketing fees, at June 30, 2009 (dollars in thousands):

Series	Outstanding Principal Amount	Designated Remarketing Agent	Remarketing Mode	Remarketing Fee
73 E & G	$ 185,000	Morgan Stanley	Weekly	0.085%
73 F & H	185,000	JP Morgan Securities Inc.	Weekly	0.050%
83	30,000	JP Morgan Securities Inc.	Weekly	0.050%
84	30,000	JP Morgan Securities Inc.	Weekly	0.050%
85	49,000	JP Morgan Securities Inc.	Daily	0.070%
86	31,320	JP Morgan Securities Inc.	Daily	0.070%
87C	9,045	JP Morgan Securities Inc.	Daily	0.070%
88B	30,000	JP Morgan Securities Inc.	Daily	0.070%
89B	10,000	JP Morgan Securities Inc.	Daily	0.070%
90B	38,885	JP Morgan Securities Inc.	Weekly	0.070%

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPAs for Series 73, JPMorgan Chase Bank, formerly known as Morgan Guaranty Trust Company, will commit to purchase any Series 73 E and G unremarketed bonds, and Bayerische Landesbank Girozentrale (BLG) will commit to purchase any Series 73 F and H unremarketed bonds, in each case subject to certain conditions set forth in the SBPAs. Under the SBPAs for Series 83, 84, 85, 86, 87C, 88B, 89B, and 90B ("Series 83-90B"), Dexia Credit Local will commit to purchase any unremarketed bonds, subject to certain conditions set forth in the SBPAs.

If a tender advance did occur under the Series 73 SBPAs, it would accrue interest at the bank's base rate (either a prime lending rate or the federal funds rate plus one half of 1 percent, whichever is higher). If the tender advance was in default, interest would accrue at the bank's base rate plus 1 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid in approximately two years. Tender advances can be repaid earlier than two years, if DVA elects to do so. If repayment of any tender advance does not occur within the specified time frame contained in Series 73 SBPAs, a default has occurred.

No tender advances or draws have been necessary to purchase any unremarketed bonds under the Series 73 SBPAs. Therefore, no tender advances or draws were outstanding at June 30, 2009.

If a tender advance did occur under the Series 83-90B SBPAs, it would accrue interest at the bank's base rate (either a prime lending rate or the federal funds rate plus one half of 1 percent, whichever is higher) for the time period up to 91 days; at the bank's base rate plus 1 percent for the time period covering 92 days up to the day before the end of the purchase commitment period; at the bank's base rate plus 2 percent for the time period thereafter. If the tender advance was in default, interest would accrue at the bank's base rate plus 2.5 percent. Interest on a tender advance must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be repaid on the earliest of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate or indexed rate; or (c) the effective date of delivery of a substitute alternative liquidity facility. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 83-90B SBPAs, a default has occurred.

During October 2008, a portion of the Department of Veterans' Affairs Series 83, Series 84, and Series 90 bonds were unable to be remarketed and became bank bonds. Additional bank bond differential interest was paid to Dexia Credit Local of approximately $14,500, $2,000, and $11,800 for the respective bonds. All bonds were remarketed by October 31, 2008. No tender advances or draws were outstanding as of June 30, 2009.

Each bank's present purchase commitment consists of the payment of the purchase price equal to the principal and accrued interest, if any, on the bonds of the applicable series tendered for purchase and not remarketed on the purchase date. The purchase commitment of each bank may be reduced from time to time upon occurrence of certain events specified in the SBPAs. As of June 30, 2009, DVA is required to pay a yearly commitment fee, which is payable quarterly in arrears.

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

No-commitment debt as of June 30, 2009 (in thousands):

Primary Government		
Oregon Business Development Department	$	171,881
Oregon Facilities Authority		1,018,596
Housing and Community Services Department		176,850
Total No-Commitment Debt	$	1,367,327

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

The following provides a brief description of the current/advance refunding issues that occurred between July 1, 2008, and June 30, 2009:

On July 15, 2008, the Department of Administrative Services issued $2.8 million in 2008 Series A Certificates of Participation with an average interest rate of 3.9 percent. These certificates refunded $2.8 million of outstanding 1997 Series B certificates of participation with an average interest rate of 5 percent. The current refunding was undertaken to reduce the total debt service payments over the next 10 years by $68 thousand and resulted in an economic gain of $86 thousand.

On July 30, 2008, the Oregon University System issued $4.2 million in X1-G 2008 Series B General Obligation Bonds with an average interest rate of 4.1 percent. These bonds refunded $4.1 million of outstanding 1997 Series E and 1998 Series F general obligation bonds with an average interest rate of 5 percent. The current refunding was undertaken to reduce the total debt service payments over the next 10 years by $171 thousand and resulted in an economic gain of $128 thousand.

On February 27, 2009, the Department of Administrative Services, on behalf of the Department of Transportation, issued $6.9 million in 2009 Series A Certificates of Participation with an average interest rate of 3.9 percent. The certificates were issued to refund $6.9 million of outstanding 1997 Series B Certificates of Participation with an average interest rate of 5 percent. The current refunding was undertaken to reduce the total debt service payments over the next 10 years by $324 thousand and resulted in an economic gain of $146 thousand

On March 18, 2009, the Oregon University System issued $17.5 million in XI-F(1) 2009 Series A General Obligation Bonds with an average interest rate of 4.8 percent. These bonds refunded $18.3 million of outstanding 1998 Series D and 2004 Series B general obligation bonds with an average interest rate of 4.7 percent. The current refunding was undertaken to reduce the total debt service payments over the next 9 years by $1.1 million and resulted in an economic gain of $798 thousand.

On April 2, 2009, the Department of Administrative Services, on behalf of the Department of Education, issued $27.1 million in 2009 Series C Lottery Revenue Bonds with an average interest rate of 1.8 percent. The bonds were issued to refund $27.8 million of outstanding 1999 Series A Lottery Revenue Bonds with an average interest rate of 5 percent. The current refunding was undertaken to reduce the total debt service payments over the next 6 years by $617 thousand and resulted in an economic gain of $1.2 million.

On June 17, 2009, the Oregon Health and Science University issued $238.5 million in 2009 Series A Revenue Bonds with an average interest rate of 5.3 percent. The bonds were issued to refund $199.6 million of outstanding 2004 Series A and 2005 Series AB Revenue Bonds with an average interest rate of 6 percent. The current refunding was undertaken to reduce the total debt service payments over the next 30 years by $151.8 million and resulted in an economic gain of $10.7 million.

I. Defeased Debt. The following schedule summarizes the amount of bonds and certificates of participation outstanding that are considered defeased as of June 30, 2009 (in thousands):

Primary Government	
Department of Administrative Services	$ 10,740
Oregon Business Development Department	23,974
Department of Corrections	131,505
Department of Energy	6,745
Department of Environmental Quality	5,050
Employment Department	645
Oregon University System	242,404
Department of Education	4,220
Department of Parks and Recreation	9,001
Department of Transportation	458,523
Total defeased bonds and certificates of participation	$ 892,807

J. Arbitrage Rebate Liability. The Tax Reform Act of 1986 placed restrictions on the non-purpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the non-purpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Non-purpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government.

Outstanding arbitrage rebate liabilities as of June 30, 2009 (in thousands):

Primary Government	
Department of Human Services	$ 229
Department of Administrative Services	285
Oregon Business Development Department	587
Legislative Administration Committee	48
Military Department	23
Department of State Police	14
Department of Veterans' Affairs	6,220
Department of Corrections	695
Department of Environmental Quality	2
Oregon Youth Authority	5
Oregon University System	684
Department of Education	551
Community Colleges and Workforce Development	54
Department of Forestry	5
Parks and Recreation Department	106
Department of Fish and Wildlife	2
Department of Transportation	67
Housing and Community Services Department	1,213
Total arbitrage rebate liability	$ 10,790

10. POLLUTION REMEDIATION OBLIGATION

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* establishes accounting and financial reporting standards for pollution remediation obligations. These obligations address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities, and postremediation monitoring. Excluded from the scope of this statement 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, 2009, the State recognized an estimated liability of $14.4 million for pollution remediation activities. The liability, which is reported in the government-wide Statement of Net Assets, was recorded at the current value of the costs the State expects to incur to perform the work. Upon implementation, GASB Statement No. 49 also required measurement of the pollution remediation obligation at the beginning of the period. As a result, beginning net assets in the government-wide Statement of Activities were restated by $194 thousand.

For many projects, the State can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the State has experience. In other cases, the estimates are limited to an amount specified in a contract for remediation services or provided by environmental consulting firms. Expected recoveries from responsible parties or potentially responsible parties and insurance recoveries are included in the estimates and reduce the State’s expense. There were no estimable expected recoveries included in the measurement of the State’s pollution remediation obligation at June 30, 2009.

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

Currently, the Oregon Department of Environmental Quality (DEQ), as a government responsible for sharing costs under federal law, is obligated to cleanup two Superfund sites. Both sites are contaminated with chemicals used in the wood-treatment industry. Contamination was found in the soil, groundwater, and sediments of adjacent rivers. The Oregon Department of Transportation (ODOT) also performs ongoing pollution remediation. In many instances, ODOT voluntarily conducts the cleanup of contaminated soil and ground water found within the footprint of a construction project or removes lead-based paint during bridge repairs in order to facilitate the agency's transportation goals. In other cases, DEQ has named ODOT as a responsible party or potentially responsible party, or ODOT has entered the site into the DEQ's Voluntary Cleanup program, as the responsible party.

As of June 30, 2009, the State is involved in negotiations related to a non-judicial allocation of costs associated with the investigation and cleanup of contamination in the Portland Harbor Superfund site. There are over 200 parties, private and public, that may eventually bear a share of the costs. It is too early in the Environmental Protection Agency's remedial action process to estimate the total cleanup costs that may be shared by the liable parties and what portion of that, if any, will be assessed against the State. The Portland Harbor Superfund site is discussed in greater detail in Note 22.

11. PLEDGED REVENUES

A. Unobligated Net Lottery Proceeds

The State has pledged future unobligated net lottery proceeds to repay $1 billion of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for (1) revenues used for payment of prizes and expenses of the Lottery and (2) revenues previously dedicated to the payment of the State's Westside Lottery Bonds to fund reserves for the Westside Lottery Bonds and to pay related costs of the Department of Transportation with respect to the Westside Lottery Bonds. 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 2029. In fiscal year 2010, principal and interest payments on the bonds are expected to require approximately 22.3 percent of unobligated net lottery proceeds. The total principal and interest remaining to be paid on the bonds is $1.5 billion. Principal and interest paid for the current year and total unobligated net lottery proceeds were $88.4 million and $589.3 million, respectively.

B. Highway User Taxes and Vehicle Registration Fees

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers, and statutory transfers to counties, to repay $1.7 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 2033. Fiscal year 2010 principal and interest payments on the bonds are expected to require approximately 25.4 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is $2.8 billion. Principal and interest paid for the current year and total pledged revenues were $92.7 million and $468 million, respectively.

12. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2009 (in thousands):

Due from Other Funds

Due to Other Funds	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Oregon Rainy Day	Nonmajor Governmental Funds	Housing and Community Services	Veterans' Loan	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 71,098	$ 156,450	$ 45,263	$ 112,128	$ -	$ 274	$ 76	$ -	$ -	$ -	$ 9,674	$ 72	$ -	$ 395,035
Health and Social Services	1,713	-	-	262	714	51	-	2,884	-	-	50	6,529	-	-	12,203
Public Transportation	-	142	-	12,911	-	-	-	1,683	-	-	-	-	-	-	14,736
Environmental Management	284	-	2,425	-	-	1,011	-	1,502	-	-	-	-	-	-	5,222
Educational Support	10	244	-	-	-	-	-	6,253	-	-	-	-	-	6	6,513
Common School	-	-	-	832	-	-	-	15	-	-	-	-	-	-	847
Nonmajor Governmental Funds	7,143	21,517	480	9,632	8,356	-	-	101,501	11	-	4,325	-	2,385	-	155,350
Housing and Community Services	-	-	-	-	-	-	-	24	-	-	-	-	-	-	24
Lottery Operations	-	-	-	-	-	-	-	133,675	-	-	-	-	-	-	133,675
Unemployment Compensation	-	-	-	-	-	-	-	165	-	-	-	-	-	-	165
Nonmajor Enterprise Funds	7,056	15,144	-	1,520	-	15	-	2,180	-	72	-	-	-	-	25,987
Internal Service Funds	-	-	-	-	-	-	-	44	-	-	-	-	7	-	51
Fiduciary Funds	-	-	-	-	-	3	-	781	-	-	-	-	-	1,465	2,249
Total	$ 16,206	$ 108,145	$ 159,355	$ 70,420	$ 121,198	$ 1,080	$ 274	$ 250,783	$ 11	$ 72	$ 4,375	$ 16,203	$ 2,464	$ 1,471	$ 752,057

Advances to Other Funds

Advances from Other Funds	Common School	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Total
General	$ -	$ -	$ 112	$ 732	$ 844
Environmental Management	300	-	-	-	300
Nonmajor Governmental Funds	13	1,108	-	-	1,121
University System	-	-	27,093	-	27,093
Nonmajor Enterprise Funds	-	-	100	-	100
Internal Service Funds	-	-	291	-	291
Total	$ 313	$ 1,108	$ 27,596	$ 732	$ 29,749

Interfund balances result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Advances to and from other funds are not expected to be repaid within one year.

Interfund transfers reported in the fund financial statements as of June 30, 2009 (in thousands):

	Transfers from Other Funds												
Transfers to Other Funds	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Nonmajor Governmental Funds	Unemployment Compensation	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 4,926	$ 58	$ 11,048	$ 95,677	$ -	$ 85,019	$ -	$ 365,443	$ 133,314	$ 2	$ -	$ 695,487
Health and Social Services	12,235	-	-	10,416	2,242	304	177,524	-	2,896	46,728	4,620	-	256,965
Public Transportation	-	4,370	-	30,761	-	-	148,908	-	-	-	-	-	184,039
Environmental Management	7,743	64	216	-	16	13,626	33,898	-	3,547	-	23	-	59,133
Educational Support	6,676	82	-	-	-	-	6,872	-	50,575	-	-	639	64,844
Common School	-	-	-	6,113	40,368	-	270	-	-	-	-	-	46,751
Nonmajor Governmental Funds	71,937	66,305	5,147	82,572	445,711	-	192,149	5,715	14,069	21,471	4,043	-	909,119
Housing and Community Services	589	-	-	-	-	-	205	-	-	-	-	-	794
Veterans' Loan	186	-	-	-	-	-	230	-	-	-	-	-	416
Lottery Operations	-	-	-	-	-	-	600,718	-	-	-	-	-	600,718
Unemployment Compensation	-	-	-	-	-	-	42,236	-	-	-	-	-	42,236
University System	51	-	-	-	28	-	26,819	-	-	-	-	-	26,898
Nonmajor Enterprise Funds	95,529	7,989	-	-	-	-	31,679	-	-	11,979	706	-	147,882
Internal Service Funds	22,324	8	-	412	3,587	-	11,237	-	-	-	-	-	37,568
Total	$ 217,270	$ 83,744	$ 5,421	$ 141,322	$ 587,629	$ 13,930	$ 1,357,764	$ 5,715	$ 436,530	$ 213,492	$ 9,394	$ 639	$ 3,072,850

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service or capital construction from the funds collecting the receipts to the appropriate funds, and (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During February 2009, the Legislature developed a statewide plan to rebalance the General Fund budget for the remainder of the 2007-09 biennium. The plan utilized a mixture of budget reductions and fund shifts, transfers to the General Fund, federal stimulus dollars, and the Emergency Fund balance. Of the $217.3 million transferred to the General Fund during fiscal year 2009, $83.8 million of that amount represented other funds (non-federal/non-lottery) that were transferred in lieu of making General Fund budget cuts.

13. SEGMENT INFORMATION

Sections 285B.410 through 285B.482 of the Oregon Revised Statutes (ORS) 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 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.

The Oregon Housing and Community Services Department (OHCSD) is authorized by ORS 456.645 to issue revenue bonds to finance single-family mortgage loans and multi-family housing projects. Financing of multi-family housing for elderly and disabled persons is authorized in article XI-I (2) of the Oregon Constitution. Mortgage payments and fees as well as rental revenues support these bonds.

Summary financial information for the Special Public Works Fund, the Water Fund, and the various funds that account for the bond activity with pledged revenues of the OHCSD for the year ended June 30, 2009 (in thousands):

Condensed balance sheet	Special Public Works Fund	Water Fund	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Assets:				
Other current assets	$ 112,461	$ 42,667	$ 61,459	$ -
Interfund receivables	-	100	-	-
Other noncurrent assets	271,747	92,021	1,278,343	-
Total assets	$ 384,208	$ 134,788	$ 1,339,802	$ -
Liabilities:				
Other current liabilities	$ 43,352	$ 17,213	$ 58,613	$ -
Other noncurrent liabilities	116,459	50,707	1,202,157	-
Total liabilities	159,811	67,920	1,260,770	-
Net assets:				
Restricted	6,763	160	79,032	-
Unrestricted	217,634	66,708	-	-
Total net assets	224,397	66,868	79,032	-
Total liabilities and net assets	$ 384,208	$ 134,788	$ 1,339,802	$ -

Condensed statement of revenues, expenses, and changes in fund net assets	Special Public Works Fund	Water Fund	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Loan interest income	$ 11,719	$ 5,212	$ 60,052	$ -
Other operating revenue	411	-	6,981	552
Other operating expenses	(8,902)	(5,557)	(61,155)	(587)
Operating income (loss)	3,228	(345)	5,878	(35)
Total nonoperating revenues (expenses)	1,625	106	-	-
Transfers from other funds	11,365	19,682	1,275	-
Transfers to other funds	(4,943)	(7,385)	-	(9)
Change in net assets	11,275	12,058	7,153	(44)
Beginning net assets (as restated)	213,122	54,810	71,879	44
Ending net assets	$ 224,397	$ 66,868	$ 79,032	$ -

Condensed statement of cash flows	Special Public Works Fund	Water Fund	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Net cash provided (used) by:				
Operating activities	$ 7,548	$ 3,162	$ 3,712	$ -
Noncapital financing activities	6,615	11,789	(54,080)	(88,138)
Investing activities	(2,451)	(1,695)	61,987	87,952
Net increase (decrease)	11,712	13,256	11,619	(186)
Beginning cash and cash equivalents (as restated)	60,448	14,325	9,251	186
Ending cash and cash equivalents	$ 72,160	$ 27,581	$ 20,870	$ -

Condensed balance sheet	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Assets:			
Other current assets	$ 7,917	$ 6,114	$ 42,940
Capital assets	-	-	28
Accumulated depreciation	-	-	(27)
Other noncurrent assets	174,333	27,823	235,654
Total assets	$ 182,250	$ 33,937	$ 278,595
Liabilities:			
Other current liabilities	$ 7,220	$ 6,289	$ 42,044
Interfund payables	-	-	1
Other noncurrent liabilities	156,980	14,532	175,317
Total liabilities	164,200	20,821	217,362
Net assets:			
Restricted	18,050	13,116	61,233
Total net assets	18,050	13,116	61,233
Total liabilities and net assets	$ 182,250	$ 33,937	$ 278,595

Condensed statement of revenues, expenses, and changes in fund net assets	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Loan interest income	$ 10,020	$ 1,953	$ 10,707
Other operating revenue	990	785	3,654
Other operating expenses	(9,123)	(1,210)	(12,163)
Operating income (loss)	1,887	1,528	2,198
Transfers from other funds	450	-	-
Transfers to other funds	(2,000)	(1,869)	(161)
Change in net assets	337	(341)	2,037
Beginning net assets (as restated)	17,713	13,457	59,196
Ending net assets	$ 18,050	$ 13,116	$ 61,233

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Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:			
Operating activities	$ 11,678	$ 9,084	$ 15,577
Noncapital financing activities	(13,757)	(7,993)	(17,345)
Investing activities	2,237	461	23,120
Net increase (decrease)	158	1,552	21,352
Beginning cash and cash equivalents (as restated)	595	638	47,678
Ending cash and cash equivalents	$ 753	$ 2,190	$ 69,030

14. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions. The Public Employees Retirement System (PERS) provides defined benefit and defined contribution retirement plans for units of State government, school districts, community colleges, and political subdivisions of the State. The Public Employees Retirement Board (Board), under the guidelines of Chapters 238 and 238A of the Oregon Revised Statutes, administers PERS, and it provides retirement benefits and cost-of-living adjustments as well as disability, postemployment healthcare, and death benefits to plan members and beneficiaries.

PERS is a single pension plan that features both a cost-sharing multiple-employer pension plan and an agent multiple-employer pension plan. All plan assets may legally be used to pay benefits to any of the plan members or beneficiaries for which the assets were accumulated. Participation in the PERS cost-sharing multiple-employer plan is mandatory for units of State government, community colleges, and school districts. PERS is an agent multiple-employer plan for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by most political subdivisions is optional, but irrevocable if elected. The State has no obligation to contribute, and it does not contribute, to the agent multiple-employer pension plan. At June 30, 2009, PERS had 885 employer members consisting of:

State agencies	116
Community colleges	17
School districts	267
Political subdivisions	485

The PERS defined benefit and defined contribution retirement plans are reported in a pension trust fund of the State primary government. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Fiscal Services Division, Public Employees Retirement System, 11410 SW 68th Parkway, Tigard, Oregon 97223.

Effective April 1, 1996, the Oregon University System (OUS) established the Optional Retirement Plan (ORP) as an alternative to PERS. The ORP is a defined contribution retirement plan that is available to OUS unclassified faculty and staff who are eligible for PERS. In addition to PERS and ORP, the OUS offers a variety of retirement options including the Teacher's Insurance and Annuity Association and College Retirement Equities Fund, the Federal Civil Service Retirement System, and the Federal Employees Retirement System.

Effective July 1, 1996, the Oregon Health and Science University (OHSU), which is a discretely presented component unit, established the University Pension Plan (UPP). The UPP is a defined contribution plan that is available to employees as an alternative to PERS. Employees become fully vested in employer contributions over a four-year period.

B. Summary of Significant Accounting Policies. The financial statements for the PERS pension plans are prepared using the accrual basis of accounting. Plan member contributions and employer member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. The fair value of publicly traded debt and equity securities in active markets is determined by the custodial agent using nationally recognized pricing services. The custodial agent values equity securities at the last reported sales price and debt securities using evaluated bid prices. The fair value of real estate investment trust (REIT) securities and 64 percent of the Opportunity Portfolio investments, both of which are traded in active markets, is determined using recognized pricing services. (The Opportunity Portfolio is an investment portfolio within the Oregon Public Employees Retirement Fund that utilizes innovative investment approaches across a wide range of investment opportunities.) For securities that do not have an active market, such as private placements or commingled investment vehicles, the custodial agent or investment manager uses a similar benchmark security to estimate fair value. The benchmark used to value a debt security, for example, typically has a coupon rate and maturity date comparable to the debt security being valued, as well as similar market risk.

Investments in private equities and 36 percent of the Opportunity Portfolio investments are valued at estimated fair value based on good faith determinations of the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. The general partner’s estimate of fair value is based on the best information available and is determined by reference 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 any other pertinent information, including the types of securities held and the general partner’s own assumptions regarding the investment. The methods used to estimate 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, which relies on the discounted cash flow method. Investments in private equities representing publicly traded securities are stated at quoted market prices.

Direct investments in real estate are appraised every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate for which observable market prices in active markets do not exist are reported at fair value as determined in good faith by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. The general partner determines fair value using the valuation methodology most appropriate for the type of investment. Consideration is given to a range of factors, 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.

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

C. Funding Policies. The PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, coupled with employee contributions, are intended to accumulate sufficient assets to pay retirement benefits when due. Plan member contributions are established by State statute. The Board, based on the required actuarially determined rate, establishes State employer contributions. Current law permits employers to pay employees’ contributions to PERS and most state agencies do so.

The required employee contributions and the required employer pension contributions shown as a percentage of covered salary for the PERS multiple-employer plans from July 1, 2007 to June 30, 2009:

	238/238A	238	238A Employer Rate	
	Employee Rate	Employer Rate **	General Service	Police and Fire
State Agencies *	6.0%	6.07%	5.82%	9.09%
State and Local Government Rate Pool	6.0%	7.88%	5.82%	9.09%
Judiciary	7.0%	18.70%	5.82%	9.09%
School Districts	6.0%	7.92%	5.82%	9.09%
Non-Pooled Political Subdivisions	6.0%	8.51%	5.82%	9.09%

* A subcomponent of the State and Local Government Rate Pool

** Includes average rate off-set from lump-sum payment contributions made by employers that issued pension obligation bonds.

The 238 and 238A combined employer contributions for the primary government for the years ended June 30, 2009, 2008, and 2007 were approximately $155.3 million, $147.4 million, and $155.5 million, respectively. The 238 and 238A combined employer contributions for the discretely presented component units for the years ended June 30, 2009, 2008, and 2007 were approximately $15.5 million, $13.4 million, and $23.7 million, respectively. For both the primary government and the discretely presented component units, actual contributions equaled the annual required contributions in each year. Contributions in excess of the annual required contribution in fiscal year 2004 resulted in a net pension asset that is being amortized using the level dollar closed method over 22 years and an assumed interest rate of 8 percent. The employer pension cost of $219.8 million for fiscal year 2009 includes $49 million of amortization of the net pension asset.

Under the ORP, the employee contribution rate is 6 percent and is paid by OUS. The employer contribution rate for Tier One and Tier Two is 16.01 percent and for Tier Three is 5.82 percent as of June 30, 2009. The OUS employer contributions to the ORP for the years ended June 30, 2009, 2008, and 2007 were approximately $25.8 million, $24.3 million, and $26.2 million, respectively. The OUS employee contributions to the ORP for the years ended June 30, 2009, 2008, and 2007 were approximately $13 million, $11.9 million, and $11.2 million, respectively.

The OHSU Board of Directors determines contribution levels for the UPP. Employer contributions to the plan are 6 percent of salary and employee contributions are an additional 6 percent. Currently, OHSU is funding employee contributions. The OHSU employer contributions to the UPP for the years ended June 30, 2009, 2008, and 2007 were approximately $16.2 million, $13.2 million, and $11.3 million, respectively, and were equal to the employee contributions for each year.

15. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Public Employees Retirement System

Plan Descriptions. The Public Employees Retirement Board (Board), as established by Oregon Revised Statute (ORS) 238.410, contracts for healthcare insurance coverage on behalf of Public Employees Retirement System (PERS) members. Retirees who are eligible for PERS healthcare coverage pay their own age-adjusted premiums. PERS 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 in which 885 employers participate. Established through 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 for 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 insurance plan. A surviving spouse or dependent of a deceased

PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan. The number of RHIA plan members receiving benefits was 38,923 as of June 30, 2009.

The RHIPA is a single-employer OPEB plan established through ORS 238.415. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the Board, and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving 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 for the RHIPA plan. The number of RHIPA plan members receiving benefits was 709 as of June 30, 2009.

The PERS RHIA and RHIPA defined benefit OPEB plans are reported as other employee benefit trust funds of the State primary government. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, 11410 SW 68th Parkway, Tigard, Oregon 97223.

Summary of Significant Accounting Policies. The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. The fair value of publicly traded debt and equity securities in active markets is determined by the custodial agent using nationally recognized pricing services. The custodial agent values equity securities at the last reported sales price and debt securities using evaluated bid prices. The fair value of real estate investment trust (REIT) securities and 64 percent of the Opportunity Portfolio investments, both of which are traded in active markets, is determined using recognized pricing services. (The Opportunity Portfolio is an investment portfolio within the Oregon Public Employees Retirement Fund that utilizes innovative investment approaches across a wide range of investment opportunities.) For securities that do not have an active market, such as private placements or commingled investment vehicles, the custodial agent or investment manager uses a similar benchmark security to estimate fair value. The benchmark used to value a debt security, for example, typically has a coupon rate and maturity date comparable to the debt security being valued, as well as similar market risk.

Investments in private equities and 36 percent of the Opportunity Portfolio investments are valued at estimated fair value based on good faith determinations of the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. The general partner's estimate of fair value is based on the best information available and is determined by reference 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 any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to estimate 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, which relies on the discounted cash flow method. Investments in private equities representing publicly traded securities are stated at quoted market prices.

Direct investments in real estate are appraised every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate for which observable market prices in active markets do not exist are reported at fair value as determined in good faith by the general partner. Valuations provided by the general partner as of March 31 are adjusted for cash activity from April 1 to June 30 to arrive at a fair value as of June 30. The general partner determines fair value using the valuation methodology most appropriate for the type of investment. Consideration is given to a range of factors, 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.

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

Contributions and Funding. Both of the PERS OPEB plans are advance-funded through employer contributions established on an actuarially determined basis. All PERS employers currently contribute 0.37 percent of covered payroll to fund the RHIA. The employer contribution rate covers the normal cost payment and an amount to amortize the unfunded actuarial accrued liability over a period commencing on the actuarial valuation date and ending on December 31, 2027. The employers' aggregate actual contributions for the years ended June 30, 2009, 2008, and 2007 totaled approximately $28.8 million, $27.8 million, and $41.2 million, respectively, and were equal to the annual required contribution for each year.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	$ 183.8	$ 494.0	$ 310.2	37.2%	$8,130.1	3.8%

State agencies currently contribute 0.1 percent of PERS covered salaries to fund the RHIPA. State employer contributions for the years ended June 30, 2009, 2008, and 2007 totaled approximately $2 million, $1.8 million, and $2.4 million, respectively, and were equal to the annual required contribution for each year.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	$ 5.7	$ 21.3	$ 15.6	26.7%	$ 2,217.9	0.7%

Actuarial Methods and Assumptions. The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 2008 using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include an 8 percent per annum rate of return on the investment of present and future assets, projected payroll growth of 3.75 percent, a 2 percent cost-of-living adjustment, and a healthcare cost inflation adjustment graded from 7 percent in 2009 to 4.5 percent in 2029. The RHIPA plan uses an inflation assumption of 2.75 percent. However, the RHIA plan does not use an inflation assumption because statute sets the payment amount and does not adjust for increases in healthcare costs. The actuarial value of plan assets for both RHIA and RHIPA is equal to the fair market value of assets on the valuation date. The amount of net assets available for other postemployment benefits for RHIA and RHIPA at June 30, 2009 is $185 million and $5.7 million, respectively. Both PERS plans use the level percentage of payroll amortization method with a closed amortization period of 10 years.

B. Public Employees Benefit Board

Plan Description. The State participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB), which offers medical, dental, and vision benefits to eligible retired state employees and their beneficiaries. The PEBB Plan is an agent multiple-employer postemployment healthcare plan in which 11 employers participate. Chapter 243 of the Oregon Revised Statutes gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. As the administrator of the PEBB Plan, PEBB has the authority to determine postretirement benefit increases and decreases. The PEBB Plan allows qualifying retired employees to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. Participating retirees pay their own monthly premiums based on a blended premium rate determined by pooling the retirees with active employees for insurance rating purposes, thus, creating an "implicit rate subsidy." This means that the healthcare insurance premiums paid by the State for active employees are higher than they would be if the premiums were based on active employees alone. As of June 30, 2009, PEBB Plan members consist of 46,764 active employees and 2,429 retired employees and beneficiaries receiving benefits. PEBB does not issue a separate, publicly available financial report.

Summary of Significant Accounting Policies. The PEBB plan implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The net OPEB obligation for the year ended June 30, 2009, is $40.1 million and is allocated to the participating funds based on each fund's proportionate share of the annual OPEB cost as determined by health insurance premium payments.

Contributions. State employer contributions and the contribution requirements of active employee plan members who are represented by labor unions are established and amended through negotiations during the bargaining process. State employer contributions and the contribution requirements of active employee plan members who are not represented by labor unions are established and amended through a directive issued by authorized individuals for the executive, legislative, and judicial branches of State government. The PEBB establishes annual premiums to be charged for various levels of healthcare coverage.

Funding Policy. The PEBB Plan funding policy provides for employer contributions at amounts sufficient to fund benefits, including the rate subsidy, on a pay-as-you-go basis. Active employees do not make contributions. Administrative costs of the PEBB Plan are financed by up to 2 percent of employer and plan member contributions. For the year ended June 30, 2009, retired plan members contributed $25.2 million through their required contributions of an average of $865.42 per month.

Annual OPEB Cost and Net OPEB Obligation. The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2007, using the entry age normal cost method. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over thirty years. Significant assumptions used in the actuarial valuation include a 4.5 percent per annum rate of return on the investment of present and future assets, and a medical healthcare cost inflation adjustment graded from an average of 10.7 percent in 2009 to an average of 5 percent in 2024. The dental healthcare cost inflation adjustment was graded from an average of 4.8 percent in 2009 to an average of 4 percent for 2017 and beyond. The plan has an open amortization period of 30 years and uses the level dollar amortization method.

For fiscal years ended June 30, 2008 and 2009, the components of the PEBB Plan's annual OPEB cost, the amounts actually contributed, and changes to the net OPEB obligation (in millions):

	June 30, 2009	June 30, 2008
Annual required contribution	$ 36.2	$ 34.8
Interest on net OPEB obligation	.9	-
ARC adjustment	(1.3)	-
Annual OPEB cost (expense)	35.8	34.8
Contributions made	(16.0)	(14.5)
Increase in net OPEB obligation	19.8	20.3
Net OPEB obligation – beginning of year	20.3	-
Net OPEB obligation – end of year	$ 40.1	$ 20.3
Percent of annual OPEB cost contributed	44.7%	41.7%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	$ 0	$ 323.4	$ 323.4	0%	$ 2,187.2	14.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

C. Discretely Presented Component Units

SAIF Corporation (SAIF) administers a single-employer defined benefit healthcare plan. SAIF employees retiring under Oregon PERS are eligible to receive medical coverage for self and eligible dependents until age 65. Retirees must pay the premium for the coverage elected. Premiums for coverage are identical for active and retired employees, except to the extent that SAIF pays all or a portion of its active employees' premiums. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. Benefit provisions are established by SAIF Corporation. The plan does not issue a separate, publicly available financial report.

Funding Policy. SAIF's funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. For the years ended December 31, 2008 and 2007, respectively, retired plan members contributed $541 thousand and $498 thousand through their required contributions and the required contribution rate per member was an average of $586 and $488 per month.

Annual OPEB Cost and Net OPEB Obligation. The postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by a consulting actuary as of January 1, 2007, using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include a 5.5

percent investment rate of return and an annual medical healthcare cost trend rate of 9 percent initially, reduced by 1 percent decrements annually to an ultimate rate of 5 percent in 2011. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll on an open basis for 15 years.

For the years ended December 31, 2008 and 2007, the components of SAIF's annual OPEB cost, the amounts actually contributed to the plan, and changes in SAIF's net OPEB obligation (in thousands):

	December 31, 2008	December 31, 2007
Annual required contribution	$ 408	$ 391
Interest on net OPEB obligation	13	-
ARC adjustment	(19)	-
Annual OPEB cost (expense)	402	391
Contributions made	(174)	(147)
Increase in net OPEB obligation	228	244
Net OPEB obligation – beginning of year	244	-
Net OPEB obligation – end of year	$ 472	$ 244
Percent of annual OPEB cost contributed	43.3%	37.6%

The funded status of the SAIF plan as of the most recent actuarial valuation date (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2007	$ 0	$ 2,972.8	$ 2,972.8	0.0%	$ 50,229.2	5.9%

The Oregon Health and Science University (OHSU) administers a single-employer defined benefit healthcare plan. OHSU retiring employees are eligible to receive medical coverage for self and spouse until age 65. Retirees must pay the full premium for the coverage elected. The plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Full-time active employees also make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes.

For fiscal years ended June 30, 2009 and 2008, the components of OHSU's annual OPEB cost, the amounts actually contributed to the plan, and changes in OHSU's net OPEB obligation (in thousands):

	June 30, 2009	June 30, 2008
Annual required contribution	$ 2,355	$ 2,355
Interest on net OPEB obligation	185	118
Annual OPEB cost (expense)	2,540	2,473
Contributions made	(960)	(1,138)
Increase in net OPEB obligation	1,580	1,335
Net OPEB obligation – beginning of year	1,335	-
Net OPEB obligation – end of year	$ 2,915	$ 1,335
Percent of annual OPEB cost contributed	37.8%	46%

The funded status of the OHSU plan as of the most recent actuarial valuation date (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2008	$ 0	$ 19,120	$ 19,120	0%	$ 525,932	3.6%

The actuarially determined amounts above use an assumed discount rate of 5 percent in the January 1, 2008 valuation. The assumed healthcare cost trend rate was 10 percent in 2008, declining gradually to 5 percent in 2018 and remaining at 5 percent thereafter. The actuarial cost method used is the projected unit credit method.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Therefore, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the types of benefits provided under the terms of the plan at the time of valuation and on the pattern of sharing costs between the employer and plan members to that point.

16. DEFERRED COMPENSATION PLANS

A. State Deferred Compensation Fund. 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 Board (Board) administers the plan. As trustee of the assets, the Board contracts with ING to maintain OSGP participant records. The Office of the State Treasurer, as custodian of the assets, contracts with State Street Bank and Trust Company to provide financial services. Activity of the OSGP is reported under the deferred compensation plan in the combining financial statements for fiduciary funds. As of June 30, 2009, the fair value of the investments was $801.2 million.

B. SAIF Corporation Deferred Compensation Plan. SAIF Corporation, a discretely presented component unit, administers a deferred compensation plan that is available to SAIF employees (SAIF Plan). Employees may enter into an individual agreement with SAIF Corporation to defer current earnings to be paid at a future date. The SAIF Plan assets are held in a custodial account or an annuity contract by the plan provider for the exclusive benefit of the participants or their beneficiaries. The plan assets and the corresponding liability are not reported in the SAIF Corporation balance sheet at December 31, 2008.

Both the OSGP and the SAIF Plan are administered in compliance with Internal Revenue Code Section 457. Participants are not required to pay federal or state income taxes on the deferred earnings until those earnings are received. Participants or their beneficiaries cannot receive the funds until at least one of the following circumstances occurs: termination due to death, disability, resignation, or retirement; unforeseeable emergency; or by requesting a de minimus distribution from inactive accounts valued at less than $5,000. Payments to participants may be made over a period not to exceed the life expectancy of the participant and/or alternate payee. The State and SAIF Corporation have no liability for losses under the deferred compensation plans, but they do have the prudent investor responsibility of due care.

17. TERMINATION BENEFITS

During the year ended June 30, 2009, the Oregon University System provided termination benefits through an early retirement program at Southern Oregon University (SOU). Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty who are at least 55 years of age. Faculty members who elect this plan relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up to seven years after the employee's retirement date. As of June 30, 2009, fifteen retirees were participating in the plan.

An early retirement liability of $135 thousand is included in current notes, contracts, and mortgages payable and an early retirement liability of $247.2 thousand is included in noncurrent notes, contracts, and mortgages payable in the proprietary funds balance sheet under University System. The liability is calculated using the discounted present value of expected future benefit payments, using a discount rate of 6 percent.

18. RISK FINANCING

A. Property, Liability, and Workers' Compensation Coverages for State Government. The Department of Administrative Services, State Services Division, administers the State's property and liability insurance program. State Services Division has found it is more economical to manage the risk of loss internally and, therefore, minimizes the purchase of commercial insurance policies to the extent possible. The moneys set aside by State Services Division under Chapter 278 of the Oregon Revised Statutes are used to service the following risks:

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

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

All State agencies, commissions, and boards participate in the self-insured property and liability program. State Services Division 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.

State Services Division 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 $52 million as of June 30, 2009. Independent actuaries determine biennial loss forecasts.

Periodically, State Services Division reevaluates claim liabilities taking into consideration recently settled claims, the frequency of claims, and other economic and social factors. Contracted actuaries estimate claims and allocated and unallocated expenses using the last 20 to 25 years of State claims experience and the projected numbers of employees, payroll, vehicles, and other property. Liabilities include an amount for claims and legal expenses that have been incurred but not reported (IBNR) and are discounted at annual rates of 4 to 6 percent. The actuaries forecast ultimate losses by line of coverage.

Changes in the balances of aggregate claim liabilities for the property and liability insurance program for the years ended June 30, 2009 and 2008 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2009	$ 120,969	$ 35,686	$ (37,395)	$ 119,260
2008	103,795	50,383	(33,209)	120,969

The June 30, 2009, balance of claim liabilities is included in claims and judgments payable in the internal service funds combining balance sheet under Central Services.

B. State Self-insured Healthcare Plans. Chapter 243 of the Oregon Revised Statutes (ORS) authorizes the Public Employees' Benefit Board (PEBB) to establish and maintain medical and dental insurance plans for the benefit of PEBB members. Included in these plans are three self-insured plans: Oregon Dental Services, Providence Health Plan Choice, and Samaritan Health Select.

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. PEBB has not purchased stop-loss coverage on any of the plans. For calendar year 2008, the amount of claim settlements in the Samaritan Health Select plan exceeded coverage, so the plan was not renewed. Beginning January 1, 2010, PEBB will launch a new statewide self-insured medical and vision plan that will significantly increase the reserves needed for fiscal year ending June 30, 2010.

Contracted actuaries and consultants estimate the claim liability. IBNR reserves are estimated by using claim 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 reserve is paid out within the year, the reserve amounts are not discounted. Specific adjustments for subrogation or other anticipated recoveries are not included.

Changes in the balance of aggregate claim liabilities for the self-insured healthcare plans for the year ended June 30, 2009 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2009	$ 3,865	$ 56,759	$ (57,718)	$ 2,906

The June 30, 2009, balance of claim liabilities is included in claims and judgments payable in the internal service funds combining balance sheet under Central Services.

C. Supplemental Workers' Compensation Insurance. The Department of Consumer and Business Services operates several supplemental workers' compensation benefit programs. These are accounted for in special revenue funds. The primary program is the Retroactive Program, established by ORS 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, investment, and interest earnings pay for the programs. Long-term liabilities were actuarially computed as of June 30, 2009, using the discounted cost valuation method. The discount rate for the Retroactive Program is 6 percent.

Changes in the balances of aggregate claim liabilities for supplemental workers' compensation insurance for the years ended June 30, 2009 and 2008 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2009	$ 949,977	$ 1,069	$ (63,635)	$ 887,411
2008	955,559	586	(6,168)	949,977

The June 30, 2009 balance of claim liabilities is included in claims and judgments payable in the government-wide Statement of Net Assets.

D. SAIF Corporation Workers' Compensation Insurance. The Legislature created SAIF Corporation (SAIF) to transact workers' compensation insurance and reinsurance business. SAIF is an independent public corporation, a discretely presented component unit of the State, and the largest workers' compensation insurer in Oregon. SAIF has established a reserve for both reported and unreported insured events, which includes estimates of future payments of losses and related loss adjustment expenses. In estimating the reserve for loss and loss adjustment expense, SAIF considers prior experience, industry information, currently recognized trends affecting data specific to SAIF, and other factors relating to workers' compensation insurance underwritten by SAIF. SAIF discounts its case unpaid losses using a 3.5 percent discount rate.

The reserve for loss and loss adjustment expense increased $105.9 million in calendar year 2008, which was somewhat offset by favorable loss reserve development related to prior accident years. The favorable development of $37.3 million is attributed to a number of factors. Claim count development was lower than expected. The methods used to estimate ultimate settlement fees and vocational rehabilitation expenses were revised, resulting in lower tail factors. Prior year development for indemnity reserves was unfavorable due to case reserve strengthening, partially offsetting the overall favorable loss development. The unfavorable loss adjustment expense development was largely attributed to an update of SAIF's internal expense allocation in calendar year 2008. Additional resources have been allocated to the loss adjustment function, resulting in a reserve increase.

Changes in the balances of the reserve for loss and loss adjustment expense related to workers' compensation insurance underwritten by SAIF for 2008 and 2007 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Loss and Loss Adjustment Expense Payments	Ending Balance
2008	$ 2,805,365	$ 436,079	$ (330,135)	$ 2,911,309
2007	2,686,401	435,297	(316,333)	2,805,365

This liability is reported as the reserve for loss and loss adjustment expense in the discretely presented component units combining balance sheet.

E. Oregon Health and Science University Self-funded Insurance Programs. The Oregon Health and Science University (OHSU), which is also a discretely presented component unit of the State, maintains several self-funded insurance programs. Coverage for professional, general, automobile, directors and officers, and employment practices liabilities is provided through OHSU's solely-owned captive insurance company, INSCO. OHSU has contracted with independent actuaries to estimate the ultimate cost of settlements related to the coverage provided by INSCO. The liability reported for fiscal years 2009 and 2008 was calculated using a 5 percent discount rate.

In addition, OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental and vision coverage. A third-party actuary has been utilized to assist in the estimation of OHSU's liability for the employee health programs related to claims payable and those claims incurred, but not yet paid or reported, of approximately $11.5 million and $14.1 million as of June 30, 2009 and 2008, respectively. These amounts are included in the current portion of claims and judgments payable in the discretely presented component units combining balance sheet.

OHSU also purchases workers' compensation coverage from SAIF. The SAIF policy is written as a paid loss retrospective plan. OHSU's liability includes an IBNR factor based on annual actuarial projections.

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases. The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

The total liability reported for OHSU's self-funded insurance programs was $65.5 million and $89.6 million for fiscal years ending June 30, 2009 and 2008, respectively. There were six malpractice claim settlements that exceeded OHSU's professional liability insurance coverage during the fiscal year 2009. The amount of claim settlements did not exceed OHSU's self-insurance and commercial insurance coverage for fiscal years 2008 and 2007.

19. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues, including discretely presented component units, are reported net of discounts and allowances in the accompanying financial statements.

Discounts and allowances in proprietary funds for the year ended June 30, 2009 (in thousands):

Primary Government

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	$ 1,013
Unemployment Compensation	Assessments	264
Unemployment Compensation	Fines and forfeitures	(54)
University System	Charges for services	117,267
Nonmajor Enterprise Funds	Charges for services	117,567
Nonmajor Enterprise Funds	Sales	5,737
Internal Service Funds	Other	318
Total primary government		$ 242,112

Discretely Presented Component Units

Component Units	Type of Revenue	Amount
SAIF Corporation	Charges for services	$ 576
Oregon Health and Science University	Charges for services	892,877
Oregon Health and Science University	Gifts, grants and contracts	1,040
Total SAIF and Oregon Health and Science University		$ 894,493

20. FUND EQUITY

A. Net Assets Restricted by Enabling Legislation. The following schedule summarizes the State's net assets at June 30, 2009, that are restricted by enabling legislation (in thousands). All of the legislative restrictions are in the governmental activities.

	Restricted Net Assets
Expendable Restricted Net Assets Restricted for:	
Residential assistance	$ 111,033
Workers' compensation	14
Education	3,663
Natural resource programs	46,282
Health services	28,732
Nonexpendable Restricted Net Assets Restricted for:	
Education	1,443
Residential assistance	23,385
Workers' compensation	250
Total	$ 214,802

B. Reserved for Permanent Fund Principal. The amount reported as reserved for permanent fund principal in the nonmajor governmental funds combining balance sheet for fiscal year 2009 is lower than the prior fiscal year. The $3.2 million net decrease includes a transfer of $3.5 million. Senate Bill 581 required the Department of Fish and Wildlife to transfer funds from the agency's Deferred Maintenance Subaccount to the General Fund to help balance the General Fund budget.

C. Changes to Beginning Fund Balance. As of June 30, 2009, the beginning fund balances were restated as follows (in thousands):

	Beginning Balance	Prior Period Adjustment	Accounting Change	Beginning Balance Restated
Governmental funds and activities:				
General	$ 203,918	$ (6,195)	$ -	$ 197,723
Health and Social Services	481,477	(7,691)	-	473,786
Public Transportation	653,825	1,106	-	654,931
Environmental Management	728,106	1,623	-	729,729
Educational Support	476,657	(27,613)	-	449,044
Common School	736,767	2,999	-	739,766
Oregon Rainy Day	330,675	-	-	330,675
Other (nonmajor)	1,251,572	(7,393)	-	1,244,179
Capital assets, net of depreciation	9,702,235	1,261,985	-	10,964,220
Other noncurrent assets	1,860,254	-	-	1,860,254
Long-term liabilities	(6,170,333)	(429)	(194)	(6,170,956)
Internal service funds	204,273	2,647	-	206,920
Total governmental funds and activities	$ 10,459,426	$ 1,221,039	$ (194)	$ 11,680,271
Proprietary funds and business-type activities:				
Housing and Community Services	$ 187,025	$ -	$ -	$ 187,025
Veterans' Loan	136,812	-	-	136,812
Lottery Operations	210,070	-	-	210,070
Unemployment Compensation	2,320,050	(1,467)	-	2,318,583
University System	1,216,274	-	-	1,216,274
Other (nonmajor)	569,620	(1,865)	-	567,755
Internal service funds adjustment	2,456	-	-	2,456
Total proprietary funds and business-type activities	$ 4,642,307	$ (3,332)	$ -	$ 4,638,975
Fiduciary funds:				
Pension and Other Employee Benefit Trust	$ 61,409,698	$ -	$ -	$ 61,409,698
Private Purpose Trust	32,167	(2,345)	-	29,822
Investment Trust	4,047,435	-	-	4,047,435
Total fiduciary funds	$ 65,489,300	$ (2,345)	$ -	$ 65,486,955
Discretely presented component units:				
SAIF Corporation	$ 925,097	$ -	$ -	$ 925,097
Oregon Health and Science University	1,473,521	-	-	1,473,521
Oregon University System Foundations	1,384,530	-	-	1,384,530
Total discretely presented component units	$ 3,783,148	$ -	$ -	$ 3,783,148

There were significant prior period adjustments made in two areas of the governmental funds. Several agencies made capital asset corrections, including adjustments to infrastructure and construction in progress. In the Educational Support fund, an adjustment of $27.6 million was made for expenditures incurred in the prior year that had not been accrued.

In fiscal year 2009, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* was implemented. Two agencies recorded a change in accounting principle for the amount of the pollution remediation liability that existed on July 1, 2008.

21. COMMITMENTS

The State has made commitments that are to be funded with general funds, federal funds, lottery funds, or other funds resources. These commitments may take the form of grants, loans, or contracts for services. Commitments in effect as of June 30, 2009, and the anticipated sources of funding are summarized in the following table (in thousands):

Purpose	General Funds	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	$ 442,429	$ 567,828	$ 2,831	$ 51,722	$ 1,064,810
Grant and loan commitments	11,514	255,084	103,773	252,803	623,174
Personal services contracts	38,606	48,297	-	39,164	126,067
Equipment purchases	95	19	26,334	2,003	28,451
Systems development	-	-	-	10,000	10,000
Indigent defense contracts	37,224	-	-	-	37,224
Total	$ 529,868	$ 871,228	$ 132,938	$ 355,692	$ 1,889,726

In addition, the Oregon Investment Council has entered into agreements that commit the Public Employees Retirement Fund (PERF) investment managers, upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2009, the PERF had $8.5 billion in commitments to purchase private equity investments and $2.1 billion in commitments to purchase real estate investments. These amounts are unfunded and are not recorded in the Statement of Fiduciary Net Assets.

22. CONTINGENCIES

A. Litigation. The State is involved in certain legal proceedings that, if decided against the State, may require significant future expenditures or may impair future revenue sources. Several legal claims remain pending in State courts challenging the legislative changes that were enacted to the Public Employees Retirement System (PERS) during the 2003 legislative session. The legislation included a statutory remedy to a case that was brought on behalf of certain local government employers challenging previous actions by the Public Employees Retirement Board (PERB), *City of Eugene v. State of Oregon*. In that case, the trial court ruled that PERB had credited too much in 1999 earnings to certain member accounts. The decision was appealed by PERS members. The original parties in the case entered into a settlement agreement in which the PERB agreed to reduce the 1999 earnings credited to certain member regular accounts. In 2005, the Oregon Supreme Court dismissed the appeal of the case as moot due to the 2003 PERS legislation, court decisions, and the settlement agreement. In July 2006, the court vacated the underlying trial court judgment.

The Supreme Court's decision in the *City of Eugene* appeal affects certain pending cases that challenge PERB's actions taken to address the 1999 over-crediting addressed in the litigation, the City of Eugene settlement, and the PERS legislation. Two pending cases, *Robinson* and *Arken*, deal with recovering the over-crediting from retirees. The trial court ruled in *Robinson* that it was improper to re-coup overpayments to the retirees from the retirees; instead, the overpayments should be paid as administrative expenses of the system. In *Arken*, the plaintiffs argue that they had a contractual right to the 1999 crediting. The trial court rejected that argument. Both decisions are now on appeal at the Oregon Court of Appeals. The amount at issue is approximately $800 million.

A similar issue is pending in another case, *White*, filed by non-retired participants whose account balances were lowered to adjust for the 1999 earnings over-crediting. The trial court rejected the plaintiffs' claims in June 2009 and the case is now on appeal at the Oregon Court of Appeals. The amount at issue for non-retirees is also approximately $800 million.

Other legal claims pending against the State relate to Measure 37, which was approved by Oregon voters in November 2004. Measure 37 entitled certain landowners to compensation for the decline in market value of their property as a result of certain land use regulations enacted or enforced by the State or local governments, or to have the land use regulations waived. The State received 6,857 Measure 37 claims requesting more than $19 billion in compensation. The State waived regulations in lieu of payment for all approved claims that were closed prior to the amendment of Measure 37.

Measure 49, which modified Measure 37, was approved by voters in November 2007. Under Measure 49, Measure 37 claimants are not entitled to monetary compensation. If the claimant had proceeded far enough under Measure 37 to have a "vested right," the claimant may be entitled to continue to pursue the use authorized pursuant to its original claim under Measure 37. Otherwise, claimants may be entitled to relief in the form of home site approvals.

One case pending in the Oregon Court of Appeals challenges the Legislative Assembly's referral of Measure 49 to voters. Numerous lawsuits were filed asserting that the State's actions in waiving state laws or denying claims under Measure 37 were unlawful or violated the constitution. The courts have dismissed most of the Measure 37 cases as being moot due to the passage of Measure 49. Some claimants resisted motions to dismiss their Measure 37 cases, contending that Measure 49 does not apply to their claims or is unconstitutional. Approximately ten appeals remain pending in the Oregon Court of Appeals. Some Measure 37 claimants contend that their Measure 37 waivers were contracts unaffected by enactment of Measure 49. This issue is being litigated in federal and state courts. Final resolution of the constitutional and other issues raised regarding Measures 37 and 49, the impact of Measure 49 on Measure 37 claims, and the amount of claims compensation that may eventually be paid is uncertain.

The State of Oregon is involved in negotiations related to a non-judicial allocation of costs associated with the investigation and clean-up of sediment contamination in the Portland Harbor. The U.S. Environmental Protection Agency (EPA) has listed a stretch of the lower Willamette River in Portland, Oregon on its National Priorities List. The boundaries of the Portland Harbor Superfund site have not been finally delineated but could likely include the lower eleven mile stretch of the Willamette River. There are over 200 parties, private and public, that may eventually bear a share of the costs related to investigation and clean-up of the site. The EPA has not identified any state agency as a potentially responsible party, but the State will likely participate in a non-judicial allocation of response costs. It is too early in the EPA's remedial action process to estimate the total cleanup costs that may be shared by the liable parties and what portion of that, if any, will be assessed against the State. Initial estimates are that total costs may be approximately $1 billion.

The Portland Harbor Superfund will also involve a separate allocation process for contamination-caused injuries to natural resources administered by tribal, federal and state trustees. Resource injuries are currently being assessed so that claims may be asserted against responsible parties. It is too early to estimate what, if any, share of the liability the State may ultimately bear for natural resource damages.

The State may be required to pay a share of the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") orphan share obligations. When the EPA negotiates a settlement with the liable parties for the Portland Harbor Superfund, it may agree to pay some portion of the financial responsibility assigned to potentially responsible parties who are insolvent or defunct, and unaffiliated with any other viable liable party (the "orphan share"). Under CERCLA, the State may be asked to pay 10 percent of any orphan share payment made by the EPA. These potential costs are currently unknown.

B. Debt Guarantees. Article XI-K of the Oregon Constitution authorizes the State to guarantee the general obligation bonded debt issued by Oregon school districts, community colleges, and education service districts. The Article authorizes the issuance of state general obligation bonds to satisfy the guarantee. The State has not issued, nor does it expect to issue, any bonds under this authorization. Several other sources of State funds are expected to be used to pay debt service on any defaulting bonds prior to issuing State general obligation bonds for this purpose. As of June 30, 2009, Oregon school districts, community colleges, and education service districts had issued a total of $3.2 billion of bonds that are guaranteed under these provisions.

C. 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, 2009, totaled approximately $11.9 million.

D. Federal Issues. The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State. Institutions of higher education and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain state agencies may not be in total compliance with these regulations. Failure to comply with these regulations may result in the disallowance of related direct and indirect charges claimed under the grant agreements.

23. SUBSEQUENT EVENTS

A. Long-term Debt Issues. The following schedule summarizes long-term debt issued (including refundings) since July 1, 2009 (in thousands):

General Obligation Bonds	
Oregon Department of Energy	$ 43,805
Oregon Department of Environmental Quality	4,890
Revenue Bonds	
Department of Administrative Services	$ 40,825
Certificates of Participation	
Department of Administrative Services	$ 204,045

B. Bond Calls. The following schedule summarizes bond calls that have occurred since July 1, 2009 (in thousands):

General Obligation Bonds	
Department of Veterans' Affairs	$ 2,600
Revenue Bonds	
Housing and Community Services Department	$ 44,860

C. Tax Anticipation Notes Issuance. On July 22, 2009, the State issued $737.2 million of full faith and credit Tax Anticipation Notes, 2009 Series A. The proceeds of these notes will be used to meet seasonal cash needs of the State and for cash management purposes within the 2009-2011 biennium.

D. Debt Guarantees. Under Article XI-K of the Oregon Constitution, $75.5 million in bonds for school districts were issued and guaranteed following the fiscal year ended June 30, 2009, as noted below (in thousands). Debt service payments remain the ultimate responsibility of the respective district.

Douglas County School District 1	$ 775
Yamhill County School District 8 - 2009A	2,200
Yamhill County School District 8 - 2009B	9,000
Umatilla County School District 8	31,760
Marion County School District 24J	31,760

Required Supplementary Information

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Budgeted Appropriated Funds

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

General Fund

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

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

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

Other Funds

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

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds For the Biennium Ending June 30, 2009 (In Thousands)

	General Fund				
	2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	$ 11,183,198	$ 11,304,582	$ 4,789,692	$ 5,162,385	$ (1,352,505)
Corporate Income Taxes	920,897	808,307	440,733	243,753	(123,821)
Tobacco Taxes	119,933	117,821	58,265	57,118	(2,438)
Motor Fuels Taxes	-	-	-	-	-
Weight Mile Taxes	-	-	-	-	-
Vehicle Registration Taxes	-	-	-	-	-
Employer-Employee Taxes	-	-	-	-	-
Other Taxes	299,960	306,658	158,551	137,260	(10,847)
Licenses and Fees	101,964	103,032	36,248	36,981	(29,803)
Federal	-	-	-	-	-
Charges for Services	8,666	8,666	4,382	4,333	49
Fines and Forfeitures	3,566	3,566	2,422	3,256	2,112
Rents and Royalties	-	-	-	-	-
Investment Income	78,000	90,800	68,578	15,692	(6,530)
Sales	5,039	5,039	679	502	(3,858)
Donations and Grants	-	-	5	3	8
Pension Bond Debt Service Assessments	-	-	-	-	-
Other	6,801	12,321	17,376	6,661	11,716
Total Revenues	12,728,024	12,760,792	5,576,931	5,667,944	(1,515,917)
Expenditures:					
Education	7,477,056	6,752,872	3,824,588	2,884,608	(43,676)
Human Services	3,421,791	3,195,981	1,671,005	1,474,155	(50,821)
Public Safety	1,845,747	1,833,821	905,543	896,051	(32,227)
Economic and Community Development	33,644	34,080	18,170	14,853	(1,057)
Natural Resources	157,508	166,489	77,959	82,449	(6,081)
Transportation	4,505	4,505	4,282	223	-
Consumer and Business Services	12,608	12,774	6,161	6,534	(79)
Administration	189,469	188,942	95,877	91,019	(2,046)
Legislative	281,690	82,109	34,747	42,522	(4,840)
Judicial	530,686	521,961	368,500	152,934	(527)
Total Expenditures	13,954,704	12,793,534	7,006,832	5,645,348	(141,354)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,226,680)	(32,742)	(1,429,901)	22,596	(1,374,563)
Other Financing Sources (Uses):					
Transfers from Other Funds	1,135,221	1,149,069	555,863	572,236	(20,970)
Transfers to Other Funds	(870,616)	(893,202)	(772,496)	(380,000)	(259,294)
Long-term Debt Issued	-	-	-	-	-
Debt Issuance Premium	-	-	-	-	-
Debt Issuance Discount	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
Gain(Loss) on Disposition of Assets	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (962,075)	$ 223,125	(1,646,534)	214,832	$ (1,654,827)
Budgetary Fund Balances - Beginning			1,165,162	(71,528)	
Prior Period Adjustments			(494)	(6,169)	
Budgetary Fund Balances - Beginning - As Restated			1,164,668	(77,697)	
Prior Biennium Transactions			410,338	(49)	
Budgetary Fund Balances - Ending			$ (71,528)	$ 137,086	

Federal Funds					Lottery Funds				
2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)	2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	808	678	1,486	-	-	-	-	-
9,641,666	9,814,829	3,375,720	4,266,864	(2,172,245)	-	-	-	-	-
-	-	439	2,996	3,435	-	-	-	-	-
-	-	190	565	755	-	-	-	-	-
-	-	2,149	285	2,434	-	-	-	-	-
-	-	1,729	781	2,510	-	-	18,528	11,183	29,711
-	-	151	241	392	-	-	-	-	-
-	-	99	29	128	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	67,434	74,219	141,653	43,334	44,403	208	185	(44,010)
9,641,666	9,814,829	3,448,719	4,346,658	(2,019,452)	43,334	44,403	18,736	11,368	(14,299)
861,683	1,029,808	501,760	425,637	(102,411)	726,419	1,153,639	353,187	792,536	(7,916)
5,843,942	6,210,803	2,597,981	3,292,292	(320,530)	13,161	13,159	5,834	6,458	(867)
338,185	514,144	153,850	178,365	(181,929)	6,927	7,150	3,327	3,275	(548)
396,519	474,077	185,843	218,155	(70,079)	138,287	135,091	64,780	62,355	(7,956)
221,858	224,577	87,880	81,323	(55,374)	212,757	221,696	73,944	78,580	(69,172)
88,188	91,910	23,978	39,152	(28,780)	46,560	46,560	18,963	27,596	(1)
2,325	2,388	921	900	(567)	-	-	-	-	-
13,792	14,062	6,005	4,143	(3,914)	7,463	7,452	3,668	3,655	(129)
-	-	-	-	-	-	-	-	-	-
980	1,014	448	377	(189)	-	-	-	-	-
7,767,472	8,562,783	3,558,666	4,240,344	(763,773)	1,151,574	1,584,747	523,703	974,455	(86,589)
1,874,194	1,252,046	(109,947)	106,314	(1,255,679)	(1,108,240)	(1,540,344)	(504,967)	(963,087)	72,290
24,955	24,955	8,580	120,216	103,841	2,933,885	2,972,815	1,176,317	1,347,967	(448,531)
(427,175)	(427,175)	(69,454)	(59,614)	298,107	(1,662,918)	(1,681,849)	(366,538)	(638,961)	676,350
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
$ 1,471,974	$ 849,826	(170,821)	166,916	$ (853,731)	$ 162,727	$ (249,378)	304,812	(254,081)	$ 300,109
		22,804	(155,415)				239,290	393,047	
		19,070	3,708				331	(132)	
		41,874	(151,707)				239,621	392,915	
		(26,468)	(21)				(151,386)	10,715	
		$ (155,415)	$ 15,188				$ 393,047	$ 149,549	

(continued on next page)

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2009
(In Thousands)
(continued from previous page)

	Other Funds				
	2007-2009 Original Budget	**2007-2009 Final Budget**	**1st Year Actual**	**2nd Year Actual**	**Variance Over/ (Under)**
Revenues:					
Personal Income Taxes	$ 15	$ 15	$ -	$ -	$ (15)
Corporate Income Taxes	-	-	-	-	-
Tobacco Taxes	411,100	411,100	171,965	188,595	(50,540)
Motor Fuels Taxes	889,774	889,774	344,049	432,868	(112,857)
Weight Mile Taxes	506,071	506,071	239,880	192,190	(74,001)
Vehicle Registration Taxes	-	-	182,902	184,549	367,451
Employer-Employee Taxes	628,615	628,615	-	-	(628,615)
Other Taxes	2,631,354	2,572,367	201,417	240,997	(2,129,953)
Licenses and Fees	923,888	925,356	288,953	326,686	(309,717)
Federal	1,997,596	1,997,596	426,837	461,650	(1,109,109)
Charges for Services	3,050,138	3,056,769	931,267	1,017,566	(1,107,936)
Fines and Forfeitures	198,364	198,364	84,353	82,307	(31,704)
Rents and Royalties	130,795	131,230	50,953	55,993	(24,284)
Investment Income	11,422,568	11,422,568	88,733	50,338	(11,283,497)
Sales	517,318	517,318	146,135	129,847	(241,336)
Donations and Grants	369,598	364,578	14,650	54,960	(294,968)
Pension Bond Debt Service Assessments	-	-	118,158	134,709	252,867
Other	1,969,682	1,994,917	274,285	850,276	(870,356)
Total Revenues	25,646,876	25,616,638	3,564,537	4,403,531	(17,648,570)
Expenditures:					
Education	1,924,375	2,480,361	732,392	999,776	(748,193)
Human Services	1,383,907	1,394,821	493,562	712,567	(188,692)
Public Safety	524,894	675,214	228,588	263,112	(183,514)
Economic and Community Development	316,049	334,001	135,390	163,610	(35,001)
Natural Resources	702,173	786,318	333,132	346,262	(106,924)
Transportation	3,322,501	3,440,761	1,282,632	1,547,317	(610,812)
Consumer and Business Services	306,026	318,636	142,489	154,636	(21,511)
Administration	1,235,806	1,764,503	565,086	1,093,721	(105,696)
Legislative	39,048	39,150	17,852	16,302	(4,996)
Judicial	32,970	52,160	14,003	29,594	(8,563)
Total Expenditures	9,787,749	11,285,925	3,945,126	5,326,897	(2,013,902)
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,859,127	14,330,713	(380,589)	(923,366)	(15,634,668)
Other Financing Sources (Uses):					
Transfers from Other Funds	8,349,551	8,376,417	2,205,012	2,739,949	(3,431,456)
Transfers to Other Funds	(9,458,503)	(9,484,515)	(2,005,154)	(2,645,488)	4,833,873
Long-term Debt Issued	3,132,230	3,360,964	297,681	1,271,146	(1,792,137)
Debt Issuance Premium	-	-	924	30,689	31,613
Debt Issuance Discount	-	-	-	(2,926)	(2,926)
Loan Proceeds	-	-	50	73,989	74,039
Gain(Loss) on Disposition of Assets	-	-	858	753	1,611
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 17,882,405	$ 16,583,579	118,782	544,746	$ (15,920,051)
Budgetary Fund Balances - Beginning			3,792,139	3,718,515	
Prior Period Adjustments			(5,519)	(452)	
Budgetary Fund Balances - Beginning - As Restated			3,786,620	3,718,063	
Prior Biennium Transactions			(186,887)	(25,622)	
Budgetary Fund Balances - Ending			$ 3,718,515	$ 4,237,187	

Total All Budgeted Appropriated Funds

2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
$ 11,183,213	$ 11,304,597	$ 4,789,692	$ 5,162,385	$ (1,352,520)
920,897	808,307	440,733	243,753	(123,821)
531,033	528,921	230,230	245,713	(52,978)
889,774	889,774	344,049	432,868	(112,857)
506,071	506,071	239,880	192,190	(74,001)
-	-	182,902	184,549	367,451
628,615	628,615	-	-	(628,615)
2,931,314	2,879,025	359,968	378,257	(2,140,800)
1,025,852	1,028,388	326,009	364,345	(338,034)
11,639,262	11,812,425	3,802,557	4,728,514	(3,281,354)
3,058,804	3,065,435	936,088	1,024,895	(1,104,452)
201,930	201,930	86,965	86,128	(28,837)
130,795	131,230	53,102	56,278	(21,850)
11,500,568	11,513,368	177,568	77,994	(11,257,806)
522,357	522,357	146,965	130,590	(244,802)
369,598	364,578	14,754	54,992	(294,832)
-	-	118,158	134,709	252,867
2,019,817	2,051,641	359,303	931,341	(760,997)
48,059,900	48,236,662	12,608,923	14,429,501	(21,198,238)
10,989,533	11,416,680	5,411,927	5,102,557	(902,196)
10,662,801	10,814,764	4,768,382	5,485,472	(560,910)
2,715,753	3,030,329	1,291,308	1,340,803	(398,218)
884,499	977,249	404,183	458,973	(114,093)
1,294,296	1,399,080	572,915	588,614	(237,551)
3,461,754	3,583,736	1,329,855	1,614,288	(639,593)
320,959	333,798	149,571	162,070	(22,157)
1,446,530	1,974,959	670,636	1,192,538	(111,785)
320,738	121,259	52,599	58,824	(9,836)
564,636	575,135	382,951	182,905	(9,279)
32,661,499	34,226,989	15,034,327	16,187,044	(3,005,618)
15,398,401	14,009,673	(2,425,404)	(1,757,543)	(18,192,620)
12,443,612	12,523,256	3,945,772	4,780,368	(3,797,116)
(12,419,212)	(12,486,741)	(3,213,642)	(3,724,063)	5,549,036
3,132,230	3,360,964	297,681	1,271,146	(1,792,137)
-	-	924	30,689	31,613
-	-	-	(2,926)	(2,926)
-	-	50	73,989	74,039
-	-	858	753	1,611
$ 18,555,031	$ 17,407,152	(1,393,761)	672,413	$ (18,128,500)
		5,219,395	3,884,619	
		13,388	(3,045)	
		5,232,783	3,881,574	
		45,597	(14,977)	
		$ 3,884,619	$ 4,539,010	

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

The regular Legislative session begins in January of each odd-numbered year and lasts approximately six months. 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 alleviate 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 various levels depending on the Legislature's view of the activity. The Relational Statewide Accounting and Reporting System (R*STARS) controls expenditures by budgeted expenditure item as established in approved appropriation bills. Each item on an approved appropriation bill is assigned an appropriation number. Expenditures may not exceed appropriations. In R*STARS, appropriated funds are tied to one or more appropriation numbers to ensure that appropriated expenditure amounts are not exceeded.

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 2007-2009 biennium as of June 30, 2009. A copy of this report is available at the State Controller's Division, 155 Cottage Street NE U50, Salem, Oregon 97301-3969.

Expenditures are monitored through the use of quarterly allotments. Allotments are required for appropriated and nonappropriated items and are used to establish spending limits. These spending limits are monitored by the Budget and Management Division of the Department of Administrative Services and are controlled by R*STARS. Encumbrance accounting is used for additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end expected to be honored in the following year are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent that liabilities have been incurred at June 30, provided payment of liabilities is made 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.

Budgets are prepared on the cash basis utilizing encumbrance accounting. 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) as opposed to when they are susceptible to accrual (GAAP).
- Expenditures are recognized when paid in cash or encumbered (budgetary) as opposed to when the liability is incurred (GAAP).
- 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 sources of financial resources over (under) expenditures and other uses of financial resources. A reconciliation of these differences is presented in the notes to required supplementary information (Note 2).

The following budgeted appropriated fund types have been established in R*STARS to account for the State's budgetary activities: general funds, federal funds, lottery funds, and other funds.

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

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

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2009, 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 assets.

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (in thousands)

	Budgetary Balances Classified into GAAP Fund Structure								
GAAP Fund	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Non-Budgeted Funds	GAAP Balances
General	214,832	-	-	-	214,832	(133,609)	(464,458)	(116,506)	(499,741)
Health & Social Services	-	33,316	(4,422)	34,888	63,782	(1,801)	(126,047)	32,291	(31,775)
Public Transportation	-	739	-	328,195	328,934	353	(43,899)	(20,394)	264,994
Environmental Management	-	6,614	(713)	(13,960)	(8,059)	(37,786)	(9,997)	21,761	(34,081)
Educational Support	-	124,587	(303,584)	97,064	(81,933)	(135,227)	384,661	(26,766)	140,735
Common School	-	-	-	(4,540)	(4,540)	655	(207,953)	(41,598)	(253,436)
Oregon Rainy Day	-	-	-	-	-	-	-	6,870	6,870
Nonmajor Governmental	-	1,660	48,159	75,025	124,844	(27,396)	(54,854)	(24,730)	17,864
Housing & Community Services	-	-	-	(2,850)	(2,850)	-	302	8,890	6,342
Veterans' Loan	-	-	-	(6,919)	(6,919)	-	(108)	2,894	(4,133)
Lottery Operations	-	-	-	-	-	-	-	(26,027)	(26,027)
Unemployment Compensation	-	-	-	-	-	-	-	(683,868)	(683,868)
University System	-	-	6,479	48,785	55,264	(15,949)	(39,315)	9,050	9,050
Nonmajor Proprietary	-	-	-	(8,725)	(8,725)	(2,143)	(50,689)	90,137	28,580
Internal Service	-	-	-	689	689	1,335	(1,542)	13,242	13,724
Pension and Other Employee Benefit Trust	-	-	-	(2,909)	(2,909)	(639)	(37,352)	(15,348,623)	(15,389,523)
Private Purpose Trust	-	-	-	3	3	-	-	(381)	(378)
Investment Trust	-	-	-	-	-	-	-	(90,553)	(90,553)
Totals (Memo Only)	214,832	166,916	(254,081)	544,746	672,413	(352,207)	(651,251)	(16,194,311)	(16,525,356)

Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefit Plans
(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Public Employees Benefit Board (PEBB) Plan						
7/1/2007	$ 0	$ 323.4	$ 323.4	0%	$ 2,187.2	14.8%
Retiree Health Insurance Premium Account (PERS Plan)[1]						
12/31/2006	7.0	23.4	16.4	30.0%	1,946.8	0.8%
12/31/2007	7.8	23.3	15.5	33.6%	2,080.2	0.7%
12/31/2008	5.7	21.3	15.6	26.7%	2,217.9	0.7%

Note:

[1] The Public Employees Retirement System (PERS) issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System, Fiscal Services Division, 11410 SW 68th Parkway, Tigard, Oregon 97223.

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Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources, other than for major capital projects, that finance specified activities as required by law or administrative regulations.

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 comes from licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Federal grants, transfers from other funds, and revenue bond proceeds are 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 are 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. Funding is generated mainly from public utilities taxes and business license fees.

Employment Services Fund

This fund accounts for programs that provide workers with a safe and secure workplace. Funding for these employment related programs comes from federal grants, employer and employee taxes, and workers' compensation insurance taxes.

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants are 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 comes from 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 account for the accumulation of resources for the payment of interest and principal 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 not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on certificates of participation not reported in proprietary funds. Debt service requirements are funded by a legislative appropriation.

General Obligation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation bonds not reported in the general fund or in proprietary funds. The issuance of general obligation debt is authorized in the Oregon Constitution. The portion of these bonds not self-supporting is funded by a legislative appropriation.

General Appropriation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general appropriation bonds not reported in the general fund or in proprietary funds. The issuance of general appropriation bonds is authorized by the Oregon Legislature. Debt service requirements are funded by a legislative appropriation.

Capital Projects Fund

The capital projects fund is used to account for financial resources, other than general funds, segregated for the construction or acquisition of major capital facilities.

Permanent Fund

The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the State's programs. The interest income provides 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, 2009
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	**Business Development**	**Community Protection**
ASSETS			
Cash and Cash Equivalents	$ 21,495	$ 64,935	$ 140,289
Investments	-	6,817	921
Custodial Assets	-	43	-
Securities Lending Collateral	6,564	27,405	59,943
Accounts and Interest Receivable (net)	2,297	2,542	72,982
Taxes Receivable (net)	-	-	-
Due from Other Funds	154	134,258	4,366
Inventories	197	65	1,500
Prepaid Items	49	-	689
Net Contracts, Notes, and Other Receivables	-	9	146,504
Long-term Receivables - Component Units	-	-	-
Loans Receivable	-	908	-
Total Assets	$ 30,756	$ 236,982	$ 427,194
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 1,603	$ 1,845	$ 23,408
Obligations Under Securities Lending	6,564	27,405	59,943
Due to Other Funds	49	122,073	9,999
Due to Other Governments	-	2,018	11,078
Advances from Other Funds	-	13	-
Custodial Liabilities	786	66	770
Deferred Revenue	145	271	149,819
Contracts, Mortgages, and Notes Payable	-	73	-
Total Liabilities	9,147	153,764	255,017
Fund Balances:			
Reserved for Inventories	197	65	1,500
Reserved for Loans Receivable	-	908	-
Reserved for Prepaid Items	49	-	689
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	26	-	90
Unreserved, Undesignated	21,337	82,245	169,898
Total Fund Balances	21,609	83,218	172,177
Total Liabilities and Fund Balances	$ 30,756	$ 236,982	$ 427,194

Special Revenue Funds

Consumer Protection	Employment Services	Nutritional Support	Residential Assistance	Other
$ 110,734	$ 24,494	$ 3	$ 52,058	$ 31,737
-	209,212	-	17,000	563
2,320	-	-	-	-
111,524	11,000	-	23,831	14,515
1,856	41,337	49,285	8,990	810
5,724	-	-	-	-
304	190	-	574	3,297
61	6,579	124	77	552
51	268	-	3	155
3,768	54,940	5	318	-
-	-	-	-	-
-	-	-	107,462	69
$ 236,342	$ 348,020	$ 49,417	$ 210,313	$ 51,698
$ 3,118	$ 44,395	$ 32,896	$ 6,917	$ 1,689
111,524	11,000	-	23,831	14,515
828	10,656	11,174	60	53
5,150	-	3,917	5,439	88
-	1,108	-	-	-
2,435	617	-	-	10
3,767	54,940	236	372	10
-	-	-	-	-
126,822	122,716	48,223	36,619	16,365
61	6,579	124	77	552
-	-	-	107,462	69
51	268	-	3	155
-	-	-	-	-
-	-	-	-	-
-	144,738	-	-	-
8	102	-	-	-
109,400	73,617	1,070	66,152	34,557
109,520	225,304	1,194	173,694	35,333
$ 236,342	$ 348,020	$ 49,417	$ 210,313	$ 51,698

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Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	**Certificates of Participation**	**General Obligation Bond**	**General Appropriation Bond**
ASSETS				
Cash and Cash Equivalents	$ 64,955	$ 6,436	$ 44,039	$ 24
Investments	63,478	698	1,496	-
Custodial Assets	-	-	-	-
Securities Lending Collateral	-	-	-	-
Accounts and Interest Receivable (net)	-	-	2	-
Taxes Receivable (net)	-	-	-	-
Due from Other Funds	105,968	191	4	-
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	-
Long-term Receivables - Component Units	-	-	1,965	-
Loans Receivable	-	-	-	-
Total Assets	$ 234,401	$ 7,325	$ 47,506	$ 24
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	$ 91	$ -	$ 3,833	$ -
Obligations Under Securities Lending	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	-	-	-
Custodial Liabilities	-	-	-	-
Deferred Revenue	-	-	1,965	-
Contracts, Mortgages, and Notes Payable	-	-	-	-
Total Liabilities	91	-	5,798	-
Fund Balances:				
Reserved for Inventories	-	-	-	-
Reserved for Loans Receivable	-	-	-	-
Reserved for Prepaid Items	-	-	-	-
Reserved for Debt Service	234,310	7,325	41,708	24
Reserved for Permanent Fund Principal	-	-	-	-
Reserved for Claims and Judgments Payable	-	-	-	-
Reserved for Revolving Accounts	-	-	-	-
Unreserved, Undesignated	-	-	-	-
Total Fund Balances	234,310	7,325	41,708	24
Total Liabilities and Fund Balances	$ 234,401	$ 7,325	$ 47,506	$ 24

Capital Projects Fund	Permanent Fund	Total
$ 114,040	$ 29,156	$ 704,395
20,752	-	320,937
-	-	2,363
-	13,347	268,129
5,790	-	185,891
-	-	5,724
1,477	-	250,783
-	-	9,155
-	-	1,215
2	-	205,546
-	-	1,965
-	-	108,439
$ 142,061	$ 42,503	$ 2,064,542
$ 10,993	$ 50	$ 130,838
-	13,347	268,129
349	109	155,350
-	-	27,690
-	-	1,121
-	-	4,684
50	-	211,575
171	-	244
11,563	13,506	799,631
-	-	9,155
-	-	108,439
-	-	1,215
-	-	283,367
-	25,209	25,209
-	-	144,738
-	-	226
130,498	3,788	692,562
130,498	28,997	1,264,911
$ 142,061	$ 42,503	$ 2,064,542

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	**Business Development**	**Community Protection**
Revenues:			
Public Utilities Taxes	$ -	$ -	$ -
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	16,184	2,403	45,815
Federal	5,709	17,516	178,518
Charges for Services	7,277	2,885	24,091
Fines and Forfeitures	27	78	74,302
Rents and Royalties	5	-	2,524
Investment Income	446	3,505	1,468
Sales	13	1,615	1,603
Donations and Grants	47	8,266	855
Contributions to Permanent Funds	-	-	-
Pension Bond Debt Service Assessments	-	-	-
Other	673	1,753	50,136
Total Revenues	30,381	38,021	379,312
Expenditures:			
Current:			
Education	-	-	-
Human Services	-	-	1,832
Public Safety	-	1,750	346,478
Economic and Community Development	-	70,462	-
Natural Resources	38,257	235	-
Transportation	-	-	9,460
Consumer and Business Services	-	457	-
Administration	-	23,345	11,807
Legislative	-	-	-
Judicial	-	-	60,670
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	279
Interest	-	2	119
Other Debt Service	-	161	323
Total Expenditures	38,257	96,412	430,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,876)	(58,391)	(51,656)
Other Financing Sources (Uses):			
Transfers from Other Funds	5,058	619,190	84,671
Transfers to Other Funds	(990)	(675,591)	(67,265)
Insurance Recoveries	-	-	204
Long-term Debt Issued	-	30,440	26,266
Debt Issuance Premium	-	-	1,465
Refunded Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	4,068	(25,961)	45,341
Net Change in Fund Balances	(3,808)	(84,352)	(6,315)
Fund Balances - Beginning	25,389	167,444	176,560
Prior Period Adjustments	43	118	1,666
Fund Balances - Beginning - As Restated	25,432	167,562	178,226
Change in Reserve for Inventories	(15)	8	266
Fund Balances - Ending	$ 21,609	$ 83,218	$ 172,177

Special Revenue Funds

Consumer Protection	Employment Services	Nutritional Support	Residential Assistance	Other
$ 61,058	$ -	$ -	$ 27,237	$ -
-	71,119	-	-	-
53	36,581	-	-	-
20,097	-	-	3,545	-
77,691	2,701	-	455	-
1,368	201,245	911,076	119,598	3,723
1,863	14,910	965	2,483	15,726
1,100	2,952	-	68	-
-	-	-	-	589
1,666	5,842	3	7,126	765
29	151	-	-	787
-	664	6	33	185
-	-	-	-	-
-	-	-	-	-
1,197	1,890	18,803	379	555
166,122	338,055	930,853	160,924	22,330
2,553	59,354	150,705	-	-
-	-	780,755	-	-
-	-	-	-	-
-	141,860	806	171,726	1,504
2,759	-	-	402	-
55	-	-	-	-
137,262	165,459	-	4,360	-
26,278	792	62	638	60,355
-	-	-	-	1,462
-	-	-	-	-
-	-	-	-	-
-	-	-	-	18
-	-	-	-	3
-	1	-	33	224
168,907	367,466	932,328	177,159	63,566
(2,785)	(29,411)	(1,475)	(16,235)	(41,236)
18,497	42,334	-	49,228	40,769
(19,579)	(91,186)	(1,693)	(1,917)	(37,515)
-	-	-	-	-
-	-	-	6,245	34,170
-	-	-	247	2,206
-	-	-	-	-
-	-	-	-	-
(1,082)	(48,852)	(1,693)	53,803	39,630
(3,867)	(78,263)	(3,168)	37,568	(1,606)
114,861	306,548	4,567	135,909	37,069
(1,471)	(6,004)	-	250	43
113,390	300,544	4,567	136,159	37,112
(3)	3,023	(205)	(33)	(173)
$ 109,520	$ 225,304	$ 1,194	$ 173,694	$ 35,333

(continued on next page)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	**Certificates of Participation**	**General Obligation Bond**	**General Appropriation Bond**
Revenues:				
Public Utilities Taxes	$ -	$ -	$ -	$ -
Employer-Employee Taxes	-	-	-	-
Workers' Compensation Insurance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	5,376	198	1,439	192
Sales	-	-	-	-
Donations and Grants	-	-	-	-
Contributions to Permanent Funds	-	-	-	-
Pension Bond Debt Service Assessments	-	-	4,509	-
Other	106	-	199	-
Total Revenues	5,482	198	6,147	192
Expenditures:				
Current:				
Education	-	-	-	-
Human Services	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	-	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	97,399	3,523	22,837	52,210
Interest	86,526	6,295	127,100	15,188
Other Debt Service	84	138	-	-
Total Expenditures	184,009	9,956	149,937	67,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,527)	(9,758)	(143,790)	(67,206)
Other Financing Sources (Uses):				
Transfers from Other Funds	234,390	8,342	148,516	67,196
Transfers to Other Funds	(4,273)	(1)	(178)	-
Insurance Recoveries	-	-	-	-
Long-term Debt Issued	-	5,373	-	-
Debt Issuance Premium	1,211	196	-	-
Refunded Debt Issued	27,125	6,872	-	-
Refunded Debt Payment to Escrow Agent	(28,252)	(7,009)	-	-
Total Other Financing Sources (Uses)	230,201	13,773	148,338	67,196
Net Change in Fund Balances	51,674	4,015	4,548	(10)
Fund Balances - Beginning	182,628	3,314	37,160	34
Prior Period Adjustments	8	(4)	-	-
Fund Balances - Beginning - As Restated	182,636	3,310	37,160	34
Change in Reserve for Inventories	-	-	-	-
Fund Balances - Ending	$ 234,310	$ 7,325	$ 41,708	$ 24

Capital Projects Fund	Permanent Fund	Total
$ -	$ -	$ 88,295
-	-	71,119
-	-	36,634
-	-	23,642
52	-	145,301
35,421	-	1,474,174
-	-	70,200
-	-	78,527
-	-	3,118
1,621	802	30,449
-	7	4,205
-	-	10,056
-	259	259
-	-	4,509
1,621	17	77,329
38,715	1,085	2,117,817
-	-	212,612
-	4,086	786,673
-	-	348,228
-	-	386,358
-	177	41,830
-	-	9,515
-	9	307,547
-	-	123,277
-	-	1,462
-	-	60,670
90,695	-	90,695
-	-	176,266
-	-	235,233
-	-	964
90,695	4,272	2,781,330
(51,980)	(3,187)	(663,513)
39,479	94	1,357,764
(4,913)	(4,018)	(909,119)
-	-	204
123,230	-	225,724
2,743	-	8,068
-	-	33,997
-	-	(35,261)
160,539	(3,924)	681,377
108,559	(7,111)	17,864
23,378	36,711	1,251,572
(1,439)	(603)	(7,393)
21,939	36,108	1,244,179
-	-	2,868
$ 130,498	$ 28,997	$ 1,264,911

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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.

Safe Drinking Water

This fund accounts for the Safe Drinking Water financing program which provides low-cost financing for construction and/or improvements of public and private water systems.

Business Development Fund

This fund accounts for resources used to finance land, buildings, machinery, and permanent working capital for eligible activities including those determined to diversify an economic base.

Special Public Works Fund

This fund accounts for loans and grants to local governments for construction of infrastructure required to support needed public services. The Special Public Works Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

State Hospitals Fund

This fund accounts for the operations of State hospitals and State operated residential group homes that provide treatment services for specific citizens as well as training and care for developmentally disabled persons. Clinical programs include the adult psychiatric program, the child and adolescent treatment program, the forensic and correctional treatment program, and the geropsychiatric treatment and medical service program.

Liquor Control Fund

This fund accounts for the operation of the Oregon Liquor Control Commission that regulates the sale and use of alcoholic beverages and promotes responsible alcohol use.

Veterans' Home Fund

This fund accounts for activities of the Oregon Veterans' Home, which provides skilled nursing and Alzheimer's disease care to some of Oregon's most vulnerable veterans.

Water Fund

This fund accounts for loans and grants to municipalities to improve compliance with federal and State of Oregon water quality standards. The Water Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

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 Administrative Services, Legislative Administration Committee, the Judicial Department, the Oregon Facilities Authority, the Office of the State Treasurer, the Department of Corrections, Oregon Corrections Enterprises, the Department of Forestry, the Parks and Recreation Department, the Water Resources Department and the Business Development Department.

Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2009
(In Thousands)

	Energy Loan	Safe Drinking Water	Business Development
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ -	$ 26,321	$ 9,084
Cash and Cash Equivalents - Restricted	-	-	-
Securities Lending Collateral	-	12,049	4,158
Accounts and Interest Receivable (net)	1,416	2,102	69
Due from Other Funds	-	98	-
Inventories	-	-	-
Prepaid Items	-	-	-
Total Current Assets	1,416	40,570	13,311
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	37,371	-	-
Investments - Restricted	-	-	-
Deferred Charges	907	-	-
Advances to Other Funds	27,496	-	-
Net Contracts, Notes, and Other Receivables	-	-	-
Loans Receivable	105,012	118,513	20,880
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	264	-	-
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	-	-
Less Accumulated Depreciation and Amortization	(242)	-	-
Total Noncurrent Assets	170,808	118,513	20,880
Total Assets	$ 172,224	$ 159,083	$ 34,191
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	$ 2,484	$ 226	$ 13
Obligations Under Securities Lending	-	12,049	4,158
Due to Other Funds	-	-	33
Matured Bonds/COPS and Coupons Payable	-	-	-
Bonds/COPS Payable	12,580	-	-
Custodial Liabilities	1,554	-	-
Unearned Revenue	106	-	-
Compensated Absences Payable	29	14	16
Total Current Liabilities	16,753	12,289	4,220
Noncurrent Liabilities:			
Bonds/COPS Payable	145,306	-	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	100	-
Custodial Liabilities	-	-	-
Compensated Absences Payable	14	7	8
Net OPEB Obligation	7	2	3
Total Noncurrent Liabilities	145,327	109	11
Total Liabilities	162,080	12,398	4,231
Net Assets:			
Invested in Capital Assets, Net of Related Debt	22	-	-
Expendable Restricted Net Assets:			
Restricted for Debt Service	10,122	-	-
Unrestricted	-	146,685	29,960
Total Net Assets	10,144	146,685	29,960
Total Liabilities and Net Assets	$ 172,224	$ 159,083	$ 34,191

	Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
	$ 71,804	$ -	$ 23,844	$ 1,983	$ 27,019	$ 26,218	$ 186,273
	-	-	-	-	-	70	70
	32,606	-	14,195	908	12,361	9,048	85,325
	8,051	2,398	176	1,399	3,287	3,461	22,359
	-	16,105	-	-	-	-	16,203
	-	589	17,418	-	-	5,487	23,494
	-	216	-	-	-	238	454
	112,461	19,308	55,633	4,290	42,667	44,522	334,178
	356	-	-	-	562	-	38,289
	6,114	-	-	-	2,175	-	8,289
	1,887	-	-	-	638	-	3,432
	-	-	-	-	100	-	27,596
	-	-	-	138	-	-	138
	263,390	-	-	-	88,646	8,938	605,379
	-	41	1,433	600	-	3,385	5,459
	-	48,400	21,355	12,752	-	37,883	120,654
	-	58	-	-	-	-	58
	-	880	-	-	-	-	880
	-	-	-	40	-	-	40
	-	(17,648)	(9,431)	(3,653)	-	(20,169)	(51,143)
	271,747	31,731	13,357	9,877	92,121	30,037	759,071
	$ 384,208	$ 51,039	$ 68,990	$ 14,167	$ 134,788	$ 74,559	$ 1,093,249
	$ 3,700	$ 2,387	$ 14,451	$ 963	$ 1,608	$ 2,360	$ 28,192
	32,606	-	14,195	908	12,361	9,048	85,325
	205	14,430	9,533	72	68	1,646	25,987
	-	-	-	-	-	70	70
	6,580	-	-	-	3,155	1,143	23,458
	213	-	-	8	4	69	1,848
	-	-	66	132	-	3	307
	48	5,364	736	10	17	576	6,810
	43,352	22,181	38,981	2,093	17,213	14,915	171,997
	116,271	-	-	-	50,476	6,949	319,002
	-	5	-	-	-	-	5
	-	-	-	-	-	-	100
	151	-	-	-	218	-	369
	24	2,642	363	5	8	215	3,286
	13	1,811	172	-	5	142	2,155
	116,459	4,458	535	5	50,707	7,306	324,917
	159,811	26,639	39,516	2,098	67,920	22,221	496,914
	-	31,724	13,358	9,739	-	13,009	67,852
	6,763	-	-	-	160	-	17,045
	217,634	(7,324)	16,116	2,330	66,708	39,329	511,438
	224,397	24,400	29,474	12,069	66,868	52,338	596,335
	$ 384,208	$ 51,039	$ 68,990	$ 14,167	$ 134,788	$ 74,559	$ 1,093,249

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009
(In Thousands)

	Energy Loan	Safe Drinking Water	Business Development
Operating Revenues:			
Licenses and Fees	$ 71	$ -	$ 2
Federal	-	-	-
Charges for Services	448	-	58
Fines and Forfeitures	68	-	-
Rents and Royalties	-	-	-
Sales	-	-	-
Loan Interest Income	8,502	2,304	1,172
Other	9	-	1
Total Operating Revenues	9,098	2,304	1,233
Operating Expenses:			
Salaries and Wages	796	413	452
Services and Supplies	644	28	117
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	12	-
Special Payments	-	47	-
Bond and COP Interest	7,309	-	-
Other Debt Service	61	-	-
Depreciation and Amortization	53	-	-
Bad Debt Expense	10,260	-	45
Total Operating Expenses	19,123	500	614
Operating Income (Loss)	(10,025)	1,804	619
Nonoperating Revenues (Expenses):			
Investment Income (Loss)	777	595	234
Other Taxes	-	-	-
Other Nonoperating Items	-	(53)	(21)
Gain (Loss) on Disposition of Assets	-	-	-
Insurance Recoveries	-	-	-
Total Nonoperating Revenues (Expenses)	777	542	213
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	(9,248)	2,346	832
Capital Contributions	-	-	-
Transfers from Other Funds	-	21,554	-
Transfers to Other Funds	(32)	(17)	(302)
Change in Net Assets	(9,280)	23,883	530
Net Assets - Beginning	19,352	122,802	29,430
Prior Period Adjustments	72	-	-
Net Assets - Beginning - As Restated	19,424	122,802	29,430
Net Assets - Ending	$ 10,144	$ 146,685	$ 29,960

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ -	$ -	$ 4,161	$ -	$ -	$ -	$ 4,234
-	-	-	3,921	-	-	3,921
-	52,789	-	7,788	-	18,506	79,589
-	-	467	-	-	16	551
-	42	-	-	-	-	42
-	411	413,666	-	-	19,268	433,345
11,719	-	-	-	5,212	394	29,303
411	-	252	2	-	3,782	4,457
12,130	53,242	418,546	11,711	5,212	41,966	555,442
1,404	168,885	15,982	145	457	18,128	206,662
405	45,328	44,186	11,109	152	7,985	109,954
-	-	205,683	-	-	13,914	219,597
1,569	-	47,581	-	2,603	31	51,796
-	84	260	-	-	-	391
5,338	-	-	-	2,223	345	15,215
186	-	-	-	122	-	369
-	1,276	877	314	-	1,292	3,812
-	-	-	-	-	-	10,305
8,902	215,573	314,569	11,568	5,557	41,695	618,101
3,228	(162,331)	103,977	143	(345)	271	(62,659)
1,731	-	-	34	131	494	3,996
-	-	16,340	-	-	-	16,340
(106)	-	-	(3)	(25)	(40)	(248)
-	(3)	6	-	-	(19)	(16)
-	-	13	-	-	-	13
1,625	(3)	16,359	31	106	435	20,085
4,853	(162,334)	120,336	174	(239)	706	(42,574)
-	5,535	-	-	-	9	5,544
11,365	160,871	2	18	19,682	-	213,492
(4,943)	(6,031)	(124,733)	(4)	(7,385)	(4,435)	(147,882)
11,275	(1,959)	(4,395)	188	12,058	(3,720)	28,580
213,122	26,153	33,869	11,881	54,810	58,201	569,620
-	206	-	-	-	(2,143)	(1,865)
213,122	26,359	33,869	11,881	54,810	56,058	567,755
$ 224,397	$ 24,400	$ 29,474	$ 12,069	$ 66,868	$ 52,338	$ 596,335

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009
(In Thousands)

	Energy Loan	Safe Drinking Water	Business Development
Cash Flows from Operating Activities:			
Receipts from Customers	$ 568	$ -	$ 58
Receipts from Other Funds For Services	-	-	5
Loan Principal Repayments	12,580	2,975	3,019
Loan Interest Received	7,970	1,912	1,173
Payments to Employees for Services	(828)	(410)	(465)
Payments to Suppliers	(413)	(11)	(27)
Payments to Other Funds for Services	(123)	(13)	(77)
Loans Made	(25,951)	(26,149)	(4,689)
Distributions to Other Governments	-	(47)	-
Other Receipts (Payments)	41	-	(4)
Net Cash Provided (Used) in Operating Activities	(6,156)	(21,743)	(1,007)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	15,444	-	-
Principal Payments on Bonds/COPS	(18,315)	-	-
Interest Payments on Bonds/COPS	(7,257)	-	-
Bond/COP Issuance Costs	(51)	-	-
Taxes and Assessments Received	-	-	-
Other Nonoperating Receipts	-	-	-
Transfers from Other Funds	-	21,511	-
Transfers to Other Funds	-	-	(250)
Net Cash Provided (Used) in Noncapital Financing Activities	(10,179)	21,511	(250)
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Acquisition of Capital Assets	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities:			
Purchases of Investments	-	-	-
Proceeds from Sales and Maturities of Investments	-	-	-
Interest on Investments and Cash Balances	733	514	201
Interest Income from Securities Lending	-	81	32
Interest Expense from Securities Lending	-	(53)	(21)
Net Cash Provided (Used) in Investing Activities	733	542	212
Net Increase (Decrease) in Cash and Cash Equivalents	(15,602)	310	(1,045)
Cash and Cash Equivalents - Beginning	52,973	26,011	10,129
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
Cash and Cash Equivalents - Ending	$ 37,371	$ 26,321	$ 9,084

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ -	$ 53,298	$ 418,215	$ 11,448	$ -	$ 43,057	$ 526,644
-	12	-	-	-	160	177
24,889	-	-	-	14,015	1,057	58,535
11,496	-	-	-	4,396	432	27,379
(1,384)	(173,480)	(16,432)	(139)	(473)	(18,337)	(211,948)
(161)	(43,438)	(248,570)	(10,148)	(48)	(20,537)	(323,353)
(231)	(2,205)	(1,090)	(880)	(96)	(738)	(5,453)
(25,384)	-	-	-	(12,461)	(296)	(94,930)
(1,400)	-	(51,253)	-	(2,109)	(31)	(54,840)
(277)	123	252	9	(62)	21	103
7,548	(165,690)	101,122	290	3,162	4,788	(77,686)
21,110	-	-	-	12,585	-	49,139
(15,340)	-	-	-	(10,610)	(33)	(44,298)
(5,709)	-	-	-	(2,498)	-	(15,464)
(129)	-	-	-	(72)	-	(252)
-	-	16,238	-	-	-	16,238
-	-	13	-	-	-	13
11,365	171,650	2	-	19,682	-	224,210
(4,682)	-	(122,172)	14	(7,298)	(4,394)	(138,782)
6,615	171,650	(105,919)	14	11,789	(4,427)	90,804
-	-	-	-	-	(1,141)	(1,141)
-	-	-	-	-	(395)	(395)
-	(1,140)	(508)	(7)	-	(512)	(2,167)
-	-	6	-	-	7	13
-	(1,140)	(502)	(7)	-	(2,041)	(3,690)
(6,114)	-	-	-	(2,175)	-	(8,289)
2,042	-	-	-	374	-	2,416
1,565	-	-	30	93	433	3,569
162	-	-	5	38	61	379
(106)	-	-	(3)	(25)	(40)	(248)
(2,451)	-	-	32	(1,695)	454	(2,173)
11,712	4,820	(5,299)	329	13,256	(1,226)	7,255
60,611	-	29,143	1,654	14,325	27,514	222,360
(163)	(4,820)	-	-	-	-	(4,983)
$ 72,160	$ -	$ 23,844	$ 1,983	$ 27,581	$ 26,288	$ 224,632

(continued on next page)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009
(In Thousands)
(continued from previous page)

	Energy Loan	Safe Drinking Water	Business Development
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (10,025)	$ 1,804	$ 619
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	53	-	-
Amortization of Bond/COP Issuance Costs	131	-	-
Amortization of Bond/COP Premium and Discount	(52)	-	-
Amortization of Deferred Charges	8	-	-
Bad Debt Expense	10,260	-	45
Interest Payments Reported as Operating Expense	7,090	-	-
Bond/COP Issuance Costs Reported as Operating Expense	51	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	(544)	(393)	(2)
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	20
Deferred Charges	(7)	-	-
Advances to Other Funds	(8,230)	-	-
Loans Receivable	(5,124)	(23,345)	(1,670)
Net Contracts, Notes, and Other Receivables	-	-	-
Accounts and Interest Payable	229	181	(28)
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Custodial Liabilities	24	-	-
Unearned Revenue	(21)	-	-
Compensated Absences Payable	(2)	8	7
Net OPEB Obligation	3	2	2
Total Adjustments	3,869	(23,547)	(1,626)
Net Cash Provided (Used) by Operating Activities	$ (6,156)	$ (21,743)	$ (1,007)
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ -	$ -	$ -
Capital Assets Transferred from Governmental Funds	-	-	-
Total Noncash Investing and Capital and Related Financing Activities	$ -	$ -	$ -

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ 3,228	$ (162,331)	$ 103,977	$ 143	$ (345)	$ 271	$ (62,659)
-	1,276	877	314	-	1,292	3,812
128	-	-	-	85	-	344
13	-	-	-	-	(47)	(86)
58	-	-	-	37	11	114
-	-	-	-	-	-	10,305
5,708	-	-	-	2,498	394	15,690
-	-	-	-	-	-	51
(223)	65	3	(262)	(816)	516	(1,656)
7	314	-	-	-	-	321
-	73	763	-	-	1,357	2,193
-	79	32	-	-	(60)	71
-	-	-	-	-	-	(7)
-	-	-	-	-	-	(8,230)
(1,924)	-	-	-	1,551	761	(29,751)
-	-	-	(131)	-	-	(131)
918	(6,238)	(4,555)	73	333	(801)	(9,888)
(7)	(333)	-	7	-	1,534	1,201
(75)	-	-	-	(120)	-	(195)
(278)	-	-	8	(62)	(441)	(749)
-	-	(123)	131	-	(17)	(30)
(11)	509	62	7	(1)	(47)	532
6	896	86	-	2	65	1,062
4,320	(3,359)	(2,855)	147	3,507	4,517	(15,027)
$ 7,548	$ (165,690)	$ 101,122	$ 290	$ 3,162	$ 4,788	$ (77,686)
$ 5	$ -	$ -	$ -	$ -	$ -	$ 5
-	5,535	-	-	-	9	5,544
$ 5	$ 5,535	$ -	$ -	$ -	$ 9	$ 5,549

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Internal Service Funds

Internal Service Funds account for goods and services provided by state agencies or departments to other state agencies or departments and to other governmental units on a cost-reimbursement basis.

Central Services Fund

This fund accounts for activities to provide various services to state agencies. These services include accounting, budgeting, personnel, mail and shuttle, purchasing, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund.

Legal Services Fund

This fund accounts for activities of the Department of Justice Attorney General's office to represent and advise the State's elected and appointed officials, agencies, boards, and commissions.

Banking Services Fund

This fund accounts for activities of the Office of the State Treasurer to provide banking, investment, and debt management services to state agencies.

Audit Services Fund

This fund accounts for activities of the Secretary of State, Audits Division, to provide independent auditing services to state agencies.

Forestry Services Fund

This fund accounts for activities of the Department of Forestry to operate an equipment and maintenance pool that provides transportation, heavy equipment, and aircraft support for operating programs and other state agencies.

Other Internal Service Funds

This fund accounts for the sale of goods and services to other governmental units through activities not specifically accounted for in another internal service fund.

Combining Balance Sheet
Internal Service Funds
June 30, 2009
(In Thousands)

	Central Services	Legal Services
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 24,939	$ 10,756
Investments	81,625	-
Securities Lending Collateral	130,210	4,924
Accounts and Interest Receivable (net)	69,587	5,361
Due from Other Funds	-	2,464
Inventories	1,028	167
Prepaid Items	132	-
Total Current Assets	307,521	23,672
Noncurrent Assets:		
Cash and Cash Equivalents - Restricted	4,659	-
Investments - Restricted	516	-
Deferred Charges	887	-
Advances to Other Funds	732	-
Net Contracts, Notes, and Other Receivables	1,269	62
Capital Assets:		
Land	10,997	-
Buildings, Property, and Equipment	515,712	3,605
Construction in Progress	31,187	211
Infrastructure	637	-
Works of Art and Historical Treasures	167	-
Less Accumulated Depreciation and Amortization	(227,615)	(1,795)
Total Noncurrent Assets	339,148	2,083
Total Assets	$ 646,669	$ 25,755
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts and Interest Payable	$ 16,211	$ 766
Obligations Under Securities Lending	130,210	4,924
Due to Other Funds	5	18
Bonds/COPS Payable	26,755	-
Claims and Judgments Payable	32,500	-
Custodial Liabilities	1,896	7
Unearned Revenue	218	-
Compensated Absences Payable	2,573	2,776
Arbitrage Rebate Payable	98	-
Contracts, Mortgages, and Notes Payable	4,708	-
Total Current Liabilities	215,174	8,491
Noncurrent Liabilities:		
Bonds/COPS Payable	155,160	-
Advances from Other Funds	291	-
Claims and Judgments Payable	89,666	-
Compensated Absences Payable	1,267	1,367
Arbitrage Rebate Payable	164	-
Net OPEB Obligation	576	456
Total Noncurrent Liabilities	247,124	1,823
Total Liabilities	462,298	10,314
Net Assets:		
Invested in Capital Assets, Net of Related Debt	152,084	2,021
Unrestricted	32,287	13,420
Total Net Assets	184,371	15,441
Total Liabilities and Net Assets	$ 646,669	$ 25,755

Banking Services	Audit Services	Forestry Services	Other	Total
$ 2,337	$ 2,235	$ 4,386	$ 2,861	$ 47,514
-	-	-	-	81,625
1,077	1,023	2,008	1,310	140,552
1,732	139	144	281	77,244
-	-	-	-	2,464
15	-	276	8	1,494
-	8	-	-	140
5,161	3,405	6,814	4,460	351,033
-	-	-	-	4,659
-	-	-	-	516
-	-	-	-	887
-	-	-	-	732
-	-	-	-	1,331
-	-	-	-	10,997
2,149	180	19,139	4,969	545,754
-	-	-	-	31,398
-	-	-	-	637
-	-	-	-	167
(1,948)	(177)	(12,791)	(2,719)	(247,045)
201	3	6,348	2,250	350,033
$ 5,362	$ 3,408	$ 13,162	$ 6,710	$ 701,066
$ 504	$ 197	$ 205	$ 211	$ 18,094
1,077	1,023	2,008	1,310	140,552
-	-	-	28	51
-	-	-	-	26,755
-	-	-	-	32,500
-	-	-	1	1,904
-	-	-	-	218
419	208	102	15	6,093
-	-	-	-	98
-	-	-	-	4,708
2,000	1,428	2,315	1,565	230,973
-	-	-	-	155,160
-	-	-	-	291
-	-	-	-	89,666
206	102	50	8	3,000
-	-	-	-	164
60	49	23	4	1,168
266	151	73	12	249,449
2,266	1,579	2,388	1,577	480,422
201	3	6,348	2,250	162,907
2,895	1,826	4,426	2,883	57,737
3,096	1,829	10,774	5,133	220,644
$ 5,362	$ 3,408	$ 13,162	$ 6,710	$ 701,066

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2009
(In Thousands)

	Central Services	Legal Services
Operating Revenues:		
Charges for Services	$ 221,542	$ 70,170
Rents and Royalties	40,783	-
Sales	10,390	19
Other	85,631	37
Total Operating Revenues	358,346	70,226
Operating Expenses:		
Salaries and Wages	55,169	57,030
Services and Supplies	202,676	9,269
Cost of Goods Sold	21,368	-
Distributions to Other Governments	-	1,079
Special Payments	73	-
Bond and COP Interest	8,415	-
Other Debt Service	165	-
Depreciation and Amortization	35,160	308
Total Operating Expenses	323,026	67,686
Operating Income (Loss)	35,320	2,540
Nonoperating Revenues (Expenses):		
Investment Income	4,661	-
Other Nonoperating Items	(837)	-
Gain (Loss) on Disposition of Assets	(1,999)	-
Insurance Recoveries	158	-
Loan Interest Income	44	-
Loan Interest Expense	(18)	-
Total Nonoperating Revenues (Expenses)	2,009	-
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	37,329	2,540
Capital Contributions	144	-
Transfers from Other Funds	9,370	1
Transfers to Other Funds	(30,435)	(2,301)
Change in Net Assets	16,408	240
Net Assets - Beginning	165,217	15,201
Prior Period Adjustments	2,746	-
Net Assets - Beginning - As Restated	167,963	15,201
Net Assets - Ending	$ 184,371	$ 15,441

Banking Services	Audit Services	Forestry Services	Other	Total
$ 13,682	$ 9,178	$ 5,041	$ 1,801	$ 321,414
-	-	1,797	-	42,580
-	-	397	-	10,806
-	-	-	268	85,936
13,682	9,178	7,235	2,069	460,736
9,052	5,501	1,930	411	129,093
6,201	1,543	2,827	983	223,499
-	-	-	-	21,368
-	-	-	-	1,079
-	-	-	-	73
-	-	-	-	8,415
-	-	-	-	165
126	-	1,516	431	37,541
15,379	7,044	6,273	1,825	421,233
(1,697)	2,134	962	244	39,503
-	-	-	-	4,661
-	-	-	-	(837)
-	-	228	(32)	(1,803)
-	-	28	18	204
-	-	-	-	44
-	-	-	-	(18)
-	-	256	(14)	2,251
(1,697)	2,134	1,218	230	41,754
-	-	-	-	144
-	-	23	-	9,394
(374)	(2,691)	(625)	(1,142)	(37,568)
(2,071)	(557)	616	(912)	13,724
5,167	2,386	10,257	6,045	204,273
-	-	(99)	-	2,647
5,167	2,386	10,158	6,045	206,920
$ 3,096	$ 1,829	$ 10,774	$ 5,133	$ 220,644

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009
(In Thousands)

	Central Services	Legal Services
Cash Flows from Operating Activities:		
Receipts from Customers	$ 49,330	$ 18,225
Receipts from Other Funds for Services	201,938	59,998
Payments to Employees for Services	(61,169)	(59,260)
Payments to Suppliers	(186,020)	(6,519)
Payments to Other Funds for Services	(25,324)	(8,997)
Claims Paid	(14,941)	-
Distributions to Other Governments	(73)	(1,079)
Other Receipts (Payments)	81,733	122
Net Cash Provided (Used) in Operating Activities	45,474	2,490
Cash Flows from Noncapital Financing Activities:		
Other Nonoperating Receipts	159	-
Transfers from Other Funds	17,611	1
Transfers to Other Funds	(35,616)	(38)
Net Cash Provided (Used) in Noncapital Financing Activities	(17,846)	(37)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Bond/COP Sales	8,195	-
Principal Payments on Bonds/COPS	(28,300)	-
Interest Payments on Bonds/COPS	(9,114)	-
Bond/COP Issuance Costs	(335)	-
Principal Payments on Advances	(30)	-
Interest Payments on Advances	22	-
Loan Proceeds	4,500	-
Interest Payments on Loans	(18)	-
Acquisition of Capital Assets	(23,857)	(527)
Proceeds from Disposition of Capital Assets	419	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(48,518)	(527)
Cash Flows from Investing Activities:		
Purchases of Investments	(44,153)	-
Proceeds from Sales and Maturities of Investments	50,939	-
Interest on Investments and Cash Balances	5,393	-
Interest Income from Securities Lending	1,258	-
Interest Expense from Securities Lending	(836)	-
Net Cash Provided (Used) in Investing Activities	12,601	-
Net Increase (Decrease) in Cash and Cash Equivalents	(8,289)	1,926
Cash and Cash Equivalents - Beginning	35,701	8,830
Prior Period Adjustments Restating Beginning Cash Balances	2,186	-
Cash and Cash Equivalents - Ending	$ 29,598	$ 10,756

Banking Services	Audit Services	Forestry Services	Other	Total
$ -	$ -	$ -	$ -	$ 67,555
13,241	9,188	7,166	1,728	293,259
(9,353)	(5,687)	(2,003)	(425)	(137,897)
(4,631)	(1,023)	(2,914)	(871)	(201,978)
(1,411)	(558)	(184)	(194)	(36,668)
-	-	-	-	(14,941)
-	-	-	-	(1,152)
-	-	-	262	82,117
(2,154)	1,920	2,065	500	50,295
-	-	28	19	206
-	-	23	-	17,635
-	(2,468)	(548)	(1,125)	(39,795)
-	(2,468)	(497)	(1,106)	(21,954)
-	-	-	-	8,195
-	-	-	-	(28,300)
-	-	-	-	(9,114)
-	-	-	-	(335)
-	-	-	-	(30)
-	-	-	-	22
-	-	-	-	4,500
-	-	-	-	(18)
(279)	-	(738)	(197)	(25,598)
-	-	329	22	770
(279)	-	(409)	(175)	(49,908)
-	-	-	-	(44,153)
-	-	-	-	50,939
-	-	-	-	5,393
-	-	-	-	1,258
-	-	-	-	(836)
-	-	-	-	12,601
(2,433)	(548)	1,159	(781)	(8,966)
4,770	2,783	3,300	3,642	59,026
-	-	(73)	-	2,113
$ 2,337	$ 2,235	$ 4,386	$ 2,861	$ 52,173

(continued on next page)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009
(In Thousands)
(continued from previous page)

	Central Services	Legal Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 35,320	$ 2,540
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	35,160	308
Amortization of Bond/COP Issuance Costs	84	-
Amortization of Bond/COP Premium and Discount	(814)	-
Amortization of Deferred Charges	242	-
Interest Payments Reported as Operating Expense	9,114	-
Bond/COP Issuance Costs Reported as Operating Expense	335	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	(609)	973
Due from Other Funds	-	1,961
Inventories	243	116
Prepaid Items	290	-
Deferred Charges	(70)	-
Net Contracts, Notes, and Other Receivables	588	26
Accounts and Interest Payable	(7,125)	(2,392)
Due to Other Funds	-	(804)
Custodial Liabilities	897	-
Unearned Revenue	(25,929)	(1,075)
Claims and Judgments Payable	(2,668)	-
Contracts, Mortgages, and Notes Payable	(97)	-
Compensated Absences Payable	207	601
Net OPEB Obligation	306	236
Total Adjustments	10,154	(50)
Net Cash Provided (Used) by Operating Activities	$ 45,474	$ 2,490
Noncash Investing and Capital and Related Financing Activities:		
Net Change in Fair Value of Investments	$ (2,063)	$ -
Capital Assets Transferred from Governmental Funds	144	-
Capital Assets Transferred to Governmental Funds	(1)	-
Total Noncash Investing and Capital and Related Financing Activities	$ (1,920)	$ -

Banking Services	Audit Services	Forestry Services	Other	Total
$ (1,697)	$ 2,134	$ 962	$ 244	$ 39,503
126	-	1,516	431	37,541
-	-	-	-	84
-	-	-	-	(814)
-	-	-	-	242
-	-	-	-	9,114
-	-	-	-	335
(372)	10	(69)	(79)	(146)
-	-	-	-	1,961
(1)	(7)	(39)	-	312
-	-	-	-	290
-	-	-	-	(70)
-	-	-	-	614
(301)	(248)	(310)	(101)	(10,477)
-	-	-	3	(801)
-	-	-	-	897
-	-	-	-	(27,004)
-	-	-	-	(2,668)
-	-	-	-	(97)
61	8	(6)	-	871
30	23	11	2	608
(457)	(214)	1,103	256	10,792
$ (2,154)	$ 1,920	$ 2,065	$ 500	$ 50,295
$ -	$ -	$ -	$ -	$ (2,063)
-	-	-	-	144
-	-	-	-	(1)
$ -	$ -	$ -	$ -	$ (1,920)

Fiduciary Funds
Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

Pension Trust Funds account for the transactions, assets, liabilities, and net assets held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of retirement, disability, and death benefits to members of the retirement system.

Public Employees Defined Benefit Pension Plan Fund

This fund accounts for the activities of the defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. Also included in this fund are the activities of the defined benefit portion of the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003, as well as inactive PERS members who return to employment following a six-month or greater break in service, participate in the OPSRP pension program. The plan is administered by the Public Employees Retirement Board under Oregon Revised Statutes, Chapter 238 and section 401(a) of the Internal Revenue Code.

Individual Account Program Defined Contribution Pension Plan Fund

This fund accounts for the activities of the defined contribution portion of the Oregon Public Service Retirement Plan (OPSRP). Beginning January 1, 2004, PERS member contributions, account earnings and losses, as well as administrative costs of the plan are reflected in this fund. The OPSRP is administered by the Public Employees Retirement System.

Other Employee Benefit Trust Funds

Other Employee Benefit Trust Funds account for the transactions, assets, liabilities, and net assets held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of postemployment healthcare and deferred compensation benefits 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.

Standard Retiree Health Insurance Account Fund

This fund accounts for the collection of health insurance premiums from retirees and the payment of health insurance coverage and administrative costs for units of state government, political subdivisions, community colleges, and school districts that participate in PERS-sponsored health insurance plans. Retirees pay the full amount of the premiums, which are established at age-adjusted, experience-rated amounts.

Deferred Compensation Plan Fund

This fund accounts for the activities of the Deferred Compensation Plan, an Internal Revenue Code Section 457 compensation plan, offered to employees of the State and administered by the Public Employees Retirement System.

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2009
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ASSETS		
Cash and Cash Equivalents	$ 1,213,727	$ 100,459
Investments:		
Fixed Income	13,230,726	642,886
Equity	16,138,493	745,126
Real Estate	4,552,113	221,191
Alternative Equity	7,738,379	376,014
Opportunity Portfolio	911,320	44,282
Total Investments	42,571,031	2,029,499
Securities Lending Collateral	4,366,169	214,644
Receivables:		
Employer Contributions	25,090	-
Plan Member Contributions	-	14,902
Interest and Dividends	260,605	12,663
Member Loans	-	-
Investment Sales	553,212	24,211
From Other Funds	1,451	13
Total Receivables	840,358	51,789
Prepaid Items	11,689	552
Capital Assets (net of $9,585 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	9,411	445
Total Assets	49,013,329	2,397,388
LIABILITIES		
Accounts and Interest Payable	1,541,843	62,939
Obligations Under Securities Lending	4,366,169	214,644
Obligations Under Reverse Repurchase Agreements	104,462	5,076
Due to Other Funds	13	1,315
Bonds/COPS Payable	4,578	-
Trust Funds Payable	90,927	4,254
Deferred Revenue	321	-
Net OPEB Obligation	207	51
Total Liabilities	6,108,520	288,279
NET ASSETS		
Held in Trust for:		
Pension Benefits	42,904,809	2,109,109
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Assets	$ 42,904,809	$ 2,109,109

Other Employee Benefit Trust Funds

Other Postemployment Benefits

Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Standard Retiree Health Insurance Account	Deferred Compensation Plan	Total
$ 7,260	$ 328	$ 7,870	$ 1,744	$ 1,331,388
56,852	1,732	-	309,230	14,241,426
65,893	2,007	-	491,994	17,443,513
19,560	596	-	-	4,793,460
33,252	1,013	-	-	8,148,658
3,916	119	-	-	959,637
179,473	5,467	-	801,224	45,586,694
18,883	583	550	121	4,600,950
1,014	20	-	-	26,124
-	-	67	-	14,969
1,120	34	-	265	274,687
-	-	-	5,079	5,079
2,141	65	-	58	579,687
1	-	-	-	1,465
4,276	119	67	5,402	902,011
49	1	-	-	12,291
-	-	-	-	944
-	-	-	-	9,856
209,941	6,498	8,487	808,491	52,444,134
5,539	169	-	213	1,610,703
18,883	583	550	121	4,600,950
449	14	-	-	110,001
18	12	37	70	1,465
-	-	-	-	4,578
-	-	-	-	95,181
-	-	-	476	797
6	1	14	5	284
24,895	779	601	885	6,423,959
-	-	-	-	45,013,918
185,046	5,719	-	-	190,765
-	-	7,886	807,606	815,492
$ 185,046	$ 5,719	$ 7,886	$ 807,606	$ 46,020,175

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2009
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ADDITIONS		
Contributions:		
Employer	$ 649,707	$ -
Plan Members	8,452	495,933
Total Contributions	658,159	495,933
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(13,903,057)	(599,402)
Interest, Dividends, and Other Investment Income	1,361,039	62,489
Total Investment Income	(12,542,018)	(536,913)
Less Investment Expense	361,898	16,241
Net Investment Income	(12,903,916)	(553,154)
Other Income	696	8
Total Additions	(12,245,061)	(57,213)
DEDUCTIONS		
Pension Benefits	2,789,305	49,535
Death Benefits	913	-
Contributions Refunded	36,549	-
Healthcare Premium Subsidies	-	-
Retiree Healthcare Expenses	-	-
Deferred Compensation Benefits	-	-
Administrative Expenses	33,654	8,413
Total Deductions	2,860,421	57,948
Change in Net Assets Held in Trust For:		
Pension Benefits	(15,105,482)	(115,161)
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Assets - Beginning	58,010,291	2,224,270
Net Assets - Ending	$ 42,904,809	$ 2,109,109

Other Employee Benefit Trust Funds

Other Postemployment Benefits

Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Standard Retiree Health Insurance Account	Deferred Compensation Plan	Total
$ 28,812	$ 2,004	$ -	$ -	$ 680,523
-	-	115,386	66,728	686,499
28,812	2,004	115,386	66,728	1,367,022
(56,308)	(1,703)	-	(166,659)	(14,727,129)
5,564	171	288	25,829	1,455,380
(50,744)	(1,532)	288	(140,830)	(13,271,749)
1,534	47	2	2,052	381,774
(52,278)	(1,579)	286	(142,882)	(13,653,523)
-	-	22	782	1,508
(23,466)	425	115,694	(75,372)	(12,284,993)
-	-	-	-	2,838,840
-	-	-	-	913
-	-	-	-	36,549
28,263	1,925	-	-	30,188
-	-	113,075	-	113,075
-	-	-	38,858	38,858
958	116	2,150	816	46,107
29,221	2,041	115,225	39,674	3,104,530
-	-	-	-	(15,220,643)
(52,687)	(1,616)	-	-	(54,303)
-	-	469	(115,046)	(114,577)
237,733	7,335	7,417	922,652	61,409,698
$ 185,046	$ 5,719	$ 7,886	$ 807,606	$ 46,020,175

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 Funds
For the Year Ended June 30, 2009
(In Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Restricted Cash and Investments	$ 1,635,428	$ 2,136,762	$ 2,044,560	$ 1,727,630
Accounts and Interest Receivable	5,696	1,370	-	7,066
Net Contracts, Notes, and Other Receivables	76,454	73,116	54,820	94,750
Conservatorship and Custodial Assets	72	-	29	43
Receivership Assets	70,652	-	3,374	67,278
Total Assets	$ 1,788,302	$ 2,211,248	$ 2,102,783	$ 1,896,767
LIABILITIES				
Accounts and Interest Payable	$ 5	$ 234,764	$ 234,314	$ 455
Due to Other Governments	2,812	4,569	2,812	4,569
Custodial Liabilities	1,785,485	1,651,797	1,545,539	1,891,743
Total Liabilities	$ 1,788,302	$ 1,891,130	$ 1,782,665	$ 1,896,767

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.

Revenue Capacity
These schedules contain information to help the reader assess the State's most significant revenue source, personal income taxes.

Debt Capacity
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information
These schedules contain 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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement No. 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

Schedule 1
NET ASSETS BY COMPONENT
Last Eight Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2002	2003	2004	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	$10,031,651	$ 9,928,983	$ 9,555,705	$ 9,151,443
Restricted	526,189	342,793	334,292	904,848
Unrestricted	(70,371)	131,349	(2,158,668)	155,880
Total Governmental Acitivities Net Assets	$10,487,469	$10,403,125	$ 7,731,329	$10,212,171
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	$ 282,782	$ 579,928	$ 549,148	$ 562,325
Restricted	2,477,458	2,453,241	2,233,534	2,550,548
Unrestricted	539,431	223,601	527,165	570,121
Total Business-type Activities Net Assets	$ 3,299,671	$ 3,256,770	$ 3,309,847	$ 3,682,994
Primary Government				
Invested in Capital Assets, Net of Related Debt	$10,314,433	$10,508,911	$10,104,853	$ 9,713,768
Restricted	3,003,647	2,796,034	2,567,826	3,455,396
Unrestricted	469,060	354,950	(1,631,503)	726,001
Total Primary Government Net Assets	$13,787,140	$13,659,895	$11,041,176	$13,895,165

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 in fiscal year 2002.

Schedule 1 (continued)
NET ASSETS BY COMPONENT
Last Eight Fiscal Years (In Thousands)
(Accrual basis of accounting)

2006	2007	2008	2009
$ 8,901,594	$ 8,696,793	$ 8,554,126	$ 9,094,498
1,021,026	1,098,817	950,491	1,126,942
1,116,586	1,077,586	954,809	(99,401)
$ 11,039,206	$ 10,873,196	$ 10,459,426	$ 10,122,039
$ 594,247	$ 756,814	$ 807,968	$ 897,150
2,857,577	2,998,195	3,177,420	2,399,089
584,655	640,968	656,919	677,037
$ 4,036,479	$ 4,395,977	$ 4,642,307	$ 3,973,276
$ 9,495,841	$ 9,453,607	$ 9,362,094	$ 9,991,648
3,878,603	4,097,012	4,127,911	3,526,031
1,701,241	1,718,554	1,611,728	577,636
$ 15,075,685	$ 15,269,173	$ 15,101,733	$ 14,095,315

Schedule 2
CHANGES IN NET ASSETS
Last Eight Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2002	2003	2004
Expenses			
Governmental activities:			
Education	$ 3,363,716	$ 2,915,016	$ 3,485,891
Human Services	4,399,183	4,348,175	4,276,235
Public Safety	862,219	842,881	857,643
Economic and Community Development	289,051	328,202	296,497
Natural Resources	494,385	523,941	488,514
Transportation	1,239,599	1,417,844	1,410,741
Consumer and Business Services	319,913	278,486	388,336
Administration	567,717	700,611	2,693,591
Legislative	27,914	30,717	25,480
Judicial	232,185	205,874	239,773
Interest on Long-term Debt	N/A	4,106	164,461
Total governmental activities expenses	11,795,882	11,595,853	14,327,162
Business-type activities:			
Housing and Community Services	94,686	93,326	88,653
Veterans' Loan	79,922	73,663	59,106
Lottery Operations	485,299	505,038	494,628
Unemployment Compensation	1,030,423	1,287,629	1,106,005
University System	1,551,981	1,605,464	1,617,687
State Hospitals	N/A	N/A	N/A
Liquor Control	N/A	N/A	N/A
Other Business-type Activities	409,472	411,495	442,676
Total business-type activities expenses	3,651,783	3,976,615	3,808,755
Total primary government expenses	$ 15,447,665	$ 15,572,468	$ 18,135,917
Program Revenues			
Governmental activities:			
Charges for Services:			
Human Services	$ 282,692	$ 196,489	$ 139,353
Public Safety	46,360	37,561	138,377
Natural Resources	233,344	293,441	252,952
Transportation	113,083	103,888	106,598
Consumer and Business Services	127,581	130,866	152,899
Administration	25,734	72,910	94,970
Judicial	97,782	137,126	78,870
Other governmental activities	38,685	35,716	41,379
Operating Grants and Contributions	4,036,264	4,452,645	4,378,480
Capital Grants and Contributions	9,957	3,414	5,869
Total governmental activities program revenues	5,011,482	5,464,056	5,389,747

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 in fiscal year 2002.

Schedule 2 (continued)
CHANGES IN NET ASSETS
Last Eight Fiscal Years (In Thousands)
(Accrual basis of accounting)

2005	2006	2007	2008	2009
$ 3,204,580	$ 3,622,117	$ 3,761,800	$ 4,174,928	$ 4,224,991
4,675,846	4,873,613	4,814,964	5,316,540	6,057,047
928,483	1,008,285	1,023,202	1,183,931	1,185,507
340,653	311,713	335,103	355,133	397,032
582,788	541,084	580,778	613,329	658,553
1,882,649	1,598,419	1,709,786	2,251,391	2,249,632
282,875	394,886	340,266	461,015	408,803
622,036	640,561	467,931	570,903	470,583
31,447	29,602	36,660	39,142	44,683
249,036	271,714	286,460	311,828	307,916
254,840	242,664	265,100	315,530	297,308
13,055,233	13,534,658	13,622,050	15,593,670	16,302,055
89,583	93,288	98,683	100,706	91,010
51,479	49,730	53,279	46,652	26,855
504,102	525,277	564,110	573,203	537,332
577,396	535,190	546,970	687,363	1,875,259
1,729,107	1,858,254	1,893,227	1,808,424	1,948,793
162,651	166,810	184,513	203,818	215,576
237,604	263,725	284,298	307,380	314,563
75,182	76,804	76,911	75,134	87,977
3,427,104	3,569,078	3,701,991	3,802,680	5,097,365
$ 16,482,337	$ 17,103,736	$ 17,324,041	$ 19,396,350	$ 21,399,420
$ 221,522	$ 298,666	$ 215,222	$ 230,058	$ 250,524
35,107	70,979	48,170	67,869	94,613
270,465	284,857	325,638	300,685	282,380
129,351	108,552	104,830	153,423	138,400
158,999	202,305	239,561	258,299	313,602
203,275	214,866	230,328	282,977	111,537
29,522	130,549	132,447	136,327	158,736
32,442	26,909	32,829	32,467	28,662
4,850,141	4,952,825	5,097,007	5,162,489	6,017,307
6,566	14,992	21,718	27,611	86,563
5,937,390	6,305,500	6,447,750	6,652,205	7,482,324

(continued on next page)

Schedule 2 (continued)
CHANGES IN NET ASSETS
Last Eight Fiscal Years (In Thousands)
(Accrual basis of accounting)

	2002	2003	2004
Business-type activities:			
Charges for Services:			
Lottery Operations	817,490	853,812	892,672
Unemployment Compensation	649,892	588,003	726,680
University System	650,248	663,214	735,556
Liquor Control	N/A	N/A	N/A
Other Business-type Activities	522,951	526,603	507,666
Operating Grants and Contributions	848,800	1,196,853	908,594
Capital Grants and Contributions	85,982	-	-
Total business-type activities program revenues	3,575,363	3,828,485	3,771,168
Total primary government program revenues	$ 8,586,845	$ 9,292,541	$ 9,160,915
Net (Expense)/Revenue			
Governmental activities	$ (6,784,400)	$ (6,131,797)	$ (8,937,415)
Business-type activities	(76,420)	(148,130)	(37,587)
Total primary government net expense	$ (6,860,820)	$ (6,279,927)	$ (8,975,002)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
Personal Income Taxes	$ 4,096,359	$ 4,073,262	$ 4,294,369
Corporate Income Taxes	190,346	220,175	314,510
Tobacco Taxes	175,115	255,482	252,885
Healthcare Provider Taxes	N/A	N/A	N/A
Inheritance and Gift Taxes	N/A	N/A	N/A
Public Utilities Taxes	N/A	N/A	N/A
Insurance Premium Taxes	N/A	N/A	N/A
Other Taxes	356,319	369,614	412,531
Motor Fuels Taxes	397,713	406,736	406,317
Weight Mile Taxes	201,315	213,935	224,078
Vehicle Registration Taxes	113,262	120,711	165,270
Workers' Compensation Insurance Taxes	N/A	N/A	N/A
Employer-Employee Taxes	255,279	252,810	249,822
Unrestricted Investment Earnings	17,146	29,737	11,134
Contributions to Permanent Fund	48,638	-	4,701
Capital Contributions	1,475	1,736	389
Transfers	(61,903)	16,428	(44,272)
Total governmental activities	5,791,064	5,960,626	6,291,734
Business-type activities:			
Other Taxes	12,676	13,327	13,666
Capital Contributions	649	658	660
Additions to Permanent Endowments	-	-	-
Special Items	-	-	21,868
Transfers	61,903	(16,428)	44,272
Total business-type activities	75,228	(2,443)	80,466
Total primary government	$ 5,866,292	$ 5,958,183	$ 6,372,200
Change in Net Assets			
Governmental activities	$ (993,336)	$ (171,171)	$ (2,645,681)
Business-type activities	(1,192)	(150,573)	42,879
Total primary government	$ (994,528)	$ (321,744)	$ (2,602,802)

Schedule 2 (continued)
CHANGES IN NET ASSETS
Last Eight Fiscal Years (In Thousands)
(Accrual basis of accounting)

2005	2006	2007	2008	2009
938,370	1,093,196	1,203,821	1,229,486	1,100,228
783,594	758,350	676,838	638,186	662,346
799,122	860,042	887,183	954,039	1,003,897
313,308	349,454	379,741	406,421	418,559
210,964	192,481	217,402	213,758	236,151
770,971	803,972	891,998	664,179	1,064,383
-	-	-	-	87,425
3,816,329	4,057,495	4,256,983	4,106,069	4,572,989
$ 9,753,719	$ 10,362,995	$ 10,704,733	$ 10,758,274	$ 12,055,313
$ (7,117,843)	$ (7,229,158)	$ (7,174,300)	$ (8,941,465)	$ (8,819,731)
389,225	488,417	554,992	303,389	(524,376)
$ (6,728,618)	$ (6,740,741)	$ (6,619,308)	$ (8,638,076)	$ (9,344,107)
$ 4,746,727	$ 5,404,020	$ 4,486,068	$ 6,102,900	$ 5,182,743
211,016	443,425	518,260	448,010	253,685
255,035	254,836	276,419	254,524	250,243
N/A	131,371	128,199	154,460	143,535
N/A	N/A	81,068	116,186	77,622
N/A	N/A	84,455	89,621	88,295
N/A	N/A	55,463	42,721	46,952
503,666	419,786	106,101	123,907	140,726
407,729	417,916	416,792	413,858	399,048
253,419	266,221	256,000	237,296	210,055
204,787	207,581	205,205	201,245	185,202
N/A	N/A	47,745	40,733	36,635
266,688	281,974	77,504	76,576	71,119
44,662	37,934	90,210	81,815	17,717
11,453	-	4,192	-	259
407	1,473	2,853	4,482	-
31,901	124,307	214,557	154,510	157,663
6,937,490	7,990,844	7,051,091	8,542,844	7,261,499
13,964	14,851	15,203	16,086	16,340
700	855	3,615	71,716	-
-	2,580	70	-	-
-	-	-	-	-
(31,901)	(124,307)	(214,557)	(154,510)	(157,663)
(17,237)	(106,021)	(195,669)	(66,708)	(141,323)
$ 6,920,253	$ 7,884,823	$ 6,855,422	$ 8,476,136	$ 7,120,176
$ (180,353)	$ 761,686	$ (123,209)	$ (398,621)	$ (1,558,232)
371,988	382,396	359,323	236,681	(665,699)
$ 191,635	$ 1,144,082	$ 236,114	$ (161,940)	$ (2,223,931)

Schedule 3
FUND BALANCE – GOVERNMENTAL FUNDS
Last Eight Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

	2002	2003	2004	2005
General Fund				
Reserved	$ 204,730	$ 83,063	$ 157,183	$ 63,788
Unreserved	(1,178,320)	19,298	(501,913)	237,769
Total General Fund	$ (973,590)	$ 102,361	$ (344,730)	$ 301,557
All Other Governmental Funds				
Reserved	$ 1,055,359	$ 760,307	$ 799,074	$ 785,135
Unreserved, reported in:				
Special revenue funds	1,629,004	1,414,757	1,517,921	1,911,255
Capital projects fund	63,506	32,073	37,305	64,405
Permanent fund	28,972	3,875	5,823	5,749
Total all other governmental funds	$ 2,776,841	$ 2,211,012	$ 2,360,123	$ 2,766,544

Note: Due to changes in the State's fund structure initiated when GASB Statement No. 34 was implemented, fund balance information is only available beginning in 2002.

Schedule 3 (continued)
FUND BALANCE – GOVERNMENTAL FUNDS
Last Eight Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2006	2007	2008	2009
$ 86,253	$ 70,317	$ 202,823	$ 29,040
736,196	113,579	1,095	(333,796)
$ 822,449	$ 183,896	$ 203,918	$ (304,756)
$ 823,590	$ 953,764	$ 1,180,823	$ 1,082,369
2,640,061	3,658,675	3,446,971	3,523,322
118,136	47,930	23,218	130,498
6,757	6,691	8,067	3,788
$ 3,588,544	$ 4,667,060	$ 4,659,079	$ 4,739,977

Schedule 4
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Eight Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

	2002	2003	2004
Revenues			
Taxes	$ 5,728,923	$ 5,836,554	$ 6,303,389
Licenses and Fees	275,439	286,619	312,609
Federal	3,767,499	4,160,747	4,233,648
Charges for Services	232,711	234,459	214,485
Fines and Forfeitures	81,899	91,349	116,191
Rents and Royalties	6,331	6,015	7,244
Investment Income	90,423	98,185	76,594
Sales	112,287	110,945	111,905
Donations and Grants	116,152	138,599	12,409
Contributions to Permanent Funds	-	-	4,701
Tobacco Settlement Proceeds	86,524	85,255	72,065
Pension Bond Debt Service Assessments	-	-	21,579
Other	280,478	244,775	288,622
Total Revenues	10,778,666	11,293,502	11,775,441
Expenditures			
Education	3,347,415	2,900,408	3,484,917
Human Services	4,402,681	4,347,675	4,269,562
Public Safety	778,997	783,712	842,487
Economic and Community Development	281,481	319,732	298,654
Natural Resources	460,214	508,367	484,410
Transportation	1,016,600	1,184,102	1,266,474
Consumer and Business Services	323,653	325,140	338,971
Administration	511,415	652,000	663,545
Legislative	26,718	29,637	25,181
Judicial	231,580	204,908	239,157
Capital Improvements/Construction	81,681	63,726	32,576
Debt Service:			
Principal	58,859	88,379	85,736
Interest	60,041	113,765	164,461
Other Debt Service	3,637	5,610	10,773
Total Expenditures	11,584,972	11,527,161	12,206,904
Excess of Revenues Over (Under) Expenditures	(806,306)	(233,659)	(431,463)
Other Financing Sources (Uses)			
Transfers from Other Funds	3,300,534	1,691,017	1,292,842
Transfers to Other Funds	(3,438,615)	(1,670,815)	(3,413,477)
Insurance Recoveries	-	-	-
Debt Issued	302,638	704,710	2,241,043
Refunded Debt Issued	260,435	60,130	127,577
Leases Incurred	7	107	-
Payment to Escrow Agent	(270,769)	(62,543)	(144,206)
Contributions to Permanent Funds	48,638	-	-
Total Other Financing Sources (Uses)	202,868	722,606	103,779
Net Change in Fund Balances	$ (603,438)	$ 488,947	$ (327,684)
Debt service as a percentage of noncapital expenditures	1.07%	1.84%	2.14%

Note: Due to changes in the State's fund structure initiated when GASB Statement No. 34 was implemented, changes in fund balance information is only available beginning in 2002.

Schedule 4 (continued)
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
Last Eight Fiscal Years (In Thousands)
(Modified accrual basis of accounting)

2005	2006	2007	2008	2009
$ 6,817,329	$ 7,839,265	$ 6,783,293	$ 8,259,483	$ 7,004,715
369,626	389,766	407,044	438,508	450,855
4,608,759	4,661,448	4,670,353	4,973,781	6,044,251
223,109	228,606	249,069	307,778	269,196
68,399	89,559	101,714	100,175	87,915
20,226	16,387	15,092	18,185	15,779
205,808	253,152	438,158	168,314	(95,131)
125,399	128,945	127,808	125,282	107,427
13,447	20,637	33,525	36,940	71,339
11,453	-	4,192	-	259
73,142	67,145	70,281	90,297	98,078
121,895	119,778	120,139	121,035	4,509
275,937	360,081	328,888	354,518	345,339
12,934,529	14,174,769	13,349,556	14,994,296	14,404,531
3,203,813	3,620,721	3,762,869	4,174,922	4,224,170
4,665,643	4,877,485	4,825,597	5,347,990	6,120,267
905,510	984,969	1,016,728	1,175,881	1,170,452
341,807	309,614	333,064	354,396	397,936
573,781	538,831	603,695	629,624	658,484
1,767,779	1,461,987	1,656,189	1,636,160	1,709,819
362,765	381,576	424,068	466,917	480,212
587,665	626,743	436,933	526,691	417,348
30,688	29,381	35,711	37,456	39,977
250,438	270,927	288,445	311,716	317,665
83,784	114,088	123,885	78,195	90,695
131,004	131,702	136,294	179,171	229,599
266,330	238,247	259,986	306,488	288,892
4,959	4,823	5,588	2,320	8,162
13,175,966	13,591,094	13,909,052	15,227,927	16,153,678
(241,437)	583,675	(559,496)	(233,631)	(1,749,147)
1,596,919	1,655,297	2,212,181	2,215,963	2,407,080
(1,474,364)	(1,530,001)	(1,997,976)	(2,058,113)	(2,216,338)
-	1,432	3,718	4,046	5,002
593,065	586,744	786,524	99,721	1,166,080
21,625	29,610	200,745	14,310	33,997
3,939	-	-	134	17
(130,389)	(38,777)	(210,383)	(15,036)	(35,261)
-	-	-	-	-
610,795	704,305	994,809	261,025	1,360,577
$ 369,358	$ 1,287,980	$ 435,313	$ 27,394	$ (388,570)
3.17%	2.84%	3.03%	3.24%	3.27%

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

	1999	2000	2001	2002
Farm earnings	$ 822,870	$ 821,652	$ 828,185	$ 829,111
Forestry, fishing, and related activities	1,122,413	1,264,569	1,202,356	1,268,658
Mining	108,406	112,699	95,413	108,317
Utilities	392,755	430,949	487,042	493,940
Construction	5,107,741	5,886,555	5,683,098	5,519,066
Manufacturing	11,437,445	12,350,161	12,068,658	11,477,755
Wholesale trade	4,311,180	4,804,888	4,590,286	4,684,768
Retail trade	5,721,820	5,884,619	5,940,814	6,012,167
Transportation and warehousing	2,496,551	2,731,715	2,652,130	2,699,411
Information	1,935,389	2,269,716	2,314,135	2,152,139
Finance and insurance	3,243,029	3,454,109	3,691,743	3,910,658
Real estate, rental, and leasing	1,608,157	1,627,261	1,759,380	1,786,438
Professional and technical services	4,336,060	4,852,821	5,191,634	5,062,805
Management of companies	1,745,538	1,989,083	2,085,570	1,988,387
Administrative and waste services	2,247,884	2,494,865	2,632,039	2,803,570
Educational services	597,853	628,321	692,734	765,148
Health care and social assistance	6,074,173	6,523,155	7,274,163	7,885,861
Arts, entertainment, and recreation	553,956	685,123	682,171	728,496
Accommodation and food services	2,182,603	2,334,619	2,383,381	2,449,514
Other services	2,732,290	3,007,548	2,730,684	3,080,209
Federal government, civilian	1,920,100	2,075,709	2,102,828	2,208,127
Military	235,606	255,683	269,098	344,069
State government	2,416,823	2,488,737	2,702,590	3,166,059
Local government	7,010,880	7,107,519	7,814,702	9,190,074
Other[1]	21,329,905	22,447,730	23,601,120	24,082,315
Total personal income	$ 91,691,427	$ 98,529,806	$ 101,475,954	$ 104,697,062
Overall effective tax rate[2]	5.8%	5.9%	5.6%	5.5%

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

[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 2008 will not be available until May 2010.

Schedule 5 (continued)
PERSONAL INCOME BY INDUSTRY
Last Ten Calendar Years
(In Thousands)

2003	2004	2005	2006	2007	2008
$ 1,133,222	$ 1,266,992	$ 1,251,155	$ 1,395,741	$ 1,202,561	$ 1,198,309
1,312,549	1,331,352	1,285,359	1,325,672	1,337,386	1,362,513
110,338	129,145	149,690	176,688	170,022	164,839
499,151	544,222	493,631	578,150	568,120	586,818
5,420,905	5,735,371	6,300,773	7,136,634	7,381,044	6,648,731
11,692,933	12,444,768	12,995,354	13,581,233	13,927,299	13,839,774
4,932,924	5,369,704	5,727,877	6,117,489	6,493,313	6,597,376
6,143,951	6,427,161	6,720,002	7,117,110	7,312,313	7,167,377
2,794,115	3,032,861	3,237,643	3,398,816	3,458,713	3,504,371
2,232,758	2,347,099	2,361,907	2,574,771	2,857,618	2,930,950
4,203,121	4,207,548	4,549,970	4,937,162	5,025,028	4,950,317
1,798,816	1,797,189	1,914,613	1,905,530	1,700,558	1,580,816
5,032,742	5,451,694	5,844,322	6,445,319	6,871,088	7,226,042
2,082,404	2,192,056	2,388,593	2,648,253	2,890,033	2,970,123
2,856,657	2,960,600	3,272,372	3,571,935	3,647,552	3,657,516
825,098	940,048	970,480	1,064,265	1,130,331	1,193,982
8,546,013	9,193,333	9,663,907	10,423,447	11,011,841	11,804,746
707,968	703,050	704,638	753,178	797,656	827,467
2,592,964	2,771,718	2,923,274	3,093,413	3,308,531	3,378,632
3,128,763	3,331,909	3,638,057	3,880,457	4,032,394	4,187,218
2,318,754	2,483,111	2,556,461	2,637,867	2,725,292	2,836,602
465,924	495,087	562,473	536,067	548,745	584,825
3,350,143	4,075,149	2,937,564	3,067,642	3,268,698	3,506,506
9,747,125	8,167,816	8,789,153	9,062,157	9,487,066	10,027,727
24,576,990	25,602,139	26,431,574	30,018,712	32,251,942	34,836,109
$ 108,506,328	$ 113,001,122	$ 117,670,842	$ 127,447,708	$ 133,405,144	$ 137,569,686
5.6%	5.7%	5.7%	5.7%	5.7%	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 Filing Jointly & Head of Household	Overall Effective Tax Rate [1]
1999	9.0%	5,900	11,800	5.8%
2000	9.0%	6,100	12,200	5.9%
2001	9.0%	6,300	12,600	5.6%
2002	9.0%	6,250	12,500	5.5%
2003	9.0%	6,350	12,700	5.6%
2004	9.0%	6,500	13,000	5.7%
2005	9.0%	6,650	13,300	5.7%
2006	9.0%	6,850	13,700	5.7%
2007	9.0%	7,150	14,300	5.7%
2008	9.0%	7,300	14,600	N/A

Source: Oregon Department of Revenue

[1] Overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). Overall effective tax rate for 2008 will not be available until May 2010.

Schedule 7
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
Calendar Years 1998 and 2007
(Dollars In Thousands)

1998

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	4,050	0.29%	$ 417,094	13.06%
$100,001–$500,000	78,773	5.61%	856,123	26.81%
$80,001–$100,000	57,760	4.12%	302,641	9.48%
$60,001–$80,000	121,215	8.64%	459,555	14.39%
$40,001–$60,000	217,175	15.48%	541,471	16.96%
$20,001–$40,000	361,873	25.79%	469,143	14.69%
$10,001–$20,000	268,507	19.13%	122,299	3.83%
$10,000 and lower	293,775	20.94%	25,025	0.78%
Total	1,403,128	100.00%	$ 3,193,351	100.00%

2007

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	9,865	0.54%	$ 1,176,838	21.02%
$100,001–$500,000	194,585	10.60%	2,017,925	36.04%
$80,001–$100,000	113,013	6.16%	533,070	9.52%
$60,001–$80,000	177,271	9.66%	601,887	10.75%
$40,001–$60,000	261,390	14.24%	597,474	10.67%
$20,001–$40,000	418,683	22.82%	514,798	9.19%
$10,001–$20,000	285,452	15.55%	127,069	2.27%
$10,000 and lower	374,836	20.43%	30,535	0.54%
Total	1,835,095	100.00%	$ 5,599,596	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 2007 is the most current year available.

Schedule 8
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Dollars In Thousands)

	Governmental Activities					Business-type Activities						
Year	General Obligation Bonds	Revenue Bonds	Certificates of Participation	General Appropriation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income [1]	Per Capita [1]
2000	87,645	396,170	781,836	-	1,026	2,341,735	1,195,479	17,093	5,475	4,826,459	4.90%	1.41
2001	77,845	502,025	784,849	-	-	2,205,097	1,323,938	30,736	3,066	4,927,556	4.86%	1.42
2002	68,715	749,042	784,839	-	5	2,317,143	1,441,640	28,018	1,381	5,390,783	5.15%	1.53
2003	163,231	807,478	779,105	469,960	79	2,149,557	1,574,960	25,475	897	5,970,742	5.50%	1.68
2004	2,347,854	763,110	783,180	466,214	47	2,016,631	1,667,734	18,288	527	8,063,585	7.14%	2.25
2005	2,336,014	1,093,936	895,231	440,372	3,954	2,009,091	1,783,305	20,633	711	8,583,247	7.29%	2.37
2006	2,321,899	1,458,648	1,090,086	413,026	3,464	1,991,627	1,694,009	22,916	490	8,996,165	7.06%	2.44
2007	2,334,620	2,098,181	1,090,193	383,655	2,949	2,065,472	1,672,267	31,589	335	9,679,261	7.26%	2.59
2008	2,325,539	2,040,137	1,081,694	351,958	2,480	2,271,016	1,761,874	31,320	164	9,866,182	7.17%	2.60
2009	2,361,621	2,770,290	1,283,559	296,002	1,899	2,335,703	1,669,920	97,097	137	10,816,228	7.95%	2.83

Note: Details regarding the State's debt can be found in Note 9 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, except for amounts prior to 2002 when GASB Statement No. 34 was implemented.

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Schedule 9
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Dollars In Thousands)

Year	General Obligation Bonds	Percentage of Personal Income [1]	Per Capita
2000	$ 2,429,380	2.47%	$ 0.71
2001	2,282,942	2.25%	0.66
2002	2,385,858	2.28%	0.68
2003	2,312,788	2.13%	0.65
2004	4,364,485	3.86%	1.22
2005	4,345,105	3.69%	1.20
2006	4,313,526	3.38%	1.17
2007	4,400,092	3.30%	1.18
2008	4,596,555	3.34%	1.21
2009	4,697,324	3.45%	1.23

Note: Details regarding the State's debt can be found in Note 9 of the financial statements. Amounts of outstanding general bonded debt represent the outstanding principal, net of discounts, premiums and other adjustments, except for amounts prior to 2002 when GASB Statement No. 34 was implemented.

[1] Ratios are calculated using personal income and population data found in Schedule 13.

Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2009

	Constitutional/Statutory Provision	Constitutional Debt Limit [1]	Statutory Debt Limit
General Obligation Bonds			
General Purpose	Article XI Section 7	0.00%	$ -
State Highway	Article XI Section 7	1.00%	-
Veterans' Welfare	Article XI-A	8.00%	-
State Power Development	Article XI-D	1.50%	-
Forest Rehabilitation [2]	Article XI-E	0.19%	-
Higher Education	Article XI-F(1) & XI-G	1.50%	-
Pollution Control	Article XI-H/ORS 468.195	1.00%	260,000,000
Water Resources	Article XI-I(1)	1.50%	-
Elderly and Disabled Housing	Article XI-I(2)	0.50%	-
Alternate Energy Projects	Article XI-J	0.50%	-
Oregon School Bond Guaranty	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU) [3]	Article XI-L/ORS 353.556	0.50%	203,175,000
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%	-
Revenue Bonds			
Transportation Infrastructure Bank	ORS 367.030	0.00%	$ 200,000,000
Highway User Tax	ORS 367.620	0.00%	3,240,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000
Oregon State Fair	ORS 565.095	0.00%	10,000,000

Source: Office of the State Treasurer, Debt Management Division, and Oregon Constitution

Note: The legal debt limit for lottery revenue bonds is based on the requirement that unobligated net lottery proceeds be at least 400 percent of the maximum annual debt service on outstanding bonds, including the estimated debt service on proposed new bonds. The debt limit for lottery bonds is not a specific dollar amount; the limit varies based on changes in the amount of net lottery proceeds and changes in estimated debt service on proposed new bonds. Therefore, lottery revenue bonds are not included in this schedule.

[1] Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2008 RMV of $525,356,272,908.

[2] Issuance of Forest Rehabilitation bonds is limited by statute to $750,000 per year.

[3] Bonds issued to finance capital costs of Oregon Health and Science University shall be in an aggregate principal amount that produces net proceeds in an amount that does not exceed $200 million plus the amount of any costs and expenses of issuing the bonds.

Schedule 10 (continued)
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2009

Legal Debt Limit	Amount Outstanding	Legal Debt Margin
$ 50,000	$ -	$ 50,000
5,253,562,729	-	5,253,562,729
42,028,501,833	732,365,855	41,296,135,978
7,880,344,094	-	7,880,344,094
985,043,012	-	985,043,012
7,880,344,094	1,350,571,943	6,529,772,151
260,000,000	39,516,098	220,483,902
7,880,344,094	-	7,880,344,094
2,626,781,365	181,557,460	2,445,223,905
2,626,781,365	157,886,102	2,468,895,263
2,626,781,365	-	2,626,781,365
203,175,000	173,656,048	29,518,952
1,050,712,546	-	1,050,712,546
1,050,712,546	-	1,050,712,546
5,253,562,729	2,061,770,000	3,191,792,729
$ 87,606,696,772	$ 4,697,323,506	$ 82,909,373,266
$ 200,000,000	$ -	$ 200,000,000
3,240,000,000	2,295,931,237	944,068,763
2,500,000,000	1,432,185,485	1,067,814,515
10,000,000	-	10,000,000
$ 5,950,000,000	$ 3,728,116,722	$ 2,221,883,278

Schedule 11
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Dollars In Thousands)

	2000	2001	2002	2003
General Obligation Bonds				
Debt limit	$ 35,557,043	$ 38,185,215	$ 41,878,725	$ 45,244,118
Total debt applicable to limit	2,429,380	2,282,942	2,385,858	2,312,788
Legal debt margin	$ 33,127,663	$ 35,902,273	$ 39,492,867	$ 42,931,330
Total debt applicable to the limit as a percentage of debt limit	6.83%	5.98%	5.70%	5.11%
Revenue Bonds				
Debt limit	$ 2,548,400	$ 2,548,400	$ 3,110,000	$ 3,110,000
Total debt applicable to limit	1,262,359	1,371,417	1,702,414	1,790,178
Legal debt margin	$ 1,286,041	$ 1,176,983	$ 1,407,586	$ 1,319,822
Total debt applicable to the limit as a percentage of debt limit	49.54%	53.81%	54.74%	57.56%

Source: Office of the State Treasurer, Debt Management Division

Note: Amounts of outstanding debt applicable to the debt limit represent the outstanding principal, net of discounts, premiums and other adjustments, except for amounts prior to 2002 when GASB Statement No. 34 was implemented.

Schedule 11 (Continued)
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Dollars In Thousands)

2004	2005	2006	2007	2008	2009
$ 52,440,336	$ 56,691,300	$ 60,648,799	$ 72,505,925	$ 83,591,921	$ 87,606,697
4,364,485	4,345,105	4,313,526	4,400,092	4,596,555	4,697,324
$ 48,075,851	$ 52,346,195	$ 56,335,273	$ 68,105,833	$ 78,995,366	$ 82,909,373
8.32%	7.66%	7.11%	6.07%	5.50%	5.36%
$ 4,838,000	$ 4,838,000	$ 4,938,000	$ 4,938,000	$ 5,110,000	$ 5,950,000
1,877,507	2,326,329	2,472,294	3,051,456	3,086,639	3,728,117
$ 2,960,493	$ 2,511,671	$ 2,465,706	$ 1,886,544	$ 2,023,361	$ 2,221,883
38.81%	48.08%	50.07%	61.80%	60.40%	62.66%

Schedule 12
PLEDGED REVENUES
Lottery Revenue Bonds
Last Ten Fiscal Years
(Dollars In Thousands)

Year	Revenues	Expenses	Net Revenues Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2000	$ 761,913	$ 456,855	$ 305,058	$ 13,190	$ 17,459	$ 30,649	9.95
2001	794,787	473,729	321,058	16,535	21,775	38,310	8.38
2002	820,646	489,470	331,176	27,295	23,441	50,736	6.53
2003	860,767	511,310	349,457	27,860	21,391	49,251	7.10
2004	883,446	502,100	381,346	36,410	26,718	63,128	6.04
2005	944,466	511,528	432,938	44,715	26,769	71,484	6.06
2006	1,092,446	533,895	558,551	47,670	27,159	74,829	7.46
2007	1,219,556	577,103	642,453	48,970	25,984	74,954	8.57
2008	1,262,601	583,829	678,772	56,795	33,714	90,509	7.50
2009	1,111,945	543,662	568,283	65,985	32,380	98,365	5.78

Source: Oregon State Lottery financial statements and the Oregon Department of Administrative Services, Budget and Management Division.

Note: The State also issues revenue bonds that are primarily paid using loan repayments. Schedules for these bonds are not presented because an association of net revenues with debt service requirements is not meaningful.

Schedule 13
DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Calendar Years

Year	Population	Personal Income [1]	Per Capita Personal Income	Unemployment Rate
2000	3,430,828	$ 98,529,806	$ 28,719	5.1%
2001	3,470,716	101,475,954	29,238	6.4%
2002	3,517,982	104,697,062	29,761	7.6%
2003	3,551,877	108,506,328	30,549	8.1%
2004	3,576,262	113,001,122	31,598	7.3%
2005	3,621,939	117,670,842	32,488	6.2%
2006	3,680,968	127,447,708	34,623	5.3%
2007	3,735,549	133,405,144	35,712	5.1%
2008	3,790,060	137,569,686	36,297	6.4%
2009	3,824,900	136,100,000	35,583	11.6%

Source: 2000 through 2008 US Department of Commerce, Bureau of Economic Analysis

Note: 2009 population and personal income estimates were made by the Oregon Office of Economic Analysis. The unemployment rate for 2009 was provided by the Oregon Employment Department.

[1] Personal income presented in thousands.

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2008 and Nine Years Prior

	1999		2008	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	69,093	3.37%	66,102	2.83%
Forestry, fishing, and related activities	30,314	1.48%	30,760	1.31%
Mining	3,544	0.17%	4,985	0.21%
Utilities	5,569	0.27%	5,107	0.22%
Construction	122,729	5.99%	140,008	5.98%
Manufacturing	231,801	11.31%	209,639	8.96%
Wholesale trade	81,455	3.98%	88,713	3.79%
Retail trade	238,549	11.64%	248,349	10.62%
Transportation and warehousing	62,233	3.04%	70,083	3.00%
Information	41,665	2.03%	43,408	1.86%
Finance and insurance	82,790	4.04%	91,339	3.90%
Real estate, rental, and leasing	71,510	3.49%	110,235	4.71%
Professional and technical services	108,521	5.30%	137,468	5.88%
Management of companies	26,017	1.27%	32,679	1.40%
Administrative and waste services	106,238	5.19%	123,910	5.30%
Educational services	31,568	1.54%	51,491	2.20%
Health care and social assistance	183,260	8.95%	247,850	10.59%
Arts, entertainment, and recreation	39,853	1.95%	54,142	2.31%
Accommodation and food services	136,203	6.65%	162,608	6.95%
Other services	107,206	5.23%	124,700	5.33%
Federal government, civilian	29,706	1.45%	29,542	1.26%
Military	12,601	0.62%	12,157	0.52%
State government	59,003	2.88%	68,322	2.92%
Local government	167,260	8.16%	185,891	7.95%
Total employment	2,048,688	100.00%	2,339,488	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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Education	12,081	12,081	12,402	12,402	12,691	12,691	12,411	12,411	13,117	13,117
Human Services	8,678	8,678	8,983	8,983	9,281	9,281	9,200	9,200	9,753	9,753
Public Safety	7,949	7,949	8,265	8,265	7,810	7,810	8,187	8,187	9,021	9,021
Economic and Community Services	1,881	1,881	1,940	1,940	1,846	1,846	1,753	1,753	1,650	1,650
Natural Resources	4,042	4,042	4,272	4,272	4,163	4,163	4,272	4,272	4,367	4,367
Transportation	4,796	4,796	4,742	4,742	4,602	4,602	4,579	4,579	4,535	4,535
Consumer and Business Services	1,627	1,627	1,589	1,589	1,559	1,559	1,550	1,550	1,593	1,593
Administration	2,583	2,583	2,736	2,736	2,817	2,817	2,879	2,879	2,958	2,958
Legislative Branch	417	417	418	418	394	394	393	393	404	404
Judicial Branch	1,725	1,725	1,865	1,865	1,896	1,896	1,907	1,907	1,975	1,975
Total FTE Positions	45,779	45,779	47,212	47,212	47,059	47,059	47,131	47,131	49,373	49,373

Source: Department of Administrative Services, Budget and Management

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.

Schedule 16
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2000	2001	2002
Governmental Activities			
Education			
Number of PreK-12 students	545,085	545,680	551,679
Number of FTE community college students	93,648	96,037	102,019
Special education school campuses	2	2	2
Human Services			
Number of individuals eligible for Oregon Health Plan	345,523	344,992	376,063
Average number of basic TANF individuals	39,836	36,050	39,366
Public Safety			
Number of sworn state police officers	805	735	753
Prison inmate population	9,933	10,668	11,448
Number of correctional facilities	11	12	12
Economic and Community Development			
Community development grants provided (in dollars)	18,790,086	18,185,247	10,914,364
Number of technical assistance grants provided	18	14	7
Natural Resources			
Forest acres burned	10,875	51,438	99,166
State park day use visitors (in millions)	37.4	37.9	37.9
Acreage of state parks	94,869	94,937	95,462
Miles of forest roads	3,042	3,035	3,055
Transportation			
Licensed drivers (in millions)	2.8	2.8	2.9
Vehicle miles traveled on state highway system (in billions)	20.5	20.5	20.9
State highway system miles	7,499	7,485	7,476
Number of state owned bridges	2,646	2,653	2,658
Consumer and Business Services			
Number of employers covered by workers' compensation	82,321	83,816	84,432
Historic premiums written for all insurance lines (in billions)	11.0	12.5	13.9
Average bank and credit union assets (in billions)	33.7	32.9	32.5
Construction employment (in thousands)	83.6	80.5	78.3
Administration			
Number of tax returns filed	1,628,413	1,623,813	1,616,700
Percent of returns filed electronically	20.3%	25.5%	30.6%
Uniform rent square footage	1,690,606	1,690,606	1,690,606
Leased office space square footage	3,398,067	3,398,067	3,522,641
Number of motor pool vehicles	4,019	3,913	3,923
Legislative			
Number of bills introduced	-	3,106	-
Number of bills becoming law	-	989	-
Length of legislative session (in days)	-	181	52
Capital building	1	1	1
Judicial			
Cases filed in circuit courts	653,367	654,822	645,956
Number of circuit court judges	163	163	163

Sources: Various state agencies
Note: Figures for 2008 and 2009 that are not available until a later date are indicated with N/A.

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2003	2004	2005	2006	2007	2008	2009
554,071	551,407	552,320	559,215	562,828	566,067	564,064
100,023	93,221	92,054	91,401	91,456	94,587	105,149
2	2	2	2	2	2	2
380,646	359,325	374,751	381,343	365,940	386,662	426,578
41,272	40,598	42,119	40,527	39,096	41,243	48,321
699	610	582	607	557	646	604
12,000	12,776	12,875	13,229	13,497	13,553	13,925
12	12	13	13	13	14	14
12,340,280	13,319,246	11,454,006	17,040,564	9,607,717	10,704,034	2,791,056
3	6	6	8	3	6	5
9,346	5,941	11,588	11,458	54,104	7,860	6,889
38.4	42.4	40.6	40.1	41.4	40.3	40.1
95,313	99,030	101,010	97,340	97,447	97,446	100,379
3,059	3,082	3,123	3,155	3,202	3,225	3,255
2.8	2.9	3.0	3.0	3.1	3.1	N/A
20.8	20.8	20.7	20.7	20.6	19.5	N/A
7,448	7,441	7,426	7,420	7,416	7,415	N/A
2,664	2,670	2,664	2,676	2,666	2,671	2,681
85,310	86,115	87,150	89,685	91,551	92,058	N/A
13.7	14.4	15.0	16.2	17.4	17.9	N/A
37.4	37.7	35.4	46.0	58.7	40.7	N/A
77.0	82.7	90.9	100.9	103.9	94.7	N/A
1,611,785	1,653,203	1,697,166	1,755,568	1,835,095	N/A	N/A
34.7%	45.3%	50.7%	56.0%	60.0%	N/A	N/A
1,690,606	1,796,482	1,796,482	1,810,942	1,896,185	1,904,531	1,953,760
3,522,641	3,522,641	3,522,641	3,784,762	4,372,625	4,425,500	4,532,405
3,682	3,605	3,689	3,814	3,922	3,922	4,247
2,769	-	2,957	-	2,744	87	2,613
817	-	844	-	909	54	914
227	-	208	1	171	19	169
1	1	1	1	1	1	1
655,574	607,539	611,946	602,896	605,753	610,334	N/A
168	169	169	173	173	173	173

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

	2000	2001	2002
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	1,860	1,337	1,322
Number of affordable rental units produced	1,017	1,327	206
Veterans' Loan			
Number of outstanding loans	26,008	22,296	18,014
Percent of delinquent loans	0.41%	0.42%	0.43%
Lottery Operations			
Number of retailers	3,176	3,198	3,300
Number of video terminals	8,776	8,903	9,259
Unemployment Compensation			
Number of claims paid	2,070,844	3,025,616	4,648,216
Amount of claims paid (in millions)	440.5	705.3	1,153.0
University System			
Total headcount enrollment	69,508	73,883	78,111
Degrees awarded	13,592	13,288	13,729
Number of university campuses	7	7	7
State Hospitals			
Number of mental health clients served	284,975	288,792	291,527
Number of state owned hospital beds	812	820	880
Liquor Control			
Number of state retail outlets	237	237	238
Number of cases sold	1,723,145	1,763,159	1,812,009
Other Business-type Activities			
Number of residents in Oregon Veterans' Home	107	125	96
Number of state owned parking spaces	4,323	4,323	4,700

Schedule 16 (continued)
OPERATING INDICATORS AND CAPITAL ASSET INFORMATION BY FUNCTION
Last Ten Fiscal Years

2003	2004	2005	2006	2007	2008	2009
1,014	1,051	1,447	1,149	1,195	1,850	836
978	1,062	719	608	522	1,003	421
13,788	10,176	8,013	6,612	5,672	4,883	4,069
0.54%	0.39%	0.21%	0.32%	0.25%	0.10%	0.47%
3,368	3,421	3,484	3,579	3,691	3,785	3,855
9,434	10,194	10,438	11,125	11,831	12,205	12,365
5,025,707	2,903,857	2,209,165	1,923,182	2,050,678	3,275,097	N/A
1,277.8	718.1	558.0	503.4	569	955	N/A
79,558	80,066	80,888	81,002	82,249	86,546	91,580
15,274	16,349	16,694	16,979	17,116	16,897	16,944
7	7	7	7	7	7	7
282,675	295,183	304,731	284,265	282,993	284,640	268,052
833	810	834	781	790	788	756
237	239	241	243	241	242	240
1,889,240	2,014,098	2,108,035	2,295,797	2,431,531	2,551,732	2,572,865
104	120	132	135	140	140	138
4,700	4,507	4,507	4,507	4,656	4,665	4,568

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