

# Oregon

## **Comprehensive Annual Financial Report**



**For the Fiscal Year Ended June 30, 2006**



# **Oregon**

## **Comprehensive Annual Financial Report**

### **For the Fiscal Year Ended June 30, 2006**



**Theodore R. Kulongoski**  
**Governor**

**Lindsay Ball, Director**  
**Department of Administrative Services**

**John J. Radford, Administrator**  
**State Controller's Division**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For The Year Ended June 30, 2006**

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# **Introductory Section**

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# Oregon

Theodore R. Kulongoski, Governor

## Department of Administrative Services

State Controller's Division  
155 Cottage Street NE, U50  
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(503) 378-3156  
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December 29, 2006

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, 2006. 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. 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, 2006. 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 2006 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 February 28, 2007.

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 resources, 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 95 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 about 1.9 million of the three states' 23.1 million workers in late 2005. Oregon's largest metro area is the Portland-Vancouver-Beaverton metropolitan statistical area. The Portland area is the sixth largest of the seven metro areas with one million or more workers in the three states. It includes about 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. Then the national recession hit the state. Between late 2000 and the middle of 2003, employment fell by as much as 4.0 percent, much worse than neighboring states. Since then, Oregon has seen very rapid job recovery. The state's employment surpassed its November 2000 pre-recession peak level in early 2005 and has grown at a 3.0 percent annual rate since then.

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 did not fall as low as did 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 5.0 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 43 months, from April 2001 to October 2004. Due to rapid job growth in the past two years, the unemployment rate eased to about 5.5 percent by late 2006.

Oregon's major export-related industries include high technology, lumber and wood products, agriculture and food products, machinery, transportation equipment, and tourism-related sectors. The state also has a concentration in call center employment. With the slowing national economy in 2007, Oregon's annual employment growth is expected to be 1.2 percent by 2007. In future years, the employment growth will follow a long-term trend of approximately 1.5 percent annual growth. In general, Oregon is expected to outpace the nation's growth rate during most of the coming years. Job growth is expected to be fastest in the professional and business services sector and in the healthcare industry. Other nonmanufacturing sectors will post robust job gains as the state's population increases faster than the nation. Manufacturing employment is projected to stay flat. With population projected to grow faster than jobs during the 2007-2013 time period, Oregon may continue to have an elevated unemployment rate.

During the past ten years, the State's general governmental expenditures related to education have increased in amount, but have decreased as a percentage of total expenditures (a ten-year decrease of 0.6 percent). This relative decline results from a shift in allocation of total expenditures for other program areas such as human resources, public safety, and debt service expenditures. The general governmental expenditures related to human resources have increased as programs to serve needy Oregonians have expanded; the percentage of total expenditures is 2.4 percent higher than it was ten years ago.

During this same ten-year period, federal revenues, while continuing to increase in amount, have actually decreased as a percentage of total revenue (a ten-year decrease of 0.6 percent). The reason for this relative decline is the relative increase in general governmental expenditures related to services that are supported

more by taxes than by federal revenues (e.g., education, human resources, public safety); thus, as taxes have increased to support these services, so has the proportion of total revenue generated by taxes.

### ***Long-term Financial Planning***

The 2005-07 biennial budget reflects a significant investment in Oregon's transportation infrastructure. For example, \$1.7 billion of other funds is budgeted for highway construction and \$300 million is budgeted for highway maintenance and emergency repair. These budgets include increased funding for bridge preservation work and modernization of highway infrastructure. Many of these projects contribute towards the goals initially established through the Oregon Transportation Investment Act.

In an effort to expand the State's investment in key non-highway facilities, the Legislature authorized the issuance of \$100 million in lottery bonds for the Connect Oregon initiative in its 2005-07 adopted budget. Improvements in public transit and air, rail, and marine transportation infrastructure will keep sectors of the economy connected to distribution points and allow the Oregon Transportation Commission to take advantage of the most efficient and cost-effective system for transporting products.

Within the higher education system, Oregon has invested in efforts to maintain a long-term highly qualified workforce. During 2005-07, the state will increase funding for college opportunity grants by 77 percent, allowing more Oregon students the ability to pursue post-secondary degrees. In addition, Oregon will invest \$410 million in capital construction and deferred maintenance projects for the university system, with an additional \$62 million in similar projects for local community colleges.

The September 2006 revenue forecast projects \$12,607.4 million of General Fund revenues for the 2005-07 biennium. Including the remaining \$308.5 million ending balance from the prior biennium, total available General Fund resources are estimated to be \$12,915.9 million for the 2005-07 biennium. Given anticipated expenditures of \$11,643.9 million, the projected General Fund ending balance for the 2005-07 biennium is \$1,272.0 million. General Fund revenues are forecasted to increase by 9.4 percent in the 2007-09 biennium and 11.4 percent in the 2009-11 biennium.

### ***Relevant Financial Policies***

Since the inception of the Statewide Financial Management System Master Plan, the goal has been to link budget and accounting data together to improve management reporting. The Legislative Fiscal Office and the Department of Administrative Services, Budget and Management Division (BAM), directed all state agencies to align data through a direct correlation between budget and accounting structures. BAM has worked with agencies to define the 2007-09 budget structures in Oregon's budget system. BAM is currently working with the State Controller's Division on the final phase of this project to match accounting structures to budget structures, which is expected to be completed by June 2007. This will facilitate improved integration of accounting and budget data for reporting and analyzing budget to actual comparisons.

### ***Major Initiatives***

An initiative to overhaul the State's e-procurement technology platform was begun in the 2003-05 biennium. The new system, Oregon Procurement Information Network (ORPIN), enables the State and vendors to use web technology to bid and procure products and services, which streamlines and enhances accountability for contracting in state government by also giving greater access to public contracting information. ORPIN was initially deployed in March 2005, with major enhancements implemented in August 2006. Additional ORPIN enhancements are currently in the evaluation stage. ORPIN serves about 4,000 state agency users and has approximately 15,000 registered suppliers.

### ***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, 2005. This was the fourteenth 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 Oregon State Treasury, and the staff of the Secretary of State Audits Division.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John J. Radford". The signature is fluid and cursive, with the first name "John" being particularly prominent.

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, 2005

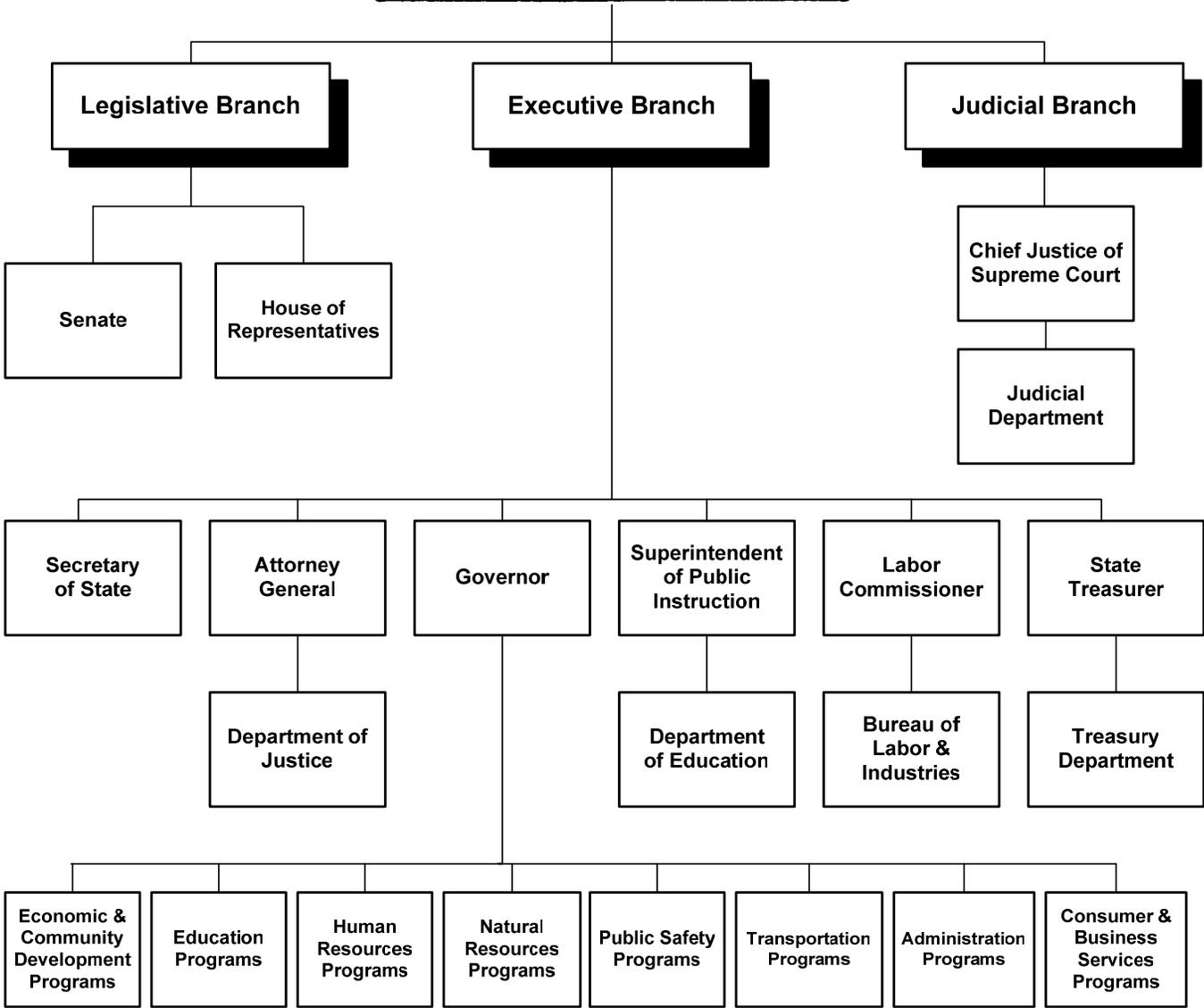
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# STATE OF OREGON ORGANIZATION CHART



## Principal State Officials



### EXECUTIVE

**Theodore R. Kulongoski**, *Governor*

**Bill Bradbury**, *Secretary of State*

**Randall Edwards**, *State Treasurer*

**Hardy Myers**, *Attorney General*

**Dan Gardner**, *Commissioner, Labor and Industries*

**Susan Castillo**, *Superintendent of Public Instruction*

### LEGISLATIVE

**Peter Courtney**, *Senate President*

**Karen Minnis**, *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*



# Financial Section

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*Auditing for a Better Oregon*

The Honorable Theodore R. Kulongoski  
Governor of Oregon  
254 State Capitol  
Salem, Oregon 97310-4047

## 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, 2006, 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 38 percent and 36 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 Oregon Health & Science University and the Oregon University System Foundations, discretely presented component units, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 on pages 12 through 21 and budgetary comparison information on pages 107 through 114 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

A handwritten signature in black ink, appearing to read "Bill Bradbury", written in a cursive style.

Bill Bradbury  
Secretary of State

December 15, 2006

# 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, 2006. 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

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by \$15.1 billion (net assets). Of this amount, \$1.7 billion is unrestricted net assets, while \$3.9 billion is restricted for specific uses.
- The State's total net assets increased by \$1.1 billion as a result of the year's operations. The net assets for governmental activities increased by 6.9 percent of total governmental activities net assets, while the net assets for business-type activities increased by 9.5 percent of total business-type net assets.
- As of the close of the most recent fiscal year, the State's governmental funds reported combined ending fund balances of \$4.4 billion. Of this amount, 79.4 percent is available for spending at the State's discretion (unreserved, undesignated fund balance).
- At fiscal year end, unreserved fund balance for the General Fund was \$736.2 million.
- The State's total debt outstanding for bonds and certificates of participation increased by \$410.2 million (4.7 percent) during the fiscal year. New issues of debt for transportation infrastructure projects as well as debt issued for construction and expansion of correctional facilities contributed to this increase.

## 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. A *statistical section* is presented following the combining financial statements. The basic financial statements contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the State's finances, in a manner similar to a private-sector business. All of the State's activities are reported in the government-wide statements, except for activities accounted for in fiduciary funds because resources of those funds are not available to support the State's own programs.

- The *statement of net 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, consisting of seven higher education facilities.
3. **Component units.** The State includes three other entities in its report: Oregon Health and Science University, the 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 24-27 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 individual governmental funds. Information is presented separately in the governmental fund financial statements for the five major governmental funds, including the general fund. Data from the other fifteen 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 28-35 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 36-45 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 trust funds. Individual fund data for each of the pension 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 46-47 of this report.

### **Discretely Presented Component Units**

Combining statements that report activities of the State's discretely presented component units, the SAIF Corporation, Oregon Health and Science University, and the Oregon University System Foundations can be found on pages 49-51 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 53-103 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 105, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes to the RSI.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 115 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 for fiscal year 2006 were approximately \$15.1 billion as shown in Table 1. Most of this balance consists of capital assets (largely infrastructure). Since the State uses its capital assets to provide services to citizens, the amount of net assets invested in capital assets, net of related debt, is not available for future spending. An additional portion of the State's net assets (25.7 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets is \$1.7 billion.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 9,043.6	\$ 7,728.2	\$ 6,943.5	\$ 6,836.0	\$ 15,987.1	\$ 14,564.2
Capital assets	10,456.1	10,407.6	1,522.7	1,474.0	11,978.8	11,881.6
<b>Total assets</b>	<b>19,499.7</b>	<b>18,135.8</b>	<b>8,466.2</b>	<b>8,310.0</b>	<b>27,965.9</b>	<b>26,445.8</b>
Long-term liabilities	6,192.3	5,645.2	3,670.9	3,303.3	9,863.2	8,948.5
Other liabilities	2,268.2	2,278.4	758.8	1,323.7	3,027.0	3,602.1
<b>Total liabilities</b>	<b>8,460.5</b>	<b>7,923.6</b>	<b>4,429.7</b>	<b>4,627.0</b>	<b>12,890.2</b>	<b>12,550.6</b>
Net assets:						
Invested in capital assets, net of related debt	8,901.6	9,151.4	594.2	562.3	9,495.8	9,713.7
Restricted	1,021.0	904.9	2,857.6	2,550.6	3,878.6	3,455.5
Unrestricted	1,116.6	155.9	584.7	570.1	1,701.3	726.0
<b>Total net assets</b>	<b>\$ 11,039.2</b>	<b>\$ 10,212.2</b>	<b>\$ 4,036.5</b>	<b>\$ 3,683.0</b>	<b>\$ 15,075.7</b>	<b>\$ 13,895.2</b>

**Changes in net assets.** The State's *combined* change in net assets associated with current year operations for fiscal year 2006 was an increase of \$1,144.1 million as shown in Table 2. Net assets of governmental activities increased by 6.9 percent of total governmental activities net assets, while net assets of business-type activities increased by 9.5 percent of total business-type activities net assets, after prior period adjustments.

Total ending net assets of governmental activities for fiscal year 2006 are \$11.0 billion, up from \$10.2 billion in the prior fiscal year. The increase in governmental activities net assets was primarily due to higher than anticipated personal and corporate income tax revenue, which resulted in revenues exceeding expenditures during the year. In addition, ending net assets reflect a prior period adjustment of \$22.7 million that was made to increase beginning net assets for the reclassification of the Oregon Transportation Infrastructure program from an enterprise fund (business-type activity) to a special revenue fund (governmental activity). Ending net assets also reflect a prior period adjustment of \$30.8 million that was made to increase beginning net assets for the correction of an error in federal revenues from the prior year.

For business-type activities, ending net assets are \$4.0 billion, up from \$3.7 billion in the prior fiscal year. The increase in net assets primarily resulted from the operations of the Unemployment Compensation Fund, where employee-employer assessments and other income exceeded distributions of benefits, as Oregon's economic recovery brought about fewer numbers of people seeking unemployment benefits combined with the effects of unemployment assessments being paid for more workers. The results of the Lottery Operations Fund, due to strong sales of lottery tickets, further contributed to this increase in net assets.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,337.7	\$ 1,080.7	\$ 3,253.5	\$ 3,045.4	\$ 4,591.2	\$ 4,126.1
Operating grants & contributions	4,952.8	4,850.1	804.0	771.0	5,756.8	5,621.1
Capital grants & contributions	15.0	6.6	-	-	15.0	6.6
General revenues:						
Personal income taxes	5,404.0	4,746.7	-	-	5,404.0	4,746.7
Corporate income taxes	443.4	211.0	-	-	443.4	211.0
Other taxes	1,979.7	1,891.3	14.9	13.9	1,994.6	1,905.2
Unrestricted investment earnings	37.9	44.7	-	-	37.9	44.7
<b>Total revenues</b>	<b>14,170.5</b>	<b>12,831.1</b>	<b>4,072.4</b>	<b>3,830.3</b>	<b>18,242.9</b>	<b>16,661.4</b>
<b>Expenses:</b>						
Education	3,622.1	3,204.6	-	-	3,622.1	3,204.6
Human resources	4,873.6	4,675.8	-	-	4,873.6	4,675.8
Public safety	1,008.3	928.5	-	-	1,008.3	928.5
Economic & community development	311.7	340.7	-	-	311.7	340.7
Natural resources	541.1	582.8	-	-	541.1	582.8
Transportation	1,598.4	1,882.7	-	-	1,598.4	1,882.7
Consumer and business services	394.9	282.9	-	-	394.9	282.9
Administration	640.5	622.0	-	-	640.5	622.0
Legislative	29.6	31.4	-	-	29.6	31.4
Judicial	271.7	249.0	-	-	271.7	249.0
Interest on long-term debt	242.7	254.8	-	-	242.7	254.8
Housing and community services	-	-	93.3	89.6	93.3	89.6
Veterans' loan	-	-	49.7	51.5	49.7	51.5
Lottery operations	-	-	525.3	504.1	525.3	504.1
Unemployment compensation	-	-	535.2	577.4	535.2	577.4
University system	-	-	1,858.3	1,729.1	1,858.3	1,729.1
State hospitals	-	-	166.8	162.6	166.8	162.6
Liquor control	-	-	263.7	237.6	263.7	237.6
Other business-type activities	-	-	76.8	75.2	76.8	75.2
<b>Total expenses</b>	<b>13,534.6</b>	<b>13,055.2</b>	<b>3,569.1</b>	<b>3,427.1</b>	<b>17,103.7</b>	<b>16,482.3</b>
Increase (decrease) before contributions, special and extraordinary items, and transfers	635.9	(224.1)	503.3	403.2	1,139.2	179.1
Contributions to permanent funds	-	11.4	-	-	-	11.4
Capital contributions	1.5	0.4	0.8	0.7	2.3	1.1
Additions to Permanent Endowments	-	-	2.6	-	2.6	-
Transfers	124.3	31.9	(124.3)	(31.9)	-	-
<b>Increase (decrease) in net assets</b>	<b>761.7</b>	<b>(180.4)</b>	<b>382.4</b>	<b>372.0</b>	<b>1,144.1</b>	<b>191.6</b>
Net assets – beginning	10,212.2	7,731.3	3,683.0	3,309.9	13,895.2	11,041.2
Prior period adjustments	65.3	2,661.3	(28.9)	1.1	36.4	2,662.4
Net assets – beginning – as restated	10,277.5	10,392.6	3,654.1	3,311.0	13,931.6	13,703.6
<b>Net assets – ending</b>	<b>\$11,039.2</b>	<b>\$ 10,212.2</b>	<b>\$ 4,036.5</b>	<b>\$ 3,683.0</b>	<b>\$ 15,075.7</b>	<b>\$13,895.2</b>

Figure 1 below illustrates fiscal year 2006 revenues of the State as a whole, by source. Approximately 32.0 percent of total revenue comes from personal and corporate income taxes. An additional 31.6 percent comes from other entities and governments in the form of operating grants and contributions (e.g., federal revenues) and 25.2 percent comes from charges for services provided.

**Figure 1**  
**State of Oregon's Revenue by Source**  
**For the Year Ended June 30, 2006**

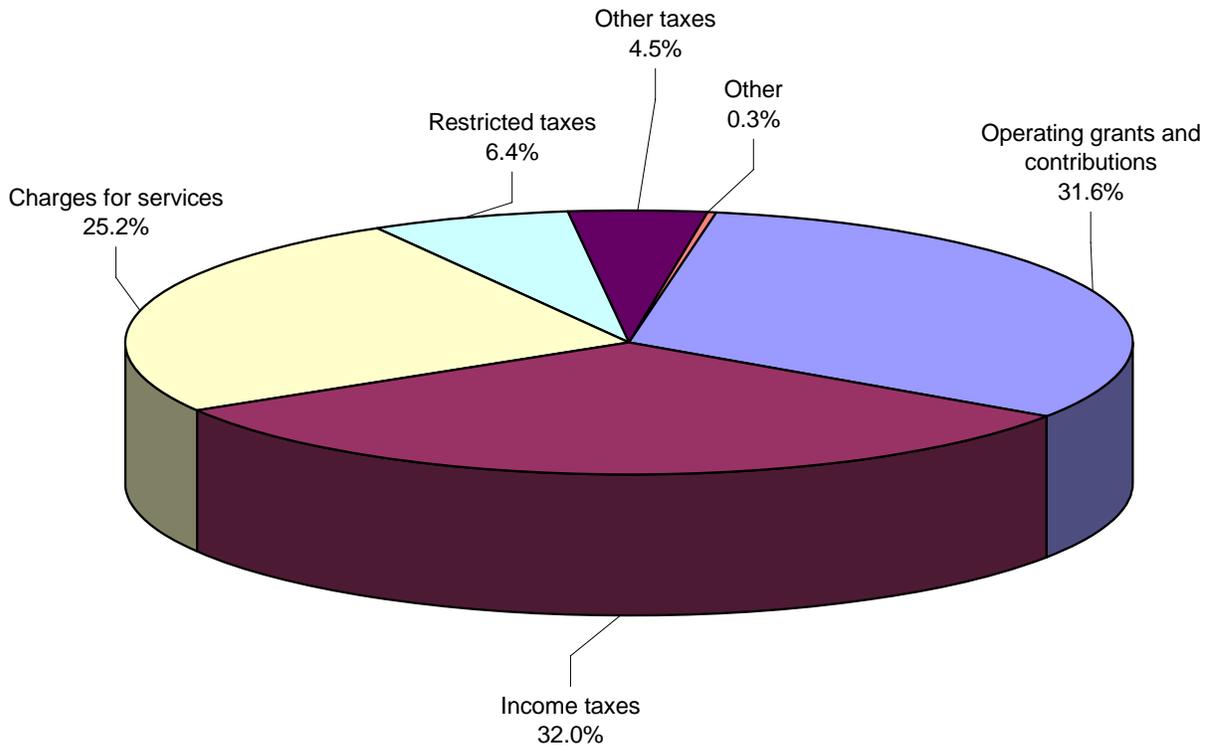
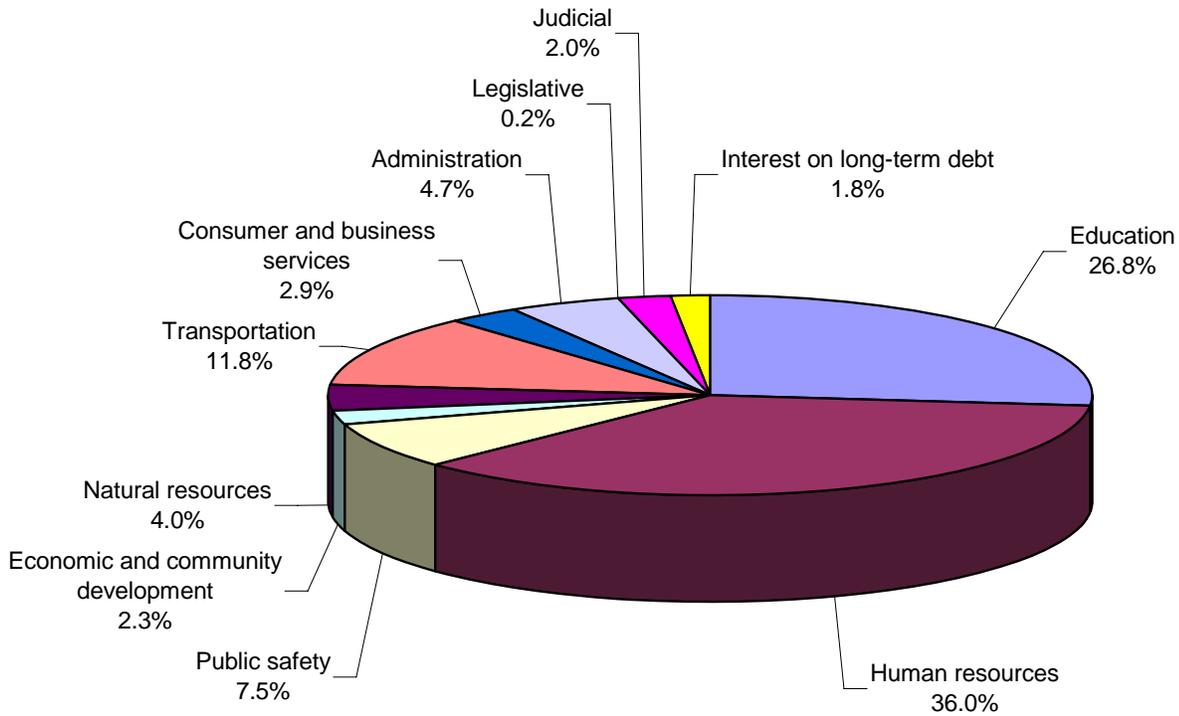


Figure 2 below shows the percentages of total governmental activity expenses for each function of the State. The largest portion of expenses is for human resources to provide for Oregon’s citizens in need of assistance at 36.0 percent, with elementary and secondary education the second largest at 26.8 percent of total governmental activity expenses.

**Figure 2**  
**State of Oregon’s Governmental Expenses by Function**  
**For the Year Ended June 30, 2006**



**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 fund balance* may serve as a useful measure of a government’s net resources available for spending. At the end of fiscal year 2006, approximately 79.4 percent of the total fund balance of governmental funds represents unreserved, undesignated fund balance, which is available for spending on governmental programs at the State’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. For example, such commitments are to pay debt service or to pay claims and judgments.

At the end of fiscal year 2006, the State’s governmental funds reported combined ending fund balances of \$4.4 billion, an increase of \$1.3 billion in comparison with the prior year. This increase in fund balances is primarily attributed to the results of operations in the General Fund and the Public Transportation Fund as discussed below.

The general fund is the chief operating fund of the State. The unreserved, undesignated fund balance of the general fund at the end of fiscal year 2006 was \$736.2 million, while total fund balance was \$822.4 million. During the fiscal year, the accumulation of spendable financial resources outpaced spending and obligation of commitments, increasing the total fund balance of the general fund by \$520.9 million. Revenues increased by \$971.9 million from the prior fiscal year, with the largest gain in personal income taxes, which greatly contributed to the increase in total fund balance.

Revenues of the Health and Social Services Fund were higher than expenditures, which contributed to an increase in fund balance. The majority of these revenues are federal funds for social service assistance to needy citizens. In the Public Transportation Fund, proceeds from the issuance of long-term debt contributed to an increase in fund balance; this reflects a planned effort to increase the State's investment in public infrastructure projects. Transfers from other funds contributed to an increase in fund balance of the Educational Support Fund, a nonmajor governmental fund. The majority of these transfers were from the Business Development Fund, a nonmajor governmental 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 more detail. Total net assets of the Housing and Community Services Fund increased by \$2.1 million from the prior year, as operating income exceeded operating expenses. This is a self-supporting activity, providing loans for housing that are funded through the issuance of bonds. As compared to the previous year, the net assets of the Veterans' Loan Fund increased slightly by 1.1 percent. Net assets of the Lottery Operations Fund increased by 31.0 percent, as sales revenues were greater than expenses and transfers to other funds. In the Unemployment Compensation Fund, employee-employer assessments and other income exceeded distribution of benefits during the year, as Oregon's economic recovery brought about fewer numbers of people seeking unemployment benefits combined with the effects of unemployment assessments being paid for more workers.

Restrictions and commitments significantly affect the availability of Housing and Community Services Fund resources for future use. For example, net assets that will be used to repay outstanding bonds are restricted for debt service. A significant portion of University System Fund net assets are 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 Trust Fund, which accounts for resources held in trust for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the Public Employees Retirement System, increased by \$5.9 billion. The net appreciation in fair value of investments and other investment income primarily contributed to this increase in net assets. 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. As such, final budgeted expenditures for the General Fund reflect the Legislatively Approved Budget as of June 30, 2006, for the 2005-2007 biennium. Budgeted expenditures as of June 30, 2006 increased by \$152.3 million from original budgeted expenditures reflected in the Legislatively Adopted Budget. This increase was made to provide funding for additional expenditures mainly in the program areas of education, human resources, and public safety. Forecasted revenues increased by \$1,062.7 million from the original budgeted revenues. This increase was primarily due to higher than originally forecasted corporate and income tax revenue projections.

Because of Oregon's biennial process, budget to actual comparisons are not final until the second year of the biennium. For the first year of the 2005-2007 biennium, actual revenue and other financing sources exceeded actual expenditures and other financing uses by \$233.2 million. Typically, the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues within a given biennium. For cash flow management needs resulting from these timing differences, the State issued \$148.1 million of tax anticipation notes during the fiscal year. This obligation will be repaid with income tax revenue prior to the end of the biennium. Recent economic indicators and estimated collections of corporate and income tax revenues for the 2005-2007 biennium are expected to generate "kicker" refunds/credits.

## 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, did not change during the fiscal year.

Debt outstanding for the years ended June 30, 2006 and 2005 is summarized in Table 3 below. The majority of new revenue bonds issued for business-type activities this year were multi-family housing revenue bonds and single-family mortgage revenue bonds. For governmental activities, the majority of new revenue bonds were issued for transportation infrastructure improvement projects.

During the fiscal year, the majority of new certificates of participation were issued to finance the design and construction of a medium-custody correctional facility in Madras, Oregon. 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 can be found in Note 9 of this report.

**Table 3**  
**State of Oregon's Outstanding Debt**  
**For the Years Ended June 30, 2006 and 2005**  
**(dollars in millions)**

	2006	2005	2006 Over (Under) 2005	
			Amount	Percent
General Obligation Bonds	\$ 4,313.5	\$ 4,345.1	\$ (31.6)	(0.7)%
Revenue Bonds	3,194.9	2,920.5	274.4	9.4%
Certificates of Participation	1,124.9	930.1	194.8	20.9%
General Appropriation Bonds	413.0	440.4	(27.4)	(6.2)%
<b>Total</b>	<b>\$ 9,046.3</b>	<b>\$ 8,636.1</b>	<b>\$ 410.2</b>	<b>4.7%</b>

## CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2006, is \$12.0 billion (net of accumulated depreciation) as summarized in Table 4. This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and historical treasures. The total increase in the State's investment in capital assets for the current fiscal year was \$97.2 million, or 0.8 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,678.5	\$ 1,603.3	\$ 84.1	\$ 93.3	\$ 1,762.6	\$ 1,696.6
Buildings, property and equipment	1,283.1	1,216.7	1,287.9	1,093.6	2,571.0	2,310.3
Construction in progress	1,790.6	1,344.7	76.4	210.7	1,867.0	1,555.4
Infrastructure	5,703.3	6,242.3	15.6	17.4	5,718.9	6,259.7
Works of art and historical treasures	0.6	0.6	58.7	59.0	59.3	59.6
<b>Total</b>	<b>\$ 10,456.1</b>	<b>\$ 10,407.6</b>	<b>\$ 1,522.7</b>	<b>\$ 1,474.0</b>	<b>\$ 11,978.8</b>	<b>\$ 11,881.6</b>

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

- The State spent nearly \$451.7 million on 1,270 highway and bridge construction projects
- Nearly \$18.3 million was spent on capital equipment used to maintain highways and bridges, such as road graders, bulldozers, and similar vehicles
- Commitments of \$934.0 million have been made for highway and bridge construction

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

#### **ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET**

- The unemployment rate for Oregon is currently 5.1 percent, down from 5.9 percent a year ago. This is higher than the national rate of 4.4 percent.
- Employment growth in the second quarter of 2006 was 3.6 percent. This marks the third year of job growth, an indication that Oregon's job market is continuing to expand.
- The September 2006 General Fund revenue forecast indicates revenues are projected to increase by 9.4 percent from the 2005-2007 biennium to the 2007-2009 biennium.
- Estimated corporate and income tax revenues for the 2005-2007 biennium are expected to generate "kicker" refunds/credits in excess of \$1.0 billion. To the extent that projections are realized, these refunds/credits will be taken into consideration during the budgeting process for the 2007-2009 biennium.

These factors will likely have an impact on the State's financial position and/or the budget for the 2007-2009 biennium.

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# **Basic Financial Statements**

**Statement of Net Assets**  
**June 30, 2006**  
(In Thousands)

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 2,445,696	\$ 2,308,739	\$ 4,754,435	\$ 124,625
Cash and Cash Equivalents - Restricted	147	20,932	21,079	30,252
Investments	1,401,402	232,612	1,634,014	3,375,972
Investments - Restricted	132	149,434	149,566	-
Securities Lending Cash Collateral	595,211	266,418	861,629	684,232
Accounts and Interest Receivable (net)	522,790	406,653	929,443	396,322
Pledges Receivable	-	-	-	71,669
Taxes Receivable	445,828	-	445,828	-
Internal Balances	157,431	(157,431)	-	-
Due from Component Units	9,878	4,363	14,241	-
Due from Other Governments	13	7,274	7,287	-
Due from Primary Government	-	-	-	2,726
Inventories	72,332	35,625	107,957	18,678
Prepaid Items	14,954	15,129	30,083	12,685
Foreclosed and Deeded Property	-	370	370	-
<b>Total Current Assets</b>	<b>5,665,814</b>	<b>3,290,118</b>	<b>8,955,932</b>	<b>4,717,161</b>
<b>Noncurrent Assets:</b>				
Cash and Securities Held in Trust	22,526	-	22,526	-
Cash and Cash Equivalents - Restricted	226,495	774,081	1,000,576	-
Investments	-	104,241	104,241	426,464
Investments - Restricted	269,423	771,041	1,040,464	1,214,234
Taxes Receivable	324,174	-	324,174	-
Deferred Charges	20,983	16,170	37,153	9,130
Interfund Loans	(2,395)	2,395	-	-
Advances to Component Units	-	32,793	32,793	-
Net Contracts, Notes and Other Receivables	179,799	95,459	275,258	937
Pledges Receivable	-	-	-	49,239
Loans Receivable	411,611	1,857,207	2,268,818	-
Net Pension Asset	1,925,100	-	1,925,100	-
<b>Capital Assets:</b>				
Land	1,678,479	84,105	1,762,584	63,688
Buildings, Property and Equipment	2,188,402	2,410,370	4,598,772	1,607,085
Construction in Progress	1,790,632	76,420	1,867,052	61,522
Infrastructure	13,828,571	51,580	13,880,151	-
Works of Art and Historical Treasures	626	58,676	59,302	458
Less Accumulated Depreciation and Amortization	(9,030,578)	(1,158,449)	(10,189,027)	(649,846)
<b>Total Noncurrent Assets</b>	<b>13,833,848</b>	<b>5,176,089</b>	<b>19,009,937</b>	<b>2,782,911</b>
<b>Total Assets</b>	<b>19,499,662</b>	<b>8,466,207</b>	<b>27,965,869</b>	<b>7,500,072</b>

(continued on next page)

**State of Oregon**

**Statement of Net Assets**

**June 30, 2006**

**(In Thousands)**

(continued from previous page)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts and Interest Payable	\$ 696,140	\$ 153,433	\$ 849,573	\$ 161,182
Reserve for Loss and Loss Adjustment Expense	-	-	-	214,223
Obligations Under Securities Lending	595,211	266,418	861,629	684,232
Due to Component Units	2,726	-	2,726	-
Due to Other Governments	112,844	3,656	116,500	27,115
Due to Primary Government	-	-	-	14,242
Matured Bonds/COPS and Coupons Payable	145	7,619	7,764	-
Obligations Under Capital Lease	515	287	802	499
Bonds/COPS Payable	154,659	149,176	303,835	5,855
Tax Anticipation Notes Payable	150,241	-	150,241	-
Claims and Judgments Payable	131,927	1,292	133,219	-
Arbitrage Rebate Payable	105	213	318	-
Contracts, Mortgages and Notes Payable	977	1,144	2,121	-
Trust Funds Payable	285,111	22,270	307,381	11,420
Unearned Revenue	44,295	81,059	125,354	164,362
Compensated Absences Payable	93,265	42,756	136,021	40,423
Lottery Prize Awards Payable	-	29,519	29,519	-
<b>Total Current Liabilities</b>	<b>2,268,161</b>	<b>758,842</b>	<b>3,027,003</b>	<b>1,323,553</b>
<b>Noncurrent Liabilities:</b>				
Bonds/COPS Payable	5,129,000	3,559,376	8,688,376	579,145
Obligations Under Capital Lease	2,949	203	3,152	5,625
Obligations Under Life Income Agreements	-	-	-	92,295
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,373,782
Claims and Judgments Payable	1,027,384	23	1,027,407	48,457
Lottery Prize Awards Payable	-	101,677	101,677	-
Compensated Absences Payable	31,088	5,470	36,558	-
Arbitrage Rebate Payable	1,046	1,903	2,949	-
Contracts, Mortgages and Notes Payable	828	1,819	2,647	11,519
Trust Funds Payable	-	415	415	-
Advances from Primary Government	-	-	-	32,793
<b>Total Noncurrent Liabilities</b>	<b>6,192,295</b>	<b>3,670,886</b>	<b>9,863,181</b>	<b>3,143,616</b>
<b>Total Liabilities</b>	<b>8,460,456</b>	<b>4,429,728</b>	<b>12,890,184</b>	<b>4,467,169</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	8,901,594	594,247	9,495,841	534,057
<b>Expendable Restricted Net Assets:</b>				
Restricted for Unemployment Compensation	-	2,021,769	2,021,769	-
Restricted for Residential Assistance	126,230	1,547	127,777	-
Restricted for Higher Education	-	178,324	178,324	-
Restricted for Debt Service	-	239,788	239,788	-
Restricted for Capital Construction	339	186,210	186,549	-
Restricted for Workers' Compensation	13	-	13	659,209
Restricted for Education	802,476	-	802,476	736,685
Restricted for Natural Resource Programs	27,460	-	27,460	-
Restricted for Health Services	34,282	-	34,282	-
Restricted for Public Safety	1,801	-	1,801	-
Restricted for Lottery Projects	-	95,898	95,898	-
Restricted for War Veterans' Programs	-	116,778	116,778	-
Restricted for Business Development	4,860	-	4,860	-
<b>Nonexpendable Restricted Net Assets:</b>				
Restricted for Donor Purposes	-	17,263	17,263	492,317
Restricted for Education	875	-	875	105,282
Restricted for Residential Assistance	19,066	-	19,066	-
Restricted for Natural Resource Programs	3,374	-	3,374	-
Restricted for Workers' Compensation	250	-	250	-
Unrestricted	1,116,586	584,655	1,701,241	505,353
<b>Total Net Assets</b>	<b>\$ 11,039,206</b>	<b>\$ 4,036,479</b>	<b>\$ 15,075,685</b>	<b>\$ 3,032,903</b>

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

**State of Oregon**

**Statement of Activities  
For the Year Ended June 30, 2006  
(In Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
Education	\$ 3,622,117	\$ 5,797	\$ 581,983	\$ 6,421	\$ (3,027,916)
Human Resources	4,873,613	298,666	3,003,987	-	(1,570,960)
Public Safety	1,008,285	70,979	182,197	4,457	(750,652)
Economic and Community Development	311,713	18,404	271,244	-	(22,065)
Natural Resources	541,084	284,857	260,961	2,025	6,759
Transportation	1,598,419	108,552	377,788	2,089	(1,109,990)
Consumer and Business Services	394,886	202,305	21,601	-	(170,980)
Administration	640,561	214,866	252,156	-	(173,539)
Legislative	29,602	2,708	30	-	(26,864)
Judicial	271,714	130,549	878	-	(140,287)
Interest on Long-term Debt	242,664	-	-	-	(242,664)
Total Governmental Activities	<u>13,534,658</u>	<u>1,337,683</u>	<u>4,952,825</u>	<u>14,992</u>	<u>(7,229,158)</u>
Business-type Activities:					
Housing and Community Services	93,288	69,688	25,752	-	2,152
Veterans' Loan	49,730	22,832	28,198	-	1,300
Lottery Operations	525,277	1,093,196	8,358	-	576,277
Unemployment Compensation	535,190	758,350	96,013	-	319,173
University System	1,858,254	860,042	635,148	-	(363,064)
State Hospitals	166,810	26,679	-	-	(140,131)
Liquor Control	263,725	349,454	-	-	85,729
Other Business-type Activities	76,804	73,282	10,503	-	6,981
Total Business-type Activities	<u>3,569,078</u>	<u>3,253,523</u>	<u>803,972</u>	<u>-</u>	<u>488,417</u>
Total Primary Government	<u>\$ 17,103,736</u>	<u>\$ 4,591,206</u>	<u>\$ 5,756,797</u>	<u>\$ 14,992</u>	<u>\$ (6,740,741)</u>
<b>Component Units:</b>					
SAIF Corporation	\$ 439,374	\$ 443,487	\$ 114,370	\$ -	\$ 118,483
Oregon Health and Science University	1,277,117	872,803	528,776	16,202	140,664
Oregon University System Foundations	131,971	11,593	235,060	1,034	115,716
Total Component Units	<u>\$ 1,848,462</u>	<u>\$ 1,327,883</u>	<u>\$ 878,206</u>	<u>\$ 17,236</u>	<u>\$ 374,863</u>

(continued on next page)

**State of Oregon**

**Statement of Activities**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**  
 (continued from previous page)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	
Changes in Net Assets:				
Net (Expense) Revenue	\$ (7,229,158)	\$ 488,417	\$ (6,740,741)	\$ 374,863
General Revenues:				
Taxes:				
Personal Income Taxes	5,404,020	-	5,404,020	-
Corporate Income Taxes	443,425	-	443,425	-
Tobacco Taxes	254,836	-	254,836	-
Healthcare Provider Taxes	131,371	-	131,371	-
Other Taxes	419,786	14,851	434,637	-
Restricted for Transportation Purposes:				
Motor Fuels Taxes	417,916	-	417,916	-
Weight Mile Taxes	266,221	-	266,221	-
Vehicle Registration Taxes	207,581	-	207,581	-
Restricted for Workers' Compensation Benefits:				
Employer-employee Taxes	281,974	-	281,974	-
Total Taxes	<u>7,827,130</u>	<u>14,851</u>	<u>7,841,981</u>	<u>-</u>
Unrestricted Investment Earnings	37,934	-	37,934	-
Capital Contributions	1,473	855	2,328	-
Additions to Permanent Endowments	-	2,580	2,580	-
Transfers - Internal Activities	124,307	(124,307)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	<u>7,990,844</u>	<u>(106,021)</u>	<u>7,884,823</u>	<u>-</u>
Change in Net Assets	<u>761,686</u>	<u>382,396</u>	<u>1,144,082</u>	<u>374,863</u>
Net Assets - Beginning	10,212,171	3,682,994	13,895,165	2,665,955
Prior Period Adjustments	65,349	(28,911)	36,438	(7,915)
Net Assets - Beginning - As Restated	<u>10,277,520</u>	<u>3,654,083</u>	<u>13,931,603</u>	<u>2,658,040</u>
<b>Net Assets - Ending</b>	<u>\$ 11,039,206</u>	<u>\$ 4,036,479</u>	<u>\$ 15,075,685</u>	<u>\$ 3,032,903</u>

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

State of Oregon

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**  
(In Thousands)

	General	Health and Social Services	Public Transportation
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 751,511	\$ 221,517	\$ 601,596
Investments	-	14,163	-
Cash and Securities Held in Trust	-	-	17,868
Securities Lending Cash Collateral	122,669	131,277	84,642
Accounts and Interest Receivable (net)	13,875	180,402	47,937
Taxes Receivable	667,233	21,182	66,138
Due from Other Funds	139,523	11,778	2,122
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	25,555	1,839	20,577
Prepaid Items	13,352	78	-
Advances to Other Funds	40,598	-	-
Net Contracts, Notes and Other Receivables	16,227	4,050	2,854
Loans Receivable	-	-	16,121
<b>Total Assets</b>	<b>\$ 1,790,543</b>	<b>\$ 586,286</b>	<b>\$ 859,855</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts and Interest Payable	\$ 224,840	\$ 89,781	\$ 101,439
Obligations Under Securities Lending	122,669	131,277	84,642
Due to Other Funds	6,106	115,202	15,483
Due to Component Units	-	2,726	-
Due to Other Governments	8,743	10,038	56,293
Matured Bonds/COPs and Coupons Payable	140	-	-
Tax Anticipation Notes Payable	150,241	-	-
Advances from Other Funds	1,670	-	82
Trust Funds Payable	6,435	3,463	21,750
Deferred Revenue	447,241	16,933	8,530
Contracts, Mortgages and Notes Payable	9	-	157
<b>Total Liabilities</b>	<b>968,094</b>	<b>369,420</b>	<b>288,376</b>
Fund Balances:			
Reserved for Encumbrances	6,745	1,588	-
Reserved for Inventories	25,555	1,839	20,577
Reserved for Loans Receivable	-	-	16,121
Reserved for Other Long-term Receivables	-	2,356	-
Reserved for Advances to Other Funds	40,598	-	-
Reserved for Prepaid Items	13,352	78	-
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	3	227	40
Unreserved, Undesignated	736,196	210,778	534,741
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Permanent Funds	-	-	-
<b>Total Fund Balances</b>	<b>822,449</b>	<b>216,866</b>	<b>571,479</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,790,543</b>	<b>\$ 586,286</b>	<b>\$ 859,855</b>

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

**State of Oregon**

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<b>Environmental Management</b>	<b>Common School</b>	<b>Other</b>	<b>Total</b>
\$ 313,729	\$ 26,867	\$ 664,802	\$ 2,580,022
-	1,037,375	487,299	1,538,837
822	682	3,155	22,527
46,509	29,669	141,752	556,518
32,596	5,748	185,103	465,661
-	-	15,448	770,001
44,017	461	268,525	466,426
-	-	9,878	9,878
-	-	13	13
17,764	23	5,123	70,881
92	-	506	14,028
-	368	-	40,966
6,874	53	146,748	176,806
297,386	1,717	96,388	411,612
<b>\$ 759,789</b>	<b>\$ 1,102,963</b>	<b>\$ 2,024,740</b>	<b>\$ 7,124,176</b>
\$ 20,372	\$ 56,458	\$ 130,682	\$ 623,572
46,509	29,669	141,752	556,518
8,871	872	156,102	302,636
-	-	-	2,726
17,796	-	19,974	112,844
-	-	5	145
-	-	-	150,241
300	-	41,774	43,826
2,329	224,304	4,457	262,738
9,796	-	174,012	656,512
182	-	1,077	1,425
<b>106,155</b>	<b>311,303</b>	<b>669,835</b>	<b>2,713,183</b>
24,457	103	4,662	37,555
17,764	23	5,123	70,881
297,386	1,717	96,388	411,612
292	52	742	3,442
-	368	-	40,966
92	-	506	14,028
-	-	182,892	182,892
-	-	23,565	23,565
-	-	124,033	124,033
368	-	231	869
313,275	789,397	-	2,584,387
-	-	791,870	791,870
-	-	118,136	118,136
-	-	6,757	6,757
<b>653,634</b>	<b>791,660</b>	<b>1,354,905</b>	<b>4,410,993</b>
<b>\$ 759,789</b>	<b>\$ 1,102,963</b>	<b>\$ 2,024,740</b>	<b>\$ 7,124,176</b>

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**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2006**  
(In Thousands)

**Total fund balances of governmental funds** \$ 4,410,993

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	1,667,618	
Buildings, property and equipment	1,782,053	
Construction in progress	1,741,853	
Infrastructure	13,827,941	
Works of art and historical treasures	485	
Accumulated depreciation and amortization	<u>(8,855,450)</u>	
Total capital assets		10,164,500

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 12) 1,925,100

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 are therefore deferred in the funds. 631,436

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. 166,847

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. 19,871

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	(5,052,000)	
Accrued interest on bonds and COPS	(49,255)	
Claims and judgments	(1,049,505)	
Compensated absences	(118,180)	
Obligations under capital leases	(3,464)	
Income tax refunds	(5,996)	
Arbitrage rebate	<u>(1,141)</u>	
Total long-term liabilities		<u>(6,279,541)</u>

**Net assets of governmental activities** **\$ 11,039,206**

**State of Oregon**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006  
(In Thousands)**

	General	Health and Social Services	Public Transportation
<b>Revenues:</b>			
Personal Income Taxes	\$ 5,442,458	\$ -	\$ -
Corporate Income Taxes	427,151	-	-
Tobacco Taxes	57,959	195,642	-
Motor Fuels Taxes	-	-	417,933
Weight-Mile Taxes	-	-	265,110
Employer-Employee Taxes	-	-	-
Vehicle Registration Taxes	-	-	207,581
Healthcare Provider Taxes	-	131,371	-
Other Taxes	144,862	67,179	724
Licenses and Fees	30,658	47,572	47,595
Federal	-	2,494,524	465,842
Charges for Services	3,371	101,360	39,925
Fines and Forfeitures	4,015	698	4,325
Rents and Royalties	-	343	8,343
Investment Income	37,934	10,954	16,866
Sales	1,950	3,982	10,958
Donations and Grants	51	3,346	22
Tobacco Settlement Proceeds	-	67,145	-
Pension Bond Debt Service Assessments	-	-	-
Other	13,375	262,363	3,141
<b>Total Revenues</b>	<b>6,163,784</b>	<b>3,386,479</b>	<b>1,488,365</b>
<b>Expenditures:</b>			
Current:			
Education	2,817,404	-	-
Human Resources	1,173,998	3,183,197	-
Public Safety	687,456	-	-
Economic and Community Development	6,796	-	-
Natural Resources	47,945	-	-
Transportation	4,500	9,005	1,440,152
Consumer and Business Services	5,799	101,393	-
Administration	110,730	35,476	122,677
Legislative	26,746	-	-
Judicial	226,503	269	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	31,972	-	-
Interest	33,022	-	236
Other Debt Service	249	76	2,222
<b>Total Expenditures</b>	<b>5,173,120</b>	<b>3,329,416</b>	<b>1,565,287</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	990,664	57,063	(76,922)
<b>Other Financing Sources (Uses):</b>			
Transfers from Other Funds	119,905	165,451	2,692
Transfers to Other Funds	(593,528)	(170,923)	(88,357)
Insurance Recoveries	539	3	473
Long-term Debt Issued	-	10,250	391,775
Debt Issuance Premium	-	208	10,273
Debt Issuance Discount	-	-	-
Refunded Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(473,084)</b>	<b>4,989</b>	<b>316,856</b>
Net Change in Fund Balances	517,580	62,052	239,934
Fund Balances - Beginning	301,557	124,914	311,286
Prior Period Adjustments	(289)	30,731	22,511
Fund Balances - Beginning - As Restated	301,268	155,645	333,797
Change in Reserve for Inventories	3,601	(831)	(2,252)
<b>Fund Balances - Ending</b>	<b>\$ 822,449</b>	<b>\$ 216,866</b>	<b>\$ 571,479</b>

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

**State of Oregon**

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Environmental Management	Common School	Other	Total
\$ -	\$ -	\$ -	\$ 5,442,458
-	-	-	427,151
-	-	-	253,601
-	-	-	417,933
-	-	-	265,110
-	-	282,557	282,557
-	-	-	207,581
-	-	-	131,371
17,333	-	181,405	411,503
110,482	1,084	152,375	389,766
125,098	-	1,575,984	4,661,448
17,723	89	66,138	228,606
706	10	79,805	89,559
1,638	3,347	2,716	16,387
20,284	104,870	62,244	253,152
106,727	7	5,321	128,945
744	6	16,468	20,637
-	-	-	67,145
-	-	119,778	119,778
15,285	310	65,607	360,081
416,020	109,723	2,610,398	14,174,769
-	-	803,317	3,620,721
-	-	520,290	4,877,485
-	-	297,513	984,969
-	-	302,818	309,614
450,045	6,829	34,012	538,831
-	-	8,330	1,461,987
-	-	274,384	381,576
1	-	357,859	626,743
-	-	2,635	29,381
-	-	44,155	270,927
-	-	114,088	114,088
-	-	99,730	131,702
-	-	204,989	238,247
165	-	2,111	4,823
450,211	6,829	3,066,231	13,591,094
(34,191)	102,894	(455,833)	583,675
140,496	9,724	1,217,029	1,655,297
(52,107)	(28,701)	(596,385)	(1,530,001)
137	-	280	1,432
-	-	168,614	570,639
182	-	5,460	16,123
-	-	(18)	(18)
13,600	-	16,010	29,610
(13,617)	-	(25,160)	(38,777)
88,691	(18,977)	785,830	704,305
54,500	83,917	329,997	1,287,980
599,203	707,745	1,023,396	3,068,101
217	-	1,189	54,359
599,420	707,745	1,024,585	3,122,460
(286)	(2)	323	553
\$ 653,634	\$ 791,660	\$ 1,354,905	\$ 4,410,993

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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, 2006  
(In Thousands)**

<b>Net change in fund balances of total governmental funds</b>	<b>\$</b>	<b>1,287,980</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays are reported as expenditures 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:</p>		
Capital outlay		544,118
Depreciation expense		<u>(637,502)</u>
Excess of depreciation over capital outlays		(93,384)
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net assets.		(12,545)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		(635,226)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		170,480
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.		(4,525)
Accrued interest on long-term debt does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.		(4,417)
Some expenses reported in the Statement of Activities do not require the use of current financial resources; thus, they are not reported as expenditures in governmental funds.		100,472
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the funds.		(572)
Some revenues will not be collected for several months after the State's fiscal year ends; thus, they are not considered "available" revenues and are deferred in the governmental funds.		(5,825)
Change in inventory is reported as a separate line after the change in fund balances in the governmental statements, but is included in expenses in the governmental activities.		553
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.		<u>(41,305)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>761,686</u></b>

**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2006**  
(In Thousands)

**Business-type Activities - Enterprise Funds**

**ASSETS**

Current Assets:

	<b>Housing and Community Services</b>	<b>Veterans' Loan</b>	<b>Lottery Operations</b>
Cash and Cash Equivalents	\$ 4,606	\$ 70,310	\$ 256,970
Cash and Cash Equivalents - Restricted	13,380	4,002	-
Investments	-	-	13,803
Investments - Restricted	48,777	100,657	-
Securities Lending Cash Collateral	9,253	56,089	67,414
Accounts and Interest Receivable (net)	6,729	3,445	17,100
Due from Other Funds	54	139	-
Due from Other Governments	-	-	-
Due from Component Units	-	-	-
Inventories	-	-	2,663
Prepaid Items	-	27	1,294
Foreclosed and Deeded Property	370	-	-
<b>Total Current Assets</b>	<b>83,169</b>	<b>234,669</b>	<b>359,244</b>

Noncurrent Assets:

Cash and Cash Equivalents - Restricted	56,029	419,261	2,307
Investments	-	2,564	101,677
Investments - Restricted	664,015	26,343	-
Deferred Charges	11,538	1,992	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes and Other Receivables	-	176	-
Loans Receivable	1,076,206	267,965	-
Capital Assets:			
Land	-	-	-
Buildings, Property and Equipment	931	9,950	118,787
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	85	-
Less Accumulated Depreciation and Amortization	(893)	(5,647)	(47,411)
<b>Total Noncurrent Assets</b>	<b>1,807,826</b>	<b>722,689</b>	<b>175,360</b>

**Total Assets**

	<b>\$ 1,890,995</b>	<b>\$ 957,358</b>	<b>\$ 534,604</b>
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State of Oregon

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<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
<b>Unemployment Compensation</b>	<b>University System</b>	<b>Other</b>	<b>Total</b>		
\$ 1,575,533	\$ 262,190	\$ 139,130	\$ 2,308,739	\$	92,291
-	3,476	74	20,932	-	-
218,805	-	4	232,612	82,508	-
-	-	-	149,434	-	-
59,330	68,528	5,804	266,418	38,692	-
214,569	147,187	17,603	406,633	56,315	-
-	3,101	18,828	22,122	2,545	-
7,274	-	-	7,274	-	-
-	4,363	-	4,363	-	-
-	6,214	26,748	35,625	1,452	-
-	13,428	380	15,129	925	-
-	-	-	370	-	-
<b>2,075,511</b>	<b>508,487</b>	<b>208,571</b>	<b>3,469,651</b>	<b>274,728</b>	<b>-</b>
1,398	243,339	51,747	774,081	25	-
-	-	-	104,241	-	-
-	77,590	3,093	771,041	49,613	-
-	-	2,640	16,170	1,111	-
1,108	-	17,876	18,984	842	-
-	32,793	-	32,793	-	-
16,156	79,125	2	95,459	2,994	-
-	-	513,036	1,857,207	-	-
-	80,020	4,085	84,105	10,862	-
-	2,181,304	99,398	2,410,370	406,348	-
-	74,935	1,485	76,420	48,778	-
-	50,701	879	51,580	631	-
-	58,551	40	58,676	141	-
-	(1,063,708)	(40,790)	(1,158,449)	(175,127)	-
<b>18,662</b>	<b>1,814,650</b>	<b>653,491</b>	<b>5,192,678</b>	<b>346,218</b>	<b>-</b>
<b>\$ 2,094,173</b>	<b>\$ 2,323,137</b>	<b>\$ 862,062</b>	<b>\$ 8,662,329</b>	<b>\$ 620,946</b>	<b>-</b>

(continued on next page)

**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2006**  
**(In Thousands)**

(continued from previous page)

**Business-type Activities - Enterprise Funds**

	<b>Housing and Community Services</b>	<b>Veterans' Loan</b>	<b>Lottery Operations</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities:			
Accounts and Interest Payable	\$ 30,947	\$ 8,550	\$ 7,328
Obligations Under Securities Lending	9,253	56,089	67,414
Due to Other Funds	1	-	159,359
Due to Other Governments	-	-	-
Matured Bonds/COPS and Coupons Payable	67	4,002	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	32,052	62,245	-
Claims and Judgments Payable	-	-	-
Trust Funds Payable	-	1,773	205
Unearned Revenue	32	-	-
Lottery Prize Awards Payable	-	-	29,519
Compensated Absences Payable	175	294	1,371
Arbitrage Rebate Payable	-	213	-
Contracts, Mortgages and Notes Payable	-	1,000	-
Total Current Liabilities	<u>72,527</u>	<u>134,166</u>	<u>265,196</u>
Noncurrent Liabilities:			
Bonds/COPS Payable	1,654,540	701,022	-
Obligations Under Capital Lease	-	-	-
Claims and Judgments Payable	-	16	-
Lottery Prize Awards Payable	-	-	101,677
Compensated Absences Payable	59	98	457
Arbitrage Rebate Payable	824	891	-
Contracts, Mortgages and Notes Payable	1,500	-	-
Trust Funds Payable	-	-	-
Advances from Other Funds	-	-	-
Total Noncurrent Liabilities	<u>1,656,923</u>	<u>702,027</u>	<u>102,134</u>
Total Liabilities	<u>1,729,450</u>	<u>836,193</u>	<u>367,330</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	38	4,387	71,376
Expendable Restricted Net Assets:			
Restricted for Residential Assistance	1,547	-	-
Restricted for Higher Education	-	-	-
Restricted for Debt Service	154,285	-	-
Restricted for Capital Construction	-	-	-
Nonexpendable Restricted Net Assets:			
Restricted for Donor Purposes	-	-	-
Unrestricted	5,675	116,778	95,898
Total Net Assets	<u>161,545</u>	<u>121,165</u>	<u>167,274</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,890,995</u>	<u>\$ 957,358</u>	<u>\$ 534,604</u>

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

**State of Oregon**

**Business-type Activities - Enterprise Funds**

Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
\$ 9,188	\$ 71,659	\$ 25,761	\$ 153,433	\$ 17,317
59,330	68,528	5,804	266,418	38,692
363	-	22,958	182,681	4,944
3,523	-	133	3,656	-
-	3,476	74	7,619	-
-	268	19	287	-
-	32,698	22,181	149,176	18,880
-	341	951	1,292	33,597
-	15,596	4,696	22,270	22,371
-	80,767	260	81,059	19,220
-	-	-	29,519	-
-	34,752	6,164	42,756	4,630
-	-	-	213	-
-	144	-	1,144	381
<u>72,404</u>	<u>308,229</u>	<u>89,001</u>	<u>941,523</u>	<u>160,032</u>
-	916,478	287,336	3,559,376	212,778
-	198	5	203	-
-	-	7	23	76,209
-	-	-	101,677	-
-	2,802	2,054	5,470	1,543
-	182	6	1,903	10
-	319	-	1,819	-
-	-	415	415	-
-	15,641	948	16,589	377
-	<u>935,620</u>	<u>290,771</u>	<u>3,687,475</u>	<u>290,917</u>
<u>72,404</u>	<u>1,243,849</u>	<u>379,772</u>	<u>4,628,998</u>	<u>450,949</u>
-	464,832	53,614	594,247	115,948
-	-	-	1,547	-
-	178,324	-	178,324	-
-	63,896	21,607	239,788	-
-	186,210	-	186,210	-
-	17,263	-	17,263	-
<u>2,021,769</u>	<u>168,763</u>	<u>407,069</u>	<u>2,815,952</u>	<u>54,049</u>
<u>2,021,769</u>	<u>1,079,288</u>	<u>482,290</u>	<u>4,033,331</u>	<u>169,997</u>
<u>\$ 2,094,173</u>	<u>\$ 2,323,137</u>	<u>\$ 862,062</u>	<u>\$ 8,662,329</u>	<u>\$ 620,946</u>

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.

Net assets of business-type activities	3,148
	\$ 4,036,479

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Housing and Community Services</b>	<b>Veterans' Loan</b>	<b>Lottery Operations</b>
<b>Operating Revenues:</b>			
Assessments	\$ -	\$ -	\$ -
Licenses and Fees	2,962	192	-
Federal	-	-	-
Charges for Services	1,299	3,179	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	634	-
Sales	-	1	1,095,946
Loan Interest Income	65,083	18,379	-
Investment Income	25,652	28,198	-
Gifts, Grants and Contracts	100	-	-
Other	145	440	-
Gain (Loss) on Foreclosed Property	199	8	-
Total Operating Revenues	95,440	51,031	1,095,946
<b>Operating Expenses:</b>			
Salaries and Wages	4,846	5,240	26,996
Services and Supplies	6,801	9,415	256,243
Cost of Goods Sold	-	-	-
Distributions to Other Governments	463	-	-
Special Payments	3,048	-	231,644
Bond and COP Interest	75,721	35,122	-
Other Debt Service	2,341	101	-
Depreciation and Amortization	62	256	11,020
Bad Debt Expense	(85)	(918)	-
Total Operating Expenses	93,197	49,216	525,903
Operating Income (Loss)	2,243	1,815	570,043
<b>Nonoperating Revenues (Expenses):</b>			
Investment Income (Loss)	-	-	8,358
Other Taxes	-	-	-
Other Nonoperating Items	-	-	(2,784)
Gain (Loss) on Disposition of Assets	-	-	-
Insurance Recoveries	-	-	34
Loan Interest Income	-	-	-
Loan Interest Expense	(174)	(526)	-
Total Nonoperating Revenues (Expenses)	(174)	(526)	5,608
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	2,069	1,289	575,651
Capital Contributions	-	-	-
Additions to Permanent Endowments	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	(536,026)
Change in Net Assets	2,069	1,289	39,625
Net Assets - Beginning	159,476	119,876	127,649
Prior Period Adjustments	-	-	-
Net Assets - Beginning - As Restated	159,476	119,876	127,649
<b>Net Assets - Ending</b>	\$ 161,545	\$ 121,165	\$ 167,274

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

**State of Oregon**

**Business-type Activities - Enterprise Funds**

Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
\$ 743,508	\$ -	\$ -	\$ 743,508	\$ -
-	-	4,170	7,324	-
30,400	532,374	2,907	565,681	-
-	496,509	51,543	552,530	239,951
2,336	-	492	2,828	-
-	-	1,215	1,849	37,520
-	233,286	366,207	1,695,440	12,100
-	-	21,725	105,187	-
65,613	-	7,523	126,986	-
-	79,572	-	79,672	-
12,507	24,212	4,063	41,367	6,582
-	-	-	207	-
<b>854,364</b>	<b>1,365,953</b>	<b>459,845</b>	<b>3,922,579</b>	<b>296,153</b>
-	1,037,211	171,576	1,245,869	94,545
1,871	687,966	86,163	1,048,459	130,162
-	-	187,236	187,236	17,817
12,554	-	43,631	56,648	-
517,540	-	249	752,481	-
-	44,479	14,470	169,792	9,091
-	-	227	2,669	104
-	89,652	3,109	104,099	20,403
4,118	-	479	3,594	-
<b>536,083</b>	<b>1,859,308</b>	<b>507,140</b>	<b>3,570,847</b>	<b>272,122</b>
<b>318,281</b>	<b>(493,355)</b>	<b>(47,295)</b>	<b>351,732</b>	<b>24,031</b>
-	23,203	74	31,635	8,263
-	-	14,851	14,851	-
-	105,439	-	102,655	-
-	260	(131)	129	4,157
-	596	-	630	321
-	-	-	-	48
-	-	(71)	(771)	(23)
-	129,498	14,723	149,129	12,766
318,281	(363,857)	(32,572)	500,861	36,797
-	839	17	856	22
-	2,580	-	2,580	-
8,025	371,276	164,216	543,517	2,476
(17,674)	(2,072)	(112,053)	(667,825)	(17,295)
<b>308,632</b>	<b>8,766</b>	<b>19,608</b>	<b>379,989</b>	<b>22,000</b>
1,712,779	1,070,522	491,951	3,682,253	143,590
358	-	(29,269)	(28,911)	4,407
<b>1,713,137</b>	<b>1,070,522</b>	<b>462,682</b>	<b>3,653,342</b>	<b>147,997</b>
<b>\$ 2,021,769</b>	<b>\$ 1,079,288</b>	<b>\$ 482,290</b>	<b>\$ 4,033,331</b>	<b>\$ 169,997</b>

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.

Change in net assets of business-type activities	2,407
	\$ 382,396

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**

**Business-type Activities — Enterprise Funds**

	<b>Housing and Community Services</b>	<b>Veterans' Loan</b>	<b>Lottery Operations</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 4,264	\$ 3,716	\$ 1,093,213
Receipts from Other Funds for Services	-	1,117	-
Loan Principal Repayments	141,688	64,810	-
Loan Interest Received	65,301	19,113	-
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(4,969)	(5,209)	(26,836)
Payments to Suppliers	(5,775)	(5,074)	(256,852)
Payments to Other Funds for Services	-	(589)	-
Payments to Prize Winners	-	-	(238,639)
Claims Paid	-	-	-
Loans Made	(179,045)	(46,905)	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(2,307)	100	-
Net Cash Provided (Used) in Operating Activities	<u>19,157</u>	<u>31,079</u>	<u>570,886</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bond/COP Sales	555,927	49,000	-
Loan Proceeds	863	30,000	-
Principal Payments on Bonds/COPS	(636,491)	(87,726)	-
Principal Payments on Loans	(3,784)	(29,000)	-
Interest Payments on Bonds/COPS	(81,268)	(36,817)	-
Interest Payments on Loans	(208)	(526)	-
Bond/COP Issuance Costs	(1,250)	(1,193)	-
Repayments on Advances Received	-	-	-
Interest Payments on Advances	-	-	-
Taxes and Assessments Received	-	-	-
Other Nonoperating Receipts	-	-	572
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	(483,641)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(166,211)</u>	<u>(76,262)</u>	<u>(483,069)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Bond/COP Issuance Costs	-	-	-
Repayments on Advances Made	-	-	-
Interest Payments on Advances	-	-	-
Principal Payments on Loans	-	-	-
Interest Payments on Loans	-	-	-
Acquisition of Capital Assets	(43)	(5)	(35,022)
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	-	158
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(43)</u>	<u>(5)</u>	<u>(34,864)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchases of Investments	(894,192)	(211,333)	(9,222)
Proceeds from Sales and Maturities of Investments	1,009,120	217,042	13,404
Interest on Investments and Cash Balances	28,486	25,502	8,117
Interest Income from Securities Lending	580	2,956	3,091
Interest Expense from Securities Lending	(571)	(2,910)	(2,998)
Net Cash Provided (Used) in Investing Activities	<u>143,423</u>	<u>31,257</u>	<u>12,392</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,674)</u>	<u>(13,931)</u>	<u>65,345</u>
Cash and Cash Equivalents - Beginning	77,689	507,504	193,932
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 74,015</u>	<u>\$ 493,573</u>	<u>\$ 259,277</u>

State of Oregon

Business-type Activities — Enterprise Funds				Governmental Activities Internal Service Funds
Unemployment Compensation	University System	Other	Total	
\$ -	\$ 1,309,673	\$ 414,054	\$ 2,824,920	\$ 55,974
-	-	873	1,990	253,712
-	18,844	36,580	261,922	-
-	-	22,760	107,174	-
749,412	-	-	749,412	-
-	(1,032,291)	(169,892)	(1,239,197)	(95,897)
-	(620,745)	(268,388)	(1,156,834)	(96,337)
-	-	(12,873)	(13,462)	(26,680)
-	-	-	(238,639)	-
(523,753)	-	-	(523,753)	(5,068)
-	(73,219)	(109,403)	(408,572)	-
(13,177)	-	(43,005)	(56,182)	-
47,979	26,900	4,204	76,876	(149,671)
260,461	(370,838)	(125,090)	385,655	(63,967)
-	-	17,874	622,801	-
-	-	-	30,863	-
-	-	(27,035)	(751,252)	-
-	-	(113)	(32,897)	-
-	-	(14,571)	(132,656)	-
-	-	(27)	(761)	-
-	-	-	(2,443)	-
-	-	(469)	(469)	-
-	-	(44)	(44)	-
-	-	14,845	14,845	-
-	102,561	-	103,133	-
8,095	361,087	182,119	551,301	1,208
(22,265)	-	(111,477)	(617,383)	(5,892)
(14,170)	463,648	61,102	(214,962)	(4,684)
-	71,976	-	71,976	72,607
-	(29,812)	(779)	(30,591)	(15,789)
-	(43,747)	(484)	(44,231)	(8,933)
-	-	-	-	(598)
-	-	-	-	36
-	-	-	-	48
-	-	-	-	(25)
-	-	-	-	(23)
-	(167,232)	(1,962)	(204,264)	(65,437)
-	-	(12)	(12)	-
-	16,194	44	16,396	1,522
-	(152,621)	(3,193)	(190,726)	(16,592)
(89,146)	(1,749)	(13,146)	(1,218,788)	(86,837)
63,624	-	16,301	1,319,491	32,881
70,064	19,019	7,114	158,302	9,234
1,923	1,949	478	10,977	732
(1,871)	(1,908)	(470)	(10,728)	(717)
44,594	17,311	10,277	259,254	(44,707)
290,885	(42,500)	(56,904)	239,221	(129,950)
1,286,046	551,505	266,354	2,883,030	221,780
-	-	(18,499)	(18,499)	486
\$ 1,576,931	\$ 509,005	\$ 190,951	\$ 3,103,752	\$ 92,316

(continued on next page)

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**

(continued from previous page)

	<b>Business-type Activities — Enterprise Funds</b>		
	<b>Housing and Community Services</b>	<b>Veterans' Loan</b>	<b>Lottery Operations</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating Income (Loss)	\$ 2,243	\$ 1,815	\$ 570,043
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	62	256	11,020
Amortization of Bond/COP Issuance Costs	1,096	-	-
Amortization of Bond/COP Premium and Discount	(498)	(37)	-
Amortization of Deferred Charges	1,601	101	-
Bad Debt Expense	(85)	(918)	-
Interest Income Reported as Operating Revenue	(25,652)	(28,198)	-
Investment Expense Reported as Operating Expense	571	2,910	-
Interest Payments Reported as Operating Expense	75,863	35,159	-
Bond/COP Issuance Costs Reported as Operating Expense	-	1,029	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	192	230	(2,733)
Due from Other Funds	-	355	-
Due from Other Governments	-	-	-
Inventories	-	-	95
Prepaid Items	-	(19)	(528)
Foreclosed and Deeded Property	904	-	-
Deferred Charges	-	-	-
Advances to Other Funds	-	-	-
Loans Receivable	(37,189)	17,935	-
Net Contracts, Notes and Other Receivables	-	-	-
Accounts and Interest Payable	90	(167)	(431)
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Trust Funds Payable	-	99	111
Unearned Revenue	9	-	-
Claims and Judgments Payable	-	-	-
Contracts, Mortgages and Notes Payable	-	497	-
Compensated Absences Payable	(50)	32	160
Advances from Other Funds	-	-	-
Lottery Prize Awards Payable	-	-	(6,851)
Total Adjustments	<u>16,914</u>	<u>29,264</u>	<u>843</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 19,157</u>	<u>\$ 31,079</u>	<u>\$ 570,886</u>
<b>Noncash Investing and Capital and Related Financing Activities:</b>			
Net Change in Fair Value of Investments	\$ (1,694)	\$ 344	\$ (2,850)
Assets Transferred from Governmental Funds	-	-	-
Noncash Assets Exchanged for Other Noncash Assets	40	-	-
Capital Assets Transferred from Governmental Funds	-	-	-
Assets Transferred to Governmental Funds	-	-	-
Liabilities Transferred to Governmental Funds	-	-	-
Liabilities Transferred from Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Capital Assets Transferred to Governmental Funds	-	-	-
Capital Assets Contributed	-	-	-
Loan Modification - Interest Capitalized	2	-	-
Foreclosed Property	1,583	-	-
<b>Total Noncash Investing and Capital and Related Financing Activities</b>	<u>\$ (69)</u>	<u>\$ 344</u>	<u>\$ (2,850)</u>

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

**State of Oregon**

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<b>Business-type Activities — Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
<b>Unemployment Compensation</b>	<b>University System</b>	<b>Other</b>	<b>Total</b>		
\$ 318,281	\$ (493,355)	\$ (47,295)	\$ 351,732	\$	24,031
-	89,652	3,109	104,099	-	20,403
-	-	170	1,266	-	55
-	-	108	(427)	-	(682)
-	-	197	1,899	-	506
4,117	-	479	3,593	-	-
(65,613)	-	(7,523)	(126,986)	-	-
1,871	-	470	5,822	-	717
-	44,480	14,299	169,801	-	9,315
-	-	-	1,029	-	49
5,830	(10,527)	3,498	(3,510)	-	(2,377)
-	-	(14,519)	(14,164)	-	(852)
1,028	-	-	1,028	-	-
-	(236)	(797)	(938)	-	53
-	618	140	211	-	(925)
-	-	-	904	-	-
-	-	(105)	(105)	-	-
-	-	49	49	-	-
-	-	(73,052)	(92,306)	-	-
(1,802)	3,512	1	1,711	-	(45)
(2,628)	(12,958)	1,180	(14,914)	-	(6,735)
-	-	(4,199)	(4,199)	-	4,908
(623)	-	(313)	(936)	-	-
-	(12)	(1,251)	(1,053)	-	(152,192)
-	2,932	(1,531)	1,410	-	17,135
-	-	958	958	-	21,670
-	5,056	-	5,553	-	362
-	-	786	928	-	637
-	-	51	51	-	-
-	-	-	(6,851)	-	-
(57,820)	122,517	(77,795)	33,923	-	(87,998)
<b>\$ 260,461</b>	<b>\$ (370,838)</b>	<b>\$ (125,090)</b>	<b>\$ 385,655</b>	<b>\$</b>	<b>(63,967)</b>
\$ 7,196	\$ 4,181	\$ (2)	\$ 7,175	\$	(2,128)
-	-	-	-	-	10
-	-	-	40	-	-
-	-	-	-	-	22
-	-	(148)	(148)	-	-
-	-	18,413	18,413	-	309
-	-	-	-	-	(4,290)
-	43	30	73	-	-
-	-	(21,933)	(21,933)	-	(6,137)
-	839	17	856	-	-
-	-	-	2	-	-
-	-	-	1,583	-	-
<b>\$ 7,196</b>	<b>\$ 5,063</b>	<b>\$ (3,623)</b>	<b>\$ 6,061</b>	<b>\$</b>	<b>(12,214)</b>

**State of Oregon**

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**  
(In Thousands)

	Pension Trust	Private Purpose Trust	Investment Trust	Agency
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,955,716	\$ 28,174	\$ 3,250,295	\$ 127,902
Receivables:				
Employer Contributions	28,813	-	-	-
Employee Contributions	14,434	-	-	-
Interest and Dividends	157,870	-	13,164	-
Investment Sales	1,042,613	-	-	-
Accounts	51,261	420	238	4,121
From Other Funds	3,109	-	-	-
Total Receivables	<u>1,298,100</u>	<u>420</u>	<u>13,402</u>	<u>4,121</u>
Investments:				
Fixed Income	15,811,171	530	-	-
Equity	30,812,470	985	-	-
Real Estate	3,867,079	-	-	-
Alternative Equity	5,128,415	-	-	-
Restricted Investment Contracts	8	-	-	-
Total Investments	<u>55,619,143</u>	<u>1,515</u>	<u>-</u>	<u>-</u>
Cash and Securities Held in Trust	-	97	-	1,437,414
Securities Lending Cash Collateral	5,355,112	2,851	412,512	-
Prepaid Items	3,220	-	-	-
Net Contracts, Notes and Other Receivables	-	67	-	65,016
Conservatorship and Custodial Assets	-	3,749	-	37
Receivership Assets	-	-	-	88,528
Capital Assets (net of accumulated depreciation):				
Land	944	14	-	-
Buildings, Property and Equipment	13,345	-	-	-
<b>Total Assets</b>	<u>65,245,580</u>	<u>36,887</u>	<u>3,676,209</u>	<u>1,723,018</u>
<b>LIABILITIES</b>				
Accounts and Interest Payable	3,168,261	53	29,790	493
Obligations Under Securities Lending	5,355,112	2,851	412,512	-
Due to Other Funds	3,109	832	-	-
Due to Other Governments	-	62	-	3,083
Deferred Revenue	4,611	-	-	-
Trust Funds Payable	105,332	1,215	-	1,719,442
Bonds/COPS Payable	54,137	-	-	-
Claims and Judgments Payable	140	-	-	-
Contracts, Mortgages and Notes Payable	-	1,763	-	-
<b>Total Liabilities</b>	<u>8,690,702</u>	<u>6,776</u>	<u>442,302</u>	<u>1,723,018</u>
<b>NET ASSETS</b>				
Held in Trust for:				
Employees' Pension Benefits	55,514,718	-	-	-
Employees' Postemployment Healthcare Benefits	207,981	-	-	-
External Investment Pool Participants	-	-	3,233,907	-
Individuals, Organizations and Other Governments	832,179	30,111	-	-
<b>Total Net Assets</b>	<u>\$ 56,554,878</u>	<u>\$ 30,111</u>	<u>\$ 3,233,907</u>	<u>\$ -</u>

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, 2006**  
**(In Thousands)**

	Pension Trust	Private Purpose Trust	Investment Trust
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 824,273	\$ -	\$ -
Employee	572,554	-	-
Total Contributions	1,396,827	-	-
Investment Income:			
Net Appreciation in Fair Value of Investments	5,845,070	-	-
Interest, Dividends and Other Investment Income	1,777,611	1,080	179,166
Total Investment Income	7,622,681	1,080	179,166
Less Investment Expense	475,324	147	26,718
Net Investment Income	7,147,357	933	152,448
Gifts, Grants and Contracts	-	455	-
Income of Individuals in State Care	-	4,306	-
Veterans' Income	-	7,222	-
Other Income	6,637	1,275	-
Share Transactions:			
Participant Contributions	-	-	12,607,052
Participant Withdrawals	-	-	12,804,237
Net Share Transactions	-	-	(197,185)
Transfers from Other Funds	50,250	505	-
<b>Total Additions</b>	<b>8,601,071</b>	<b>14,696</b>	<b>(44,737)</b>
<b>DEDUCTIONS</b>			
Pension Benefits	2,472,267	-	-
Recovery of Overpaid Benefits	(51,261)	-	-
Death Benefits	5,958	-	-
Contributions Refunded	33,173	-	-
Healthcare Premium Subsidies	28,180	-	-
Distributions to Participants	-	-	154,461
Retiree Healthcare Expenses	83,475	-	-
Administrative Expenses	37,775	9,622	-
Payments in Accordance with Trust Agreements	-	6,487	-
Transfers to Other Funds	50,250	-	-
<b>Total Deductions</b>	<b>2,659,817</b>	<b>16,109</b>	<b>154,461</b>
Change in Net Assets Held in Trust For:			
Employees' Pension Benefits	5,816,508	-	-
Employees' Postemployment Healthcare Benefits	35,777	-	-
External Investment Pool Participants	-	-	(199,198)
Individuals, Organizations and Other Governments	88,969	(1,413)	-
Net Assets - Beginning	50,613,624	31,524	3,433,105
<b>Net Assets - Ending</b>	<b>\$ 56,554,878</b>	<b>\$ 30,111</b>	<b>\$ 3,233,907</b>

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, 2006**  
**(In Thousands)**

	SAIF Corporation	Oregon Health and Science University	Oregon University System Foundations	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 40,376	\$ 63,842	\$ 20,407	\$ 124,625
Cash and Cash Equivalents - Restricted	-	-	30,252	30,252
Investments	3,153,767	68,292	153,913	3,375,972
Securities Lending Cash Collateral	684,232	-	-	684,232
Accounts and Interest Receivable (net)	211,391	169,300	15,631	396,322
Due from Primary Government	-	2,726	-	2,726
Pledges Receivable	-	7,333	64,336	71,669
Inventories	76	9,481	9,121	18,678
Prepaid Items	1,627	8,467	2,591	12,685
<b>Total Current Assets</b>	<b>4,091,469</b>	<b>329,441</b>	<b>296,251</b>	<b>4,717,161</b>
Noncurrent Assets:				
Investments	-	426,464	-	426,464
Investments - Restricted	-	394,139	820,095	1,214,234
Deferred Charges	-	9,130	-	9,130
Net Contracts, Notes and Other Receivables	-	-	937	937
Pledges Receivable	-	5,345	43,894	49,239
Capital Assets:				
Land	2,922	54,594	6,172	63,688
Buildings, Property and Equipment	45,688	1,511,156	50,241	1,607,085
Construction in Progress	-	61,522	-	61,522
Works of Art and Historical Treasures	-	-	458	458
Less Accumulated Depreciation and Amortization	(27,682)	(615,283)	(6,881)	(649,846)
<b>Total Noncurrent Assets</b>	<b>20,928</b>	<b>1,847,067</b>	<b>914,916</b>	<b>2,782,911</b>
<b>Total Assets</b>	<b>\$ 4,112,397</b>	<b>\$ 2,176,508</b>	<b>\$ 1,211,167</b>	<b>\$ 7,500,072</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts and Interest Payable	\$ 27,485	\$ 130,572	\$ 3,125	\$ 161,182
Reserve for Loss and Loss Adjustment Expense	214,223	-	-	214,223
Obligations Under Securities Lending	684,232	-	-	684,232
Due to Primary Government	9,878	4,255	109	14,242
Due to Other Governments	5,070	22,045	-	27,115
Obligations Under Capital Lease	-	499	-	499
Bonds/COPS Payable	-	5,855	-	5,855
Trust Funds Payable	-	-	11,420	11,420
Unearned Revenue	113,544	50,412	406	164,362
Compensated Absences Payable	2,799	37,624	-	40,423
<b>Total Current Liabilities</b>	<b>1,057,231</b>	<b>251,262</b>	<b>15,060</b>	<b>1,323,553</b>
Noncurrent Liabilities:				
Bonds/COPS Payable	-	532,455	46,690	579,145
Obligations Under Capital Lease	-	5,625	-	5,625
Obligations Under Life Income Agreements	-	19,944	72,351	92,295
Reserve for Loss and Loss Adjustment Expense	2,373,782	-	-	2,373,782
Claims and Judgments Payable	-	48,457	-	48,457
Contracts, Mortgages and Notes Payable	1,247	1,617	8,655	11,519
Advances from Primary Government	-	32,793	-	32,793
<b>Total Noncurrent Liabilities</b>	<b>2,375,029</b>	<b>640,891</b>	<b>127,696</b>	<b>3,143,616</b>
<b>Total Liabilities</b>	<b>3,432,260</b>	<b>892,153</b>	<b>142,756</b>	<b>4,467,169</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	20,928	505,662	7,467	534,057
Expendable Restricted Net Assets:				
Restricted for Workers' Compensation	659,209	-	-	659,209
Restricted for Education	-	221,728	514,957	736,685
Nonexpendable Restricted Net Assets:				
Restricted for Donor Purposes	-	-	492,317	492,317
Restricted for Education	-	105,282	-	105,282
Unrestricted	-	451,683	53,670	505,353
<b>Total Net Assets</b>	<b>680,137</b>	<b>1,284,355</b>	<b>1,068,411</b>	<b>3,032,903</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,112,397</b>	<b>\$ 2,176,508</b>	<b>\$ 1,211,167</b>	<b>\$ 7,500,072</b>

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, 2006  
(In Thousands)**

	SAIF Corporation	Oregon Health and Science University	Oregon University System Foundations
<b>Operating Revenues:</b>			
Charges for Services	\$ -	\$ 784,391	\$ 153
Rents and Royalties	-	-	3,568
Sales	-	25,530	-
Premiums Earned (net)	413,171	-	-
Investment Income (net)	114,370	-	86,385
Gifts, Grants and Contracts	-	429,677	148,675
Auxiliary Enterprises (net)	-	10,498	-
Other	30,316	52,384	7,872
Total Operating Revenues	557,857	1,302,480	246,653
<b>Operating Expenses:</b>			
Salaries and Wages	-	715,001	241
Services and Supplies	-	436,713	129,654
Loss and Loss Adjustment Expense	342,473	-	-
Underwriting Expenses	95,313	-	-
Bond and COP Interest	-	16,453	-
Depreciation and Amortization	-	67,190	2,076
Bad Debt Expense	-	44,665	-
Other Expenses	1,588	-	-
Total Operating Expenses	439,374	1,280,022	131,971
Operating Income (Loss)	118,483	22,458	114,682
<b>Nonoperating Revenues (Expenses):</b>			
Investment Income	-	62,430	-
Gain (Loss) on Disposition of Assets	-	2,905	-
State Appropriations	-	36,669	-
Total Nonoperating Revenues (Expenses)	-	102,004	-
Income (Loss) Before Capital Contributions	118,483	124,462	114,682
Capital Contributions	-	16,202	1,034
Change in Net Assets	118,483	140,664	115,716
Net Assets - Beginning	561,654	1,143,691	960,610
Prior Period Adjustments	-	-	(7,915)
Net Assets - Beginning - As Restated	561,654	1,143,691	952,695
<b>Net Assets - Ending</b>	\$ 680,137	\$ 1,284,355	\$ 1,068,411

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

Total	Adjustments to Recast	Statement of Activities
\$ 784,544	\$ 543,339	\$ 1,327,883
3,568	(3,568)	-
25,530	(25,530)	-
413,171	(413,171)	-
200,755	(200,755)	-
578,352	299,854	878,206
10,498	(10,498)	-
90,572	(90,572)	-
<u>2,106,990</u>	<u>99,099</u>	<u>2,206,089</u>
715,242	-	715,242
566,367	-	566,367
342,473	-	342,473
95,313	-	95,313
16,453	-	16,453
69,266	-	69,266
44,665	-	44,665
1,588	(2,905)	(1,317)
<u>1,851,367</u>	<u>(2,905)</u>	<u>1,848,462</u>
<u>255,623</u>	<u>102,004</u>	<u>357,627</u>
62,430	(62,430)	-
2,905	(2,905)	-
36,669	(36,669)	-
<u>102,004</u>	<u>(102,004)</u>	<u>-</u>
357,627	-	357,627
17,236	-	17,236
<u>374,863</u>	<u>-</u>	<u>374,863</u>
2,665,955	-	2,665,955
(7,915)	-	(7,915)
<u>2,658,040</u>	<u>-</u>	<u>2,658,040</u>
<u>\$ 3,032,903</u>	<u>\$ -</u>	<u>\$ 3,032,903</u>

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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's discretely presented component units are reported 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, which 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. SAIF reports on a fiscal year ended December 31, and uses proprietary fund accounting principles. The December 31, 2005, 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 monies 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.

Complete financial statements for SAIF, OHSU and OUS may be obtained 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 monies, 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. Included in direct expenses are 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 as 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Derived tax revenue, net of estimated refunds, is recognized in the fiscal year in which it becomes measurable and available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Revenue items not susceptible to accrual are considered to be measurable and available only when cash is received; for

**State of Oregon**  
**Notes to the Financial Statements**

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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, cigarette taxes, healthcare provider taxes, and insurance premiums.

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 *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 come from investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.

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

The *Housing and Community Services Fund* accounts for activities to finance multi-family housing construction and home mortgages for low-income families and other programs such as the moderate-income elderly and disabled housing finance program, the single-family loan program, and the community development corporation program. Funding is from the issuance of bonds that are repaid from the interest and principal payments made on mortgages.

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. The primary objective of the State Lottery is to produce the maximum amount of net revenues to be used for K-12 education programs, furthering economic development, as well as restoring and protecting certain parks and natural resources.

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

**State of Oregon**  
**Notes to the Financial Statements**

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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 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 of the retirement system.

The *Private Purpose Trust Funds* account for all trust arrangements, other than those properly reported in pension 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 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, subject to this same limitation. Only the Oregon Health and Science University, a discretely presented component unit of the State, applies private sector guidance issued after November 30, 1989.

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. For the Unemployment Compensation Fund and for those enterprise funds for which the principal activity is lending, investment income is also reported as operating revenue. The primary operating expenses for enterprise funds and internal service funds include salaries and wages, services and supplies, and special payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

#### ***D. Deposits and Investments***

##### **Deposits**

Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents include: cash on hand, cash and investments held by the State Treasurer in the Oregon Short-term Fund, and cash deposits of debt proceeds in investment funds held by a trustee.

**State of Oregon**  
**Notes to the Financial Statements**

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Investments

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

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.
- Investments in the Oregon Short-term Fund with remaining maturities of up to ninety days are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet or statement of net 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 debt and equity securities is determined by the custodial agent, using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued at the midpoint between the bid and ask prices. A small percentage of debt securities cannot be priced in this manner, and for these, a similar "benchmark" security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued, and its market risk is similar considering current market conditions. Investments in alternative equities representing publicly traded securities are stated at the quoted market price. Investments in alternative equities representing private securities are generally reported at cost unless a significant market event warrants an adjustment to cost. Mortgage loans on real estate are stated at the amortized unpaid principal balance. Fair values of investments in real estate are based upon valuations provided by investment managers and advisors retained by the State Treasurer.

Derivatives

In accordance with State investment policies, 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. The State does not hold or issue derivative financial instruments for trading purposes. All derivatives held by the State are reported at fair value.

**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 applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Trade and income tax receivables consist of revenues earned or accrued in the current period and are shown net of uncollectible amounts.

**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 a major fund column in the fund 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,

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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 at least 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. The costs of normal maintenance and repairs that do not add to the value of assets or significantly extend assets 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 5 to 100 years while useful lives of equipment and machinery range from 2 to 99 years. For infrastructure assets, useful lives range from 5 to 99 years. Useful lives for works of art and historical treasures range from 1 to 99 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 a 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.

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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, it is the discretion of the individual state agencies whether to use restricted resources first, then unrestricted resources as they are needed, or to use unrestricted resources first, then restricted resources.

## **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 in the State 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. While the Treasurer is authorized to use demand deposit accounts and fixed-income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Furthermore, equity investments are limited to not more than 50 percent of the monies contributed to the Oregon Public Employees Retirement Fund (OPERF or PERS), the Industrial Accident Fund (SAIF Corporation), and not more than 65 percent of the Common School Fund (Department of State Lands). The Deferred Compensation Fund, the Education Stability Fund, and the State Board of Higher Education 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 this 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 can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896 or from their 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. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Council.

### ***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 insurance and collateral requirements for deposits in the OSTF are established by banking regulations and Oregon law. Monies in the OSTF are held in demand deposit accounts and time certificates of deposits. Where balances continually exceed \$100,000, Oregon Revised Statute (ORS) 295.025 requires the depositor to obtain certificates of participation in the amount of the excess deposits from its pool manager. ORS 295.005 provides that the pool manager can be the State Treasury, an insured bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank. Depository banks must pledge securities with a value of at least 25 percent of the certificates of participation, and the securities are held by a custodian for the benefit of the State. Deposits in the OSTF in excess of FDIC coverage and the State's statutory

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collateralization requirement are not collateralized and are uninsured; thus, the deposits are considered exposed to custodial credit risk.

As of June 30, 2006, \$3.0 billion of the primary government and its discretely presented component units deposits were exposed to custodial credit risk as follows (in thousands):

	Primary Government	Discretely Presented Component Units	Total
Uninsured and uncollateralized	\$ 3,003,309	\$ 21,823	\$ 3,025,132
Uninsured and collateralized by the pledging bank's trust department but not in the State's name	2,011	-	2,011
Total	<u>\$ 3,005,320</u>	<u>\$ 21,823</u>	<u>\$ 3,027,143</u>

Included in these deposits are the following amounts held in institutions other than State Treasury qualified depositories that are exposed to custodial credit risk:

- Pension plan investment managers held \$2.8 billion of the State's uncollateralized and uninsured deposits in custodian banks. These monies are backed by the full faith and credit of the custodian bank.
- Bond trustees held \$4.3 million of uncollateralized and uninsured monies. Bond trustees assume responsibility for those funds.
- Fiscal Agents held \$7.7 million of deposits for redemption of the State's bonds and coupons that have matured, but have not yet been redeemed. These monies are uninsured and uncollateralized.

**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. For the primary government, \$884.6 million in domestic equity securities were held by a custodial agent and were not registered in the State's name nor insured. This amount represents 1.2 percent of the fair value of investments at June 30, 2006. No investment holdings of SAIF Corporation or Oregon Health and Science University were similarly exposed to custodial credit risk.

***B. Investments – Primary Government Excluding the Pension Trust Fund***

Investments of the primary government (excluding the Pension Trust Fund) held by the Treasurer require the exercise of prudent and reasonable care in the context of the 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 State 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 management of the Treasurer generally limits the time horizon of the portfolio to an average maturity of 1 to 5 years. In addition, one investment fund is required by policy to maintain an average bond duration level within 20 percent of the Lehman Brothers aggregate 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 Pension Trust Fund) 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.

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The following table presents the interest rate risk information for investments of the primary government (excluding the Pension Trust Fund) using the segmented time distribution method as of June 30, 2006 (in thousands):

Investment Type	Schedule of Interest Rate Risk				Fair Value
	Investment Maturities (in years)				
	Less than 1	1 to 5	6 to 10	More than 10	
U.S. Treasury Securities	\$ 90,875	\$ 264,739	\$ 130,012	\$ 131,002	\$ 616,628
U.S. Treasury Strips	9,378	28,029	16,181	20,422	74,010
U.S. Agency Securities	3,356,501	107,524	102,526	48,797	3,615,348
U.S. Agency Strips	4,425	17,096	16,044	4,011	41,576
U.S. Agency Mortgage Strips	-	-	-	52,693	52,693
International Debt Securities	224	1,091	439	3,774	5,528
Commercial Paper	2,842,099	-	-	-	2,842,099
Corporate Bonds	168,762	175,528	66,226	9,984	420,500
Municipal Bonds	5,769	93,470	222,788	461,777	783,804
Collateralized Mortgage Obligations	-	-	-	33,020	33,020
Repurchase Agreements	17,500	-	-	-	17,500
Asset-Backed Securities	-	-	-	5,624	5,624
Time Certificates of Deposit	1,385,301	787	-	-	1,386,088
Guaranteed Investment Contracts	8,125	646,512	37,904	42,639	735,180
Annuity Contracts	-	-	-	97	97
Mutual Funds – Domestic Fixed Income	n/a	n/a	n/a	n/a	166,648
Mutual Funds – International Fixed Income	n/a	n/a	n/a	n/a	11,868
Total Debt Investments	<u>\$ 7,888,959</u>	<u>\$ 1,334,776</u>	<u>\$ 592,120</u>	<u>\$ 813,840</u>	<u>\$ 10,808,211</u>

The schedule above includes \$1.6 billion in interest-rate sensitive securities. For these securities, the original maturity date was used in the schedule of interest rate risk. However, the terms and relevant indexes of these interest-rate sensitive securities include the following: 68.8 percent are indexed to the three-month or one-month London Interbank Offered Rate (LIBOR), a coupon multiplier feature. Another 16.5 percent include a stepped rate feature with a stated reset date which will occur in the next fiscal year. The remaining securities used different indexes or contain other variable rate features.

**Credit Risk**

Investment policy for fixed income investments under the management of the Treasurer require that the portfolio maintain an average credit quality of AA or A, as determined for each investment fund. For investments not under management of the Treasurer, there are no formal policies on credit risk.

The following table presents the credit quality ratings of investments in debt securities of the primary government (excluding the Pension Trust Fund) using Standard & Poors ratings as of June 30, 2006 (in thousands):

Credit Quality Ratings (Standard & Poors)	Fair Value
AAA	\$ 4,361,339
AA	2,953,969
A	1,686,531
BBB	145,542
BB	71,001
B	25,271
CCC	344
Not rated	138,298
Total	<u>\$ 9,382,295</u>

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**Concentration of Credit Risk**

Investment policy 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, 2006, there were three issuers that exceeded 5 percent of the portfolio's investment holdings: \$1.8 billion of Federal Home Loan Bank (15.4 percent), \$1.6 billion of Federal Home Loan Mortgage Corporation (13.9 percent), and \$1.0 billion of Federal National Mortgage Association (9.0 percent).

**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 monies 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 policy for fixed income investments under the management of the Treasurer generally prohibits investments in non-U.S. dollar denominated international securities. In addition, one investment fund is allowed to invest in international equity securities within a target allocation range of 15 to 25 percent of its portfolio. For investments not under the management of the Treasurer, there are no formal policies on foreign currency risk.

The primary government (excluding the Pension Trust Fund) is invested in an international non-fixed income mutual fund with a fair value of \$8.5 million as of June 30, 2006. The following table presents deposits that are exposed to foreign currency risk as of June 30, 2006 (in thousands):

Foreign Currency Denomination	Deposits (U.S. Dollars)
Chilean peso	\$ 1
Euro	47
Japanese yen	140
New Taiwan dollar	24
Total	<u>\$ 212</u>

**Derivatives - Interest Rate Swap**

Oregon Housing and Community Services Department (OHCS D) has entered into four separate pay-fixed, receive-variable interest rate swaps to lower borrowing costs compared to fixed-rate bonds. The Multifamily (MF) Series 2004 B swap contains an embedded one-time call option in 2007 on up to 10 percent of the notional amount to provide flexibility to reduce the swap notional amount if the project were to come in under budget and a portion of the bonds were retired. To manage credit risk, the MF 2004 B swap has a call option where OHCS D has the right to call the swap in whole or in part semi-annually beginning in 2015. The Mortgage Revenue Bond (MRB) swaps include options giving OHCS D the right to call the swaps in whole or in part, depending on the exercise date, semi-annually beginning in 2012 or 2013. These options provide flexibility to manage the pre-payments of loans and the related bonds. The notional amounts of the swaps match the principal amounts of the associated debt. No cash was paid or received when the interest rate swaps were initiated.

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The following table lists the terms, fair values, and underlying interest rates of the outstanding swaps as of June 30, 2006:

Series	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date
MF Series 2004 B	\$ 14,950	December 16, 2004	3.89%	64% of LIBOR plus .27%	\$ 456	July 1, 2046
MRB Series 2004 C	15,000	January 24, 2006	4.03%	64% of LIBOR plus .29%	553	July 1, 2034
MRB Series 2004 I	15,000	January 24, 2006	4.01%	64% of LIBOR plus .29%	483	July 1, 2034
MRB Series 2006 C	20,000	February 28, 2006	4.18%	64% of LIBOR plus .29%	365	July 1, 2036
Total	<u>\$ 64,950</u>				<u>\$ 1,857</u>	

Because of interest rate increases after the swaps were executed, the fair value of all of the swaps as of June 30, 2006 are positive. The swaps were not reported at fair value on the statement of net assets. OHCS D is exposed to credit risk in the amount of the derivative's fair value. 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.

OHCS D has entered into swap transactions with two counterparties, Merrill Lynch Capital Services for the Multifamily swap and Morgan Stanley Capital Services for the Mortgage Revenue Bond swaps. Both counterparties are rated Aa3/A+/AA- by Moody's, Standard & Poors, and Fitch, respectively. Termination payments for the swaps are guaranteed by Merrill Lynch Derivative Products, rated as Aaa/AAA/AAA (as rated by Moody's, Standard & Poors, and Fitch Investor Services). With the counterparty guarantee, the maximum credit loss due to credit risk is mitigated.

As rates vary, 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 OHCS D. Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments are as follows:

Year Ending June 30,	Variable-Rate Bonds		Interest Rate Swap		Total
	Principal	Interest	(Net)		
2007	\$ -	\$ 2,312	\$ 257	\$	2,569
2008	155	2,617	184		2,956
2009	160	2,611	177		2,948
2010	165	2,605	184		2,954
2011	175	2,598	184		2,957
2012-2016	990	12,877	907		14,774
2017-2021	1,215	12,658	893		14,766
2022-2026	1,495	12,388	889		14,772
2027-2031	14,615	11,666	852		27,133
2032-2036	37,615	5,383	393		43,391
2037-2041	4,600	1,110	44		5,754
2042-2046	3,385	463	18		3,866
2047	380	8	-		388
Total	<u>\$ 64,950</u>	<u>\$ 69,296</u>	<u>\$ 4,982</u>	<u>\$</u>	<u>139,228</u>

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**C. Investments – Primary Government – Pension Trust Fund**

**Interest Rate Risk**

The Council establishes policies for the investment of moneys in the Pension Trust Fund. Investment policy requires that the Pension Trust Fund debt investment portfolio maintain an average bond duration level of plus or minus 20 percent of the benchmark duration. As of June 30, 2006, the average duration of the debt investment portfolio was 4.14 years, 13.03 percent lower than the benchmark duration of 4.76 years. 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, 2006, is presented in the schedule below (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	\$ 10,114	\$ 329,118	\$ (26,282)	\$ 183,999	\$ 496,949
U.S. Agency Mortgage Securities	258,501	12,510	54,927	3,405,062	3,731,000
U.S. Agency Securities	62,927	140,863	47,809	14,903	266,502
U.S. Treasury Securities – Strips	-	296,104	-	40,581	336,685
U.S. Treasury Securities – TIPS	-	78,683	91,094	36,383	206,160
International Debt Securities	248,844	689,363	597,138	391,488	1,926,833
Corporate Bonds	313,115	872,426	1,014,781	618,281	2,818,603
Municipal Bonds	4,277	-	-	15,949	20,226
Collateralized Mortgage Obligations	726,512	44,482	61,545	889,285	1,721,824
Asset-Backed Securities	391,974	368,384	92,153	88,401	940,912
Futures and Options	(200,740)	240,035	(24,101)	(62,686)	(47,492)
Mutual Funds – Domestic Fixed	345,208	1,073,084	1,083,068	-	2,501,360
Mutual Funds – International Fixed	-	-	487,246	403,713	890,959
Annuity Contracts	650	-	-	-	650
Restricted Investment Contracts	8	-	-	-	8
Total Debt Investments	<u>\$ 2,161,390</u>	<u>\$ 4,145,052</u>	<u>\$ 3,479,378</u>	<u>\$ 6,025,359</u>	<u>\$ 15,811,179</u>

**Credit Risk**

Investment policy requires that no more than 30 percent of the debt securities portfolio be below investment grade. Securities with a quality rating of below BBB- (using Standard & Poors credit ratings) 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. As of June 30, 2006, the fair value of below grade investments is \$2.1 billion or 13.6 percent of the debt securities portfolio, and the weighted average quality rating is AA.

The following table presents the credit quality ratings for debt securities within the Pension Trust Fund investment portfolio as of June 30, 2006 (in thousands):

Credit Quality Ratings (Standard & Poors):	Fair Value
AAA	\$ 3,858,669
AA	2,170,953
A	1,227,629
BBB	1,367,408
BB	1,310,186
B	443,759
CCC	51,926
CC	619
C	5,819
Not Rated	336,908
Total	<u>\$ 10,773,876</u>

### **Concentrations of Credit Risk**

The Council's investment policy pertaining to Pension Trust Fund investments requires that investment managers maintain diversified portfolios by sector and by issuer using the following guidelines:

- 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, 2006, there was no single issuer for the Pension Trust Fund that exceeded the above guidelines. However, investments in one issuer, the Federal National Mortgage Association, were \$3.3 billion, or 5.8 percent of plan net assets. No other investments in any one issuer represent 5 percent or more of plan net assets.

There is no limit on single issuer investments for domestic equities, although the amount that may be invested in domestic equities is targeted at 28 to 38 percent of the Pension Trust Fund portfolio. Policy requires that the asset class be diversified across the U.S. stock market. Additionally, both passive and active investing strategies are employed, and several external managers engage in active management. The policy for international equity investing is the same as that of the domestic equity portfolio in that holdings are diversified across stock markets outside of the U.S. Passive and active investment strategies are employed, and several active managers invest in different market segments. The target allocation range for international equities is 15 to 25 percent of the Pension Trust Fund portfolio.

### **Foreign Currency Risk**

Foreign currency risk arises from changes in currency exchange rates. Policy requires that no more than 15 percent of the Pension Trust Fund debt investment portfolio may be invested in non-dollar denominated securities. As of June 30, 2006, approximately 6.9 percent of the debt investment portfolio was invested in non-dollar denominated securities. Policies for the equity portion of the Pension Trust Fund portfolio are silent regarding this risk, although investment manager contracts provide guidelines that vary from manager to manager.

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The Pension Trust Fund's exposure to foreign currency risk as of June 30, 2006 is as follows (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars)			Total
	Deposits	International Equity Securities	International Debt Securities	
Argentine peso	\$ 11	\$ -	\$ 2,275	\$ 2,286
Australian dollar	998	253,513	75,903	330,414
Brazilian real	1,527	84,591	7,418	93,536
Canadian dollar	15,652	293,461	31,055	340,168
Chilean peso	1,150	8,455	-	9,605
Colombian peso	-	1,602	266	1,868
Czech koruna	190	8,820	-	9,010
Danish krone	2,073	40,889	57,489	100,451
Egyptian pound	129	14,319	-	14,448
Euro	30,286	3,070,246	177,494	3,278,026
Hong Kong dollar	1,433	304,168	-	305,601
Hungarian forint	-	1,725	-	1,725
Indonesian rupiah	53	39,900	-	39,953
Israeli shekel	1,452	18,690	-	20,142
Japanese yen	15,392	2,051,093	351,231	2,417,716
Malaysian ringgit	60	27,613	-	27,673
Mexican peso	6,645	26,774	91,184	124,603
New Russian ruble	-	1,436	-	1,436
New Taiwan dollar	4,849	86,145	-	90,994
New Turkish lira	-	67,427	-	67,427
New Zealand dollar	1,380	11,160	8,023	20,563
Norwegian krone	556	159,808	25,709	186,073
Pakistan rupee	242	17,757	-	17,999
Peruvian nouveau sol	-	734	-	734
Philippine peso	88	12,580	-	12,668
Polish zloty	2	5,648	93,365	99,015
Pound sterling	20,743	1,573,497	103,881	1,698,121
Singapore dollar	786	65,515	-	66,301
South African rand	118	82,638	-	82,756
South Korean won	5,876	288,818	-	294,694
Sri Lanka rupee	-	3,325	-	3,325
Swedish krona	1,524	152,818	66,796	221,138
Swiss franc	663	421,659	-	422,322
Thai baht	-	13,934	-	13,934
Venezuelan bolivar	2,780	222	-	3,002
Zimbabwe dollar	14	660	-	674
<b>Total</b>	<b>\$ 116,672</b>	<b>\$ 9,211,640</b>	<b>\$ 1,092,089</b>	<b>\$ 10,420,401</b>

**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 State Treasury invests either directly or through its outside investment managers on behalf of PERS in contracts that have derivative characteristics. Derivatives are used to manage the overall risk of investment portfolios. PERS does not hold or issue derivative financial instruments for trading purposes. Pension Trust Fund investments, including those with derivative characteristics, are reported at fair value in the Statement of Fiduciary Net Assets.

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**D. Investments – Discretely Presented Component Units**

**Interest Rate Risk**

Investment policies of the Oregon Health and Science University (OHSU) are approved by OHSU's Board of Directors. Investment policies for OHSU vary based on the investment objectives of the portfolio. The operating and trustee held portion of the portfolio seeks to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities in these portfolios are based on returns available at the time of investing while considering cash requirements of the organization. The endowment portion of the 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 fund shall have a medium to long duration (3 to 10 years). Both the charitable gift annuity pool and the charitable trust funds seek to produce a relatively predictable and stable payout stream that will satisfy the fund distribution obligations while achieving long-term capital appreciation of the overall fund balance. Fixed income securities held in these funds shall have a short duration (1 to 3 years). Fixed income duration is determined based on the individual circumstances of each trust account.

Investment policies of SAIF Corporation (SAIF) are governed by Oregon Revised Statutes and the Council. SAIF's policy for fixed income investments 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, 2005 was 5.89 years, with an acceptable range of 4.71 to 7.07 years. As of that date, the fixed income portfolio's duration was 5.95 years.

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.

The following table presents the interest rate risk information for investments of OHSU as of June 30, 2006 and SAIF as of December 31, 2005 (in thousands):

Investment Type	Schedule of Interest Rate Risk				Fair Value
	Investment Maturities (in years)				
	Less than 1	1 to 5	6 to 10	More than 10	
U.S. Treasury Securities	\$ 15,995	\$ 183,445	\$ 77,511	\$ 262,923	\$ 539,874
U.S. Treasury Securities Strips	-	-	-	990	990
U.S. Agency Securities	68,228	132,583	36,276	719,582	956,669
Corporate Bonds	64,242	268,778	283,721	315,941	932,682
International Debt Securities	7,148	24,134	55,500	176,893	263,675
Asset-Backed Securities	21,217	113,785	55,408	14,040	204,450
Collateralized Mortgage Obligations	-	-	-	162,389	162,389
Commercial Paper	24,376	-	-	-	24,376
Municipal Bonds	-	-	1,415	7,121	8,536
Time Certificates of Deposit	73,280	-	-	-	73,280
Mutual Funds – Domestic Fixed Income	n/a	n/a	n/a	n/a	43,732
<b>Total Debt Investments</b>	<b>\$ 274,486</b>	<b>\$ 722,725</b>	<b>\$ 509,831</b>	<b>\$ 1,659,879</b>	<b>\$ 3,210,653</b>

**Credit Risk**

OHSU's endowment fund 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. The endowment fund 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 pool and charitable trust investment fund require a minimum credit quality rating in Baa/BBB bond investments and a minimum rating of A1-P1 for investments in commercial paper.

SAIF is required to maintain an overall fixed income portfolio quality of AA or higher. A portion of the portfolio shall be invested in convertible securities, maintaining a convertible weighted average quality of BB or higher.

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No convertible investment in any issue shall be in excess of 5 percent of the outstanding obligations of the issuer.

The following table presents the credit quality ratings for debt investments of OHSU as of June 30, 2006 and SAIF as of December 31, 2005 (in thousands):

Credit Quality Ratings (Standard & Pools)	Fair Value
AAA	\$ 1,278,991
AA	107,784
A	470,579
BBB	441,264
BB	113,348
B and Lower	30,588
Not Rated	<u>227,235</u>
Total	<u>\$ 2,669,789</u>

**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. Treasury or U.S. Agencies. The endowment fund and charitable gift annuity pool limit investments in any one issue to a maximum of 5 percent, except for issues of the U.S. Treasury or U.S. Agencies. The charitable gift trust policies place no limit on the amount that may be invested in any one issue.

SAIF investment policy limits the total fair value of the SAIF fixed income portfolio to no more than 3 percent investment in a single issuer, excluding U.S. Treasury and U.S. Agency obligations. Private mortgage-backed and asset-backed securities are limited to 10 percent per issuer. In addition, obligations of other foreign governments are limited to 10 percent per issuer. Furthermore, the SAIF portfolio is limited to 25 percent in any one industry or government agency. SAIF invests a portion of its investment portfolio in equity securities. The broad objective of these holdings is to provide a diversified portfolio of stocks to enhance total return. Policy does not limit holdings that may be concentrated; however, the investment manager's results are compared to an index fund as a benchmark. More than 5 percent of SAIF's investments are in Federal National Mortgage Association mortgage-backed securities, which comprise \$523.1 million or 16.6 percent of SAIF's total investments.

**Foreign Currency Risk**

OHSU investment policies permit investments in international equity 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 fund 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 fund to be invested in non-U.S. dollar denominated bonds. The charitable gift and annuity pool allows up to 10 percent of the portfolio to be invested in international equities. The charitable trust fund 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's investment policy limits obligations of foreign governments to 10 percent per issuer. In addition, SAIF is prohibited by investment policy from investing in non-U.S. dollar denominated securities.

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For the discretely presented component units, there were no deposits in foreign currencies. However, there were international debt securities denominated in foreign currencies for OHSU. The following table presents the foreign currency risk exposure of OHSU as of June 30, 2006 (in thousands):

Foreign Currency Denomination	Investments (U.S. Dollars)
Australian dollar	\$ 8
Brazilian real	235
British Sterling pound	393
Canadian dollar	1,343
Euro	158
Indonesian rupiah	167
Japanese yen	3,669
Malaysian ringgit	166
Mexican peso	369
New Zealand dollar	31
Polish zloty	588
Singapore dollar	604
South African rand	29
Swedish krona	377
Thailand baht	215
Total	<u>\$ 8,352</u>

**Derivatives - Interest Rate Swap**

Oregon Health and Science University (OHSU) entered into two interest rate swap agreements with notional amounts of \$45.93 million and \$45.90 million, respectively. The intention of the swaps was to effectively change the variable rate debt to a synthetic fixed rate of 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, 2028 (the final maturity date of the underlying bonds). OHSU is currently making fixed rate interest payments to the counterparty for the two swaps, and receives variable rate payments computed as 62.7 percent of the LIBOR plus .177 percent. The variable rate bonds re-price weekly based upon market conditions.

The aggregated estimated fair value of the interest rate swaps was an asset of \$3.87 million at June 30, 2006. This amount was not reported at fair value on the statement of net assets. The fair value represents the estimated amount that OHSU would receive if the swap agreements were terminated at year end, taking into account current interest rates and the creditworthiness 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, 2006, the counterparty's credit ratings were Aa2/AA (as rated by Moody's and Standard & Poors, respectively). 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 62.7 percent of one-month LIBOR plus .177 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.

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Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments are as follows:

Year Ending June 30,	Variable-Rate Bonds			Interest Rate Swap (Net)	Total
	Principal	Interest			
2007	\$ 1,550	\$ 3,013	\$ (142)	\$ 4,421	
2008	300	3,003	(141)	3,162	
2009	350	2,992	(141)	3,201	
2010	350	2,980	(140)	3,190	
2011	350	2,968	(140)	3,178	
2012-2016	18,725	13,009	(612)	31,122	
2017-2021	750	11,641	(548)	11,843	
2022-2026	37,550	8,507	(400)	45,657	
2027-2031	31,900	1,091	(51)	32,940	
Total	<u>\$ 91,825</u>	<u>\$ 49,204</u>	<u>\$ (2,315)</u>	<u>\$ 138,714</u>	

**E. Repurchase Agreements.** During the fiscal year, external investment managers for the Pension Trust Fund, SAIF Corporation, and the Common School Fund invested in overnight repurchase agreements. Repurchase agreements held as of June 30, 2006 were \$330.4 million for the Pension Trust Fund and \$17.5 million for the Common School Fund. SAIF Corporation had repurchase agreements of \$10.8 million at December 31, 2005.

Investments in repurchase agreements made with cash collateral from securities lending transactions had the following fair values at June 30, 2006:

- \$744.7 million, or 38.1 percent of the Oregon Short-Term Investment Fund, the cash collateral pool for all agencies except PERS.
- \$306.9 million, or 5.8 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.

**F. Securities Lending.** The State participates in securities lending transactions in accordance with State investment policies. The State 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 lent 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 foreign sovereign debt securities of the Organization of Economic Cooperation Development countries. 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.

During the year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on loans from the OPERF was invested together with cash collateral of other qualified tax-exempt plan lenders in a collective investment pool (Pool) maintained by State Street. The cash collateral received on loans from State entities other than the OPERF was invested in the Oregon Short-Term Investment Fund (Fund) also maintained by State Street. 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

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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, 2005, the fair value of securities on loan and collateral held for SAIF Corporation was \$670.5 million and \$684.2 million respectively. The primary government received \$423.6 million of investment securities as collateral as of June 30, 2006. The security lending balances on loan, cash collateral received, and investments of cash collateral as of June 30, 2006 of the primary government are presented below (in thousands):

Investment Type	Securities on Loan at Fair Value	Cash Collateral Received	Investments of Cash Collateral at Fair Value <sup>1</sup>
U.S. Treasury and Agency Securities	\$ 2,538,895	\$ 2,590,601	\$ 2,588,705
Domestic Fixed Income Securities	522,010	531,628	528,878
International Fixed Income Securities	134,373	119,071	93,181
Domestic Equity Securities	1,606,742	1,574,831	1,564,214
International Equity Securities	2,039,552	1,815,973	1,784,733
Total	<u>\$ 6,841,572</u>	<u>\$ 6,632,104</u>	<u>\$ 6,559,711</u>

<sup>1</sup> Cash collateral is invested the following business day. On July 3, 2006, \$102.2 million of cash collateral was invested due to the June 30, 2006 mark-to-market adjustment.

**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, 2006, the primary government had restricted assets of \$1.0 billion in deposits and \$1.2 billion in investments. The discretely presented component units had restricted assets of \$30.2 million in deposits and \$1.2 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, 2006, were as follows (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
<b>Governmental activities:</b>								
General accounts	\$ 14,466	\$ 65,361	\$ 11,149	\$ 8,482	\$ 387	\$ 82,445	\$ 182,290	\$ 55,909
Due from federal government	-	115,754	36,724	22,771	-	94,399	269,648	-
Interest	-	-	99	1,488	912	9,050	11,549	1,330
Broker receivable	-	-	-	-	4,449	-	4,449	-
Contracts	-	-	1,942	1,512	52	114	3,620	-
Mortgages	-	4,020	-	-	-	-	4,020	-
Court fines and fees	-	-	-	-	-	204,943	204,943	-
Collections assessments	-	-	-	-	-	160,740	160,740	-
Child support recoveries	-	-	-	-	-	277,653	277,653	-
Other	36,697	130	3,829	9,930	1	105,067	155,654	3,011
Gross receivables	<u>51,163</u>	<u>185,265</u>	<u>53,743</u>	<u>44,183</u>	<u>5,801</u>	<u>934,411</u>	<u>1,274,566</u>	<u>60,250</u>
Allowance for uncollectibles	<u>(21,061)</u>	<u>(813)</u>	<u>(2,952)</u>	<u>(4,713)</u>	<u>-</u>	<u>(602,560)</u>	<u>(632,099)</u>	<u>(941)</u>
Total receivables, net	<u>\$ 30,102</u>	<u>\$ 184,452</u>	<u>\$ 50,791</u>	<u>\$ 39,470</u>	<u>\$ 5,801</u>	<u>\$ 331,851</u>	<u>\$ 642,467</u>	<u>\$ 59,309</u>

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Receivables reported for business-type activities at June 30, 2006, were as follows (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	University System	Other	Total
<b>Business-type activities:</b>							
General accounts	\$ 11	\$ 204	\$ 17,414	\$ 198,207	\$ 144,090	\$ 7,276	\$ 367,202
Due from federal government	-	-	-	1,475	11,381	-	12,856
Interest	6,718	3,241	-	18,374	86	10,341	38,760
Notes - short-term	-	-	-	-	21,469	-	21,469
Broker receivable	-	-	-	-	468	-	468
Notes - long-term	-	176	-	-	63,974	-	64,150
Other	-	-	-	23,142	-	82	23,224
Gross receivables	6,729	3,621	17,414	241,198	241,468	17,699	528,129
Allowance for uncollectibles	-	-	(314)	(10,473)	(15,156)	(94)	(26,037)
Total receivables, net	\$ 6,729	\$ 3,621	\$ 17,100	\$ 230,725	\$ 226,312	\$ 17,605	\$ 502,092

Receivables reported for fiduciary funds at June 30, 2006, were as follows (in thousands):

	Agency	Private Purpose Trust
<b>Fiduciary fund activities:</b>		
Restitution	\$ 248,241	\$ -
Other	-	173
Gross receivables	248,241	173
Allowance for uncollectibles	(183,225)	(106)
Total receivables, net	\$ 65,016	\$ 67

Receivables reported for the SAIF Corporation (SAIF) at December 31, 2005, and the Oregon Health and Science University (OHSU) at June 30, 2006, were as follows (in thousands):

	SAIF	OHSU
<b>Discretely presented component units:</b>		
Patient accounts	\$ -	\$ 182,850
Premiums	170,886	-
Due from federal government	-	24,749
Interest	27,768	3,240
Student loans	-	26,748
Broker receivable	262	-
Other	15,255	9,939
Gross receivables	214,171	247,526
Allowance for uncollectibles	(2,780)	(78,226)
Total receivables, net	\$ 211,391	\$ 169,300

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**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, 2006, were as follows (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
<b>Governmental activities:</b>								
General accounts	\$ 224,806	\$ 89,781	\$ 101,439	\$ 20,372	\$ 947	\$ 130,679	\$ 568,024	\$ 15,659
Interest	6	-	-	-	-	3	9	1,658
Broker payable	-	-	-	-	55,511	-	55,511	-
Taxes	28	-	-	-	-	-	28	-
Contracts	9	-	157	182	-	1,077	1,425	381
Total payables	<u>\$ 224,849</u>	<u>\$ 89,781</u>	<u>\$ 101,596</u>	<u>\$ 20,554</u>	<u>\$ 56,458</u>	<u>\$ 131,759</u>	<u>\$ 624,997</u>	<u>\$ 17,698</u>

Payables reported for business-type activities at June 30, 2006, were as follows (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	University System	Other	Total
<b>Business-type activities:</b>							
General accounts	\$ 910	\$ 316	\$ 7,328	\$ 9,188	\$ 55,960	\$ 19,347	\$ 93,049
Interest	30,037	8,234	-	-	12,427	6,414	57,112
Broker payable	-	-	-	-	393	-	393
Loans	1,500	-	-	-	-	-	1,500
Notes	-	1,000	-	-	32	-	1,032
Contracts	-	-	-	-	3,310	-	3,310
Total payables	<u>\$ 32,447</u>	<u>\$ 9,550</u>	<u>\$ 7,328</u>	<u>\$ 9,188</u>	<u>\$ 72,122</u>	<u>\$ 25,761</u>	<u>\$ 156,396</u>

Payables reported for fiduciary funds at June 30, 2006, were as follows (in thousands):

	Pension Trust	Private Purpose Trust	Investment Trust	Agency
<b>Fiduciary fund activities:</b>				
General accounts	\$ 2,868,415	\$ 53	\$ -	\$ 493
Broker payable	299,846	-	29,790	-
Mortgages	-	1,763	-	-
Total payables	<u>\$ 3,168,261</u>	<u>\$ 1,816</u>	<u>\$ 29,790</u>	<u>\$ 493</u>

Payables reported for the SAIF Corporation (SAIF) at December 31, 2005, and the Oregon Health and Science University (OHSU) at June 30, 2006, were as follows (in thousands):

	SAIF	OHSU
<b>Discretely presented component units:</b>		
General accounts	\$ 21,064	\$ 130,572
Contracts	-	1,617
Reinsurance	4,045	-
Broker payable	1,921	-
Premium taxes	1,702	-
Total payables	<u>\$ 28,732</u>	<u>\$ 132,189</u>

## 4. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 by a joint venture agreement. MUSL members include: the Arizona Lottery, Connecticut Lottery Corporation, Colorado Lottery, District of Columbia Lottery and Charitable Games Control Board, Delaware State Lottery, Hoosier Lottery, Idaho Lottery, Iowa Lottery, Kansas Lottery, Kentucky Lottery Corporation, Louisiana Lottery Corporation, Maine Lottery, Minnesota State Lottery, Missouri Lottery, Montana Lottery, Nebraska Lottery, New Hampshire Sweepstakes Commission, New Mexico Lottery Authority, North Carolina Education Lottery, North Dakota Lottery, Oklahoma Lottery, Oregon Lottery, Pennsylvania Lottery, Rhode Island Lottery, South Carolina Education Lottery, South Dakota Lottery, Tennessee Education Lottery, Vermont Lottery, U.S. Virgin Islands Lottery, West Virginia Lottery, and the Wisconsin Lottery.

MUSL is governed by a Board, on which each member lottery is represented. 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. Each member lottery pays an allocated share of MUSL's operating expenses. The Oregon Lottery's share of MUSL's operating expenses for the fiscal year ended June 30, 2006 was \$97,795.

The Board and Product Group determine a percentage of gross MUSL game sales that are aggregated in a common prize pool. The revenues derived by each member lottery, that are not allocated to the common prize pool and MUSL's operating expenses, will be the revenue of that member lottery. Upon termination of the MUSL's existence, if such termination should occur, the member lottery would receive any proceeds determined available for distribution by the Board. As of June 30, 2006, the Oregon Lottery had \$2.3 million on deposit with the MUSL for payment of the Oregon Lottery's share of MUSL prize reserve and annual operating expenses.

Complete 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, 2006, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,603,347	\$ 82,453	\$ 7,321	\$ 1,678,479
Construction in Progress	1,344,664	884,901	438,933	1,790,632
Works of Art and Historical Treasures	655	60	89	626
Total capital assets not being depreciated	<u>2,948,666</u>	<u>967,414</u>	<u>446,343</u>	<u>3,469,737</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property and Equipment	2,040,573	190,356	42,527	2,188,402
Infrastructure	13,875,272	86,790	133,491	13,828,571
Total capital assets being depreciated	<u>15,915,845</u>	<u>277,146</u>	<u>176,018</u>	<u>16,016,973</u>
Less accumulated depreciation for:				
Buildings, Property and Equipment	826,487	89,540	10,748	905,279
Infrastructure	7,625,509	568,366	68,576	8,125,299
Total accumulated depreciation	<u>8,451,996</u>	<u>657,906</u>	<u>79,324</u>	<u>9,030,578</u>
Total capital assets being depreciated, net	<u>7,463,849</u>	<u>(380,760)</u>	<u>96,694</u>	<u>6,986,395</u>
Governmental activities capital assets, net	<u>\$ 10,412,515</u>	<u>\$ 586,654</u>	<u>\$ 543,037</u>	<u>\$ 10,456,132</u>

The beginning balance has been restated to \$10,412,515 to reflect a prior period adjustment of \$4,916.

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 93,357	\$ 3,554	\$ 12,806	\$ 84,105
Construction in Progress	210,668	119,573	253,821	76,420
Works of Art and Historical Treasures	58,980	11,042	11,346	58,676
Total capital assets not being depreciated	<u>363,005</u>	<u>134,169</u>	<u>277,973</u>	<u>219,201</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property and Equipment	2,160,139	325,893	75,662	2,410,370
Infrastructure	51,408	751	579	51,580
Total capital assets being depreciated	<u>2,211,547</u>	<u>326,644</u>	<u>76,241</u>	<u>2,461,950</u>
Less accumulated depreciation for:				
Buildings, Property and Equipment	1,067,547	101,988	47,097	1,122,438
Infrastructure	34,166	2,111	266	36,011
Total accumulated depreciation	<u>1,101,713</u>	<u>104,099</u>	<u>47,363</u>	<u>1,158,449</u>
Total capital assets being depreciated, net	<u>1,109,834</u>	<u>222,545</u>	<u>28,878</u>	<u>1,303,501</u>
Business-type activities capital assets, net	<u>\$ 1,472,839</u>	<u>\$ 356,714</u>	<u>\$ 306,851</u>	<u>\$ 1,522,702</u>

The beginning balance has been restated to \$1,472,839 to reflect a prior period adjustment of \$1,196.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Fiduciary fund activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 958	\$ -	\$ -	\$ 958
Total capital assets not being depreciated	<u>958</u>	<u>-</u>	<u>-</u>	<u>958</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property and Equipment	18,894	554	-	19,448
Total capital assets being depreciated	<u>18,894</u>	<u>554</u>	<u>-</u>	<u>19,448</u>
Less accumulated depreciation for:				
Buildings, Property and Equipment	4,656	1,447	-	6,103
Total accumulated depreciation	<u>4,656</u>	<u>1,447</u>	<u>-</u>	<u>6,103</u>
Total capital assets being depreciated, net	<u>14,238</u>	<u>(893)</u>	<u>-</u>	<u>13,345</u>
Fiduciary fund activities capital assets, net	<u>\$ 15,196</u>	<u>\$ (893)</u>	<u>\$ -</u>	<u>\$ 14,303</u>

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**Depreciation Expense.** Depreciation expense was charged to functions of the primary government as follows (in thousands):

**Governmental activities:**

Education	\$ 423
Human Resources	2,064
Public Safety	30,573
Economic and Community Development	1,070
Natural Resources	20,576
Transportation	576,470
Consumer and Business Services	889
Administration	3,865
Legislative	611
Judicial	961
Subtotal	<u>637,502</u>
Internal Service Funds	<u>20,403</u>
Total depreciation expense - governmental activities	<u><u>\$ 657,905</u></u>

**Business-type activities:**

Housing and Community Services	\$ 62
Veterans' Loan	256
Lottery Operations	11,020
University System	89,652
Other Business-type Activities	3,109
Total depreciation expense - business-type activities	<u><u>\$ 104,099</u></u>

**Fiduciary fund activities:**

Pension Trust	\$ 1,447
Total depreciation expense - fiduciary activities	<u><u>\$ 1,447</u></u>

**Construction Commitments.** The State has active construction projects as of June 30, 2006, which will be funded either through general fund appropriation, federal grants, lottery resources, or other funding sources as noted in the schedule below. At year end, the State's construction commitments with contractors are as follows (in thousands):

Project	Spent-to-Date	Remaining Commitment	Remaining Commitment Source of Funds			
			General	Federal	Lottery	Other
Emergency coordination facility	\$ 10,832	\$ 39,093	\$ -	\$ 29,304	\$ -	\$ 9,789
Public safety training facility	70,683	4,319	-	-	-	4,319
Military facilities	17,149	7,507	415	5,882	-	1,210
Forestry headquarters building	13,439	2,039	-	-	-	2,039
State Park facilities	3,269	450	-	-	365	85
Prison construction and upgrades	77,315	82,731	93	-	-	82,638
University building construction and upgrades	714,829	854,501	8,315	-	4,015	842,171
Road and bridge construction	1,520,725	934,000	-	395,000	-	539,000
Upgrade and maintenance of various facilities	44,736	37,851	-	883	-	36,968
Total	<u><u>\$ 2,472,977</u></u>	<u><u>\$ 1,962,491</u></u>	<u><u>\$ 8,823</u></u>	<u><u>\$ 431,069</u></u>	<u><u>\$ 4,380</u></u>	<u><u>\$ 1,518,219</u></u>

**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

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historic buildings, furniture, paintings, and ancestral artifacts displayed at various state parks; and a collection of art work portraying various Oregon locals 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.

**Capital Asset Impairments**

The State implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for the year ended June 30, 2006.

In the Statement of Activities, education program expenses include an impairment loss of \$46.8 thousand related to an automated telephone dialing system that is no longer being used due to the loss of a federal program that resulted in the discontinuance of a state program.

**Insurance Recoveries.** In the Statement of Activities, program revenues include insurance recoveries of the applicable functions as follows (In thousands):

**Governmental activities:**

Human Resources	\$ 3
Public Safety	280
Natural Resources	157
Transportation	473
Administration	307
Judicial	533
Total insurance recoveries - governmental activities	<u>\$ 1,753</u>

**Business-type activities:**

Lottery Operations	\$ 34
University System	596
Total insurance recoveries - business-type activities	<u>\$ 630</u>

**Idle Impaired Capital Assets**

At fiscal year end, an automated telephone dialing system with a carrying value of zero was idle and impaired. The telephone system, which has a fair value of zero, will no longer be used; the impairment is considered permanent. Software with a carrying value of \$426.0 thousand was idle at year end and temporarily impaired. The software was intended to be developed for a project management system; however, after several years of incurring development costs, it is uncertain as to whether the system will be successfully completed and placed in service for the intended use.

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**B. Discretely Presented Component Units**

Activity for SAIF Corporation for the year ended December 31, 2005, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,922	\$ -	\$ -	\$ 2,922
Total capital assets not being depreciated	2,922	-	-	2,922
<i>Capital assets being depreciated:</i>				
Buildings, Property and Equipment	46,422	552	1,286	45,688
Total capital assets being depreciated	46,422	552	1,286	45,688
Less accumulated depreciation for:				
Buildings, Property and Equipment	26,859	2,061	1,238	27,682
Total accumulated depreciation	26,859	2,061	1,238	27,682
Total capital assets being depreciated, net	19,563	(1,509)	48	18,006
SAIF Corporation capital assets, net	\$ 22,485	\$ (1,509)	\$ 48	\$ 20,928

Activity for the Oregon Health and Science University (OHSU) for the year ended June 30, 2006, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 49,046	\$ 5,903	\$ 355	\$ 54,594
Construction in Progress	230,034	154,175	322,687	61,522
Total capital assets not being depreciated	279,080	160,078	323,042	116,116
<i>Capital assets being depreciated:</i>				
Buildings, Property and Equipment	1,175,765	353,888	18,497	1,511,156
Total capital assets being depreciated	1,175,765	353,888	18,497	1,511,156
Less accumulated depreciation for:				
Buildings, Property and Equipment	562,551	66,902	14,170	615,283
Total accumulated depreciation	562,551	66,902	14,170	615,283
Total capital assets being depreciated, net	613,214	286,986	4,327	895,873
OHSU capital assets, net	\$ 892,294	\$ 447,064	\$ 327,369	\$ 1,011,989

## 6. LEASES

**A. Operating Leases.** Operating leases are rental agreements where the payments are chargeable as rent and recorded as services and supplies expenditures. Should the Legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses that provide for cancellation of the lease as of the end of a fiscal year. Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases that have higher rental rates due to inflation. Rental costs for such leases for the year ended June 30, 2006, for the primary government, were \$78.1 million and for the component units were \$11.9 million.

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The following schedule summarizes the future minimum lease payments as of June 30, 2006 (in thousands):

Year Ending June 30,	Primary Government	Component Units
2007	\$ 75,022	\$ 15,982
2008	65,348	14,045
2009	48,243	13,529
2010	34,723	12,377
2011	28,618	10,315
2012-2016	62,873	32,990
2017-2021	5,043	19,569
2022-2026	319	135
2027-2031	185	-
2032-2036	155	-
2037-2041	155	-
2042-2046	155	-
2047-2051	154	-
Total future minimum lease payments	<u>\$ 320,993</u>	<u>\$ 118,942</u>

**B. Capital Leases.** Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded. The liability for capital leases of property is included in the accompanying financial statements. Should the Legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses that provide for cancellation of the lease as of the end of a fiscal year.

The assets acquired through capital leases are as follows (in thousands):

Asset Class	Governmental Activities	Business-type Activities	Component Units
Building, property and equipment	\$ 3,974	\$ 1,594	\$ 10,501
Less accumulated depreciation	(90)	(791)	(5,287)
Total	<u>\$ 3,884</u>	<u>\$ 803</u>	<u>\$ 5,214</u>

The following schedule summarizes the future minimum lease payments and net present value of these minimum lease payments as of June 30, 2006 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities	Component Units
2007	\$ 692	\$ 309	\$ 946
2008	685	137	953
2009	684	73	960
2010	686	1	917
2011	685	-	417
2012-2016	685	-	3,839
Total future minimum lease payments	4,117	520	8,032
Less amounts representing interest	(653)	(30)	(1,908)
Present value of minimum lease payments	<u>\$ 3,464</u>	<u>\$ 490</u>	<u>\$ 6,124</u>

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**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 \$7.6 million for the year ended June 30, 2006 on assets valued at over \$48.1 million, net of \$19.4 million in accumulated depreciation. Minimum future lease revenue for non-cancelable operating leases at June 30, 2006 was (in thousands):

Year Ending June 30,	Primary Government
2007	\$ 6,363
2008	4,539
2009	4,189
2010	3,367
2011	2,961
2012-2016	7,841
2017-2021	4,450
2022-2026	4,270
2027-2031	3,350
2032-2036	2,124
2037-2041	2,212
2042-2046	2,034
2047-2051	286
Total future minimum lease revenue	<u>\$ 47,986</u>

## 7. DONOR-RESTRICTED ENDOWMENTS

### Oregon University System

Oregon Revised Statute 351.130 provides the Oregon University System (OUS) with the authority to use interest income, dividends, or profits of endowments specifically for the higher education institution receiving the gift. Any donee restrictions must also be abided. Current OUS Board policy is to annually distribute, for spending purposes, 4.0 percent of the five-year moving average of the market value of the endowment fund and to maintain the purchasing power of the funds as nearly as prudent investment permits. Securities may be sold to provide for the income needs, however, the original corpus of endowments may not be spent. For the year ended June 30, 2006, the net amount of appreciation available for authorization for expenditure was \$18.3 million. The amount of net appreciation is reported in the University System Fund either as part of nonexpendable net assets restricted for donor purposes, or as part of expendable net assets restricted for donor purposes, depending on the terms of the donation.

### Oregon Health and Science University

Oregon Revised Statutes 128.320, 128.325, and 128.340 provide the Oregon Health and Science University (OHSU) with the authority to use the net appreciation of restricted endowments as established by the donee. Current OHSU Board policy is to allow distributions of 4.9 percent of the three-year moving average of the market value of the endowment pool. For the year ended June 30, 2006, the net amount of appreciation available for authorization for expenditure was \$67.3 million. The amount of net appreciation is reported as part of expendable net assets restricted for education.

## 8. SHORT-TERM DEBT

During the year, the State issued tax anticipation notes 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 proceeds were deposited to the general fund and were used to pay authorized expenditures of the 2005-2007 biennium.

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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 \$30.0 million line of credit was obtained from Key Bank National Association and had a variable interest rate based on a LIBOR (London InterBank Offered Rate) index.

Short-term debt activity for the year ended June 30, 2006, was as follows (in thousands):

<b>Governmental activities:</b>	Beginning Balance	Issued	Repaid	Ending Balance
Tax anticipation notes	\$ -	\$ 150,241	\$ -	\$ 150,241
<b>Business-type activities:</b>				
Veterans' Affairs line of credit	-	30,000	29,000	1,000
Total short-term debt activity	\$ -	\$ 180,241	\$ 29,000	\$ 151,241

## 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 authorized 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. Financing of loans for water development projects is authorized in article XI-I (1). Certain provisions of the Water Resources general obligation bond indenture conflict with State statutes. Upon the advice of the Attorney General, the method of handling investment interest is in compliance with the statutes rather than the bond indenture.

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The following schedule shows the debt service requirements for general obligation bonds as of June 30, 2006 (in thousands):

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal <sup>1</sup>	Interest
2007	\$ 12,855	\$ 128,843	\$ 110,468	\$ 95,505
2008	18,125	128,354	111,648	90,339
2009	24,180	127,659	86,985	84,757
2010	30,405	126,670	46,416	81,371
2011	37,535	125,357	47,413	79,739
2012-2016	316,175	592,012	237,550	368,575
2017-2021	608,715	478,667	616,634	252,723
2022-2026	1,006,635	262,398	257,615	133,253
2027-2031	262,295	15,454	211,515	70,526
2032-2036	-	-	127,355	28,880
2037-2041	-	-	56,915	8,412
2042-2046	-	-	7,290	405
Total	\$ 2,316,920	\$ 1,985,414	\$ 1,917,804	\$ 1,294,485

<sup>1</sup> Includes a total of \$479.0 million of bonds with a variable interest rate based on the weekly rate determination of the Remarketing Agent. The interest rate at the end of the year was 3.94% for \$370.0 million, 3.97% for \$60.0 million and 3.99% for \$49.0 million of bonds.

**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 286.560 through 286.580 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.

ORS 565.095 authorizes the issuance of revenue bonds for capital construction and improvements for the State Fair and Exposition Center. Revenues from state fair activities support these bonds. 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 Economic and Community Development Department is authorized in ORS 285B.467 to 285B.479 to issue revenue bonds for financing infrastructure improvement projects through the Special Public Works Fund and is authorized in ORS 285B.572 to 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.

The Public Employees Retirement System guarantees the bonds reported in the Pension Trust Fund. In 1992, PERS entered into an agreement to guarantee \$50.0 million in Pamcorp taxable revenue bonds. The company ceased operations in October 1993. The Pension Trust Fund has been making payments since October 1994.

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 288.805 to 288.945. These revenue bonds are payable from the revenues of OHSU.

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The following schedule shows the debt service requirements for revenue bonds as of June 30, 2006 (in thousands):

Year Ending June 30,	Governmental Activities		Business-type Activities		Pension Trust Fund		Discretely Presented Component Units	
	Principal <sup>1</sup>	Interest	Principal <sup>2-7</sup>	Interest	Principal	Interest	Principal <sup>8</sup>	Interest
2007	\$ 61,734	\$ 66,595	\$ 35,643	\$ 81,147	\$ 1,200	\$ 3,805	\$ 5,855	\$ 22,924
2008	73,841	64,929	38,254	80,354	1,300	3,704	9,160	22,590
2009	76,164	61,734	39,592	78,893	1,400	3,596	9,617	23,004
2010	71,909	58,306	508,536	74,326	1,500	3,479	10,046	22,814
2011	73,036	54,906	36,699	51,966	1,700	3,354	13,935	22,443
2012-2016	455,819	250,293	185,546	235,502	10,600	14,275	63,718	108,137
2017-2021	253,913	119,643	205,926	189,038	16,200	8,538	63,341	119,593
2022-2026	186,141	67,216	225,995	133,878	8,300	764	126,533	67,651
2027-2031	158,840	25,248	232,450	72,241	-	-	147,265	36,782
2032-2036	25,540	639	140,485	23,283	-	-	75,135	3,631
2037-2041	-	-	21,550	6,651	-	-	-	-
2042-2046	-	-	14,065	1,629	-	-	-	-
2047-2051	-	-	790	26	-	-	-	-
Total	\$ 1,436,937	\$ 769,509	\$ 1,685,531	\$ 1,028,934	\$ 42,200	\$ 41,515	\$ 524,605	\$ 449,569

<sup>1</sup> Includes a total of \$100.2 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 year was 3.97% for \$50.1 million and 3.95% for \$50.1 million of bonds.

<sup>2</sup> Includes bonds with a monthly adjusted variable interest rate based on the London Inter Bank Offered Rate (LIBOR) plus 0.4% not to exceed 11.0% for \$4.6 million and not to exceed 11.5% for \$5.5 million. The interest rate at the end of the fiscal year for those bonds was 5.51%.

<sup>3</sup> Includes \$65.0 million of bonds with a weekly adjusted variable interest rate based on the rate determination of the Remarketing Agent, not to exceed 12.0%. The interest rate at the end of the fiscal year was 4.03%.

<sup>4</sup> Includes \$44.9 million of bonds with a weekly adjusted variable rate of interest based on the rate determined by the Remarketing Agent, not to exceed 12.0%. The interest rate at the end of the fiscal year was 4.04%.

<sup>5</sup> Includes \$22.5 million of bonds with a monthly adjusted variable rate of interest based on the Bond Market Association (BMA) Index rate plus 0.75%, not to exceed the one month LIBOR rate plus 0.23% or fall below 95% of the one month LIBOR rate. The interest rate at the end of the fiscal year was 4.85%.

<sup>6</sup> Includes \$16.1 million of bonds with a monthly adjusted variable rate of interest based on the BMA Index rate plus 0.80%, not to exceed the one month LIBOR rate plus 0.23% or fall below 95% of the one month LIBOR rate. The interest rate at the end of the fiscal year was 4.85%.

<sup>7</sup> Includes \$15.0 million of bonds with a weekly adjusted variable rate of interest based on the rate determined by the Remarketing Agent, not to exceed 12.0%. The interest rate at the end of the fiscal year was 4.03%.

<sup>8</sup> Includes \$148.1 million of bonds with a variable rate of interest adjusted every 35 days based on the auction rate. The rate as of fiscal year end was 3.48% for \$98.1 million and 3.25% for \$50.0 million.

**C. Certificates of Participation.** ORS 283.085 to 283.092 authorizes 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.

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The following schedule shows the debt service requirements for certificates of participation as of June 30, 2006 (in thousands):

Year Ending June 30,	Governmental Activities		Business-type Activities		Pension Trust Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 54,445	\$ 50,380	\$ 3,065	\$ 902	\$ 2,365	\$ 495
2008	65,426	48,295	4,204	785	2,440	415
2009	64,651	45,577	3,194	634	2,520	334
2010	66,987	42,660	3,333	491	470	239
2011	72,175	50,691	2,385	343	500	214
2012-2016	264,285	155,389	6,145	607	2,265	651
2017-2021	235,550	92,472	-	-	1,315	35
2022-2026	170,985	41,529	-	-	-	-
2027-2031	65,055	10,279	-	-	-	-
2032-2036	8,880	421	-	-	-	-
Total	\$ 1,068,439	\$ 537,693	\$ 22,326	\$ 3,762	\$ 11,875	\$ 2,383

**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.

The following schedule shows the debt service requirements for general appropriation bonds as of June 30, 2006 (in thousands):

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2007	\$ 25,625	\$ 18,319
2008	27,950	17,123
2009	52,210	15,188
2010	56,340	12,518
2011	60,545	9,623
2012-2016	163,195	10,334
Total	\$ 385,865	\$ 83,105

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**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, 2006 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds/certificates payable:					
General obligation bonds	\$ 2,330,370	\$ 13,600	\$ 27,050	\$ 2,316,920	\$ 12,855
Revenue bonds	1,081,973	424,479	69,515	1,436,937	61,734
Certificates of participation	881,835	255,000	68,396	1,068,439	54,445
General appropriation bonds	409,465	-	23,600	385,865	25,625
Less deferred amounts:					
For issuance discounts	(919)	(75)	(79)	(915)	-
For issuance premiums	92,648	19,597	10,011	102,234	-
On refunding	(29,819)	(1,754)	(5,752)	(25,821)	-
Total bonds/certificates payable	<u>4,765,553</u>	<u>710,847</u>	<u>192,741</u>	<u>5,283,659</u>	<u>154,659</u>
Other liabilities:					
Obligations under capital lease	3,954	515	1,005	3,464	515
Claims and judgments	1,112,998	74,550	28,237	1,159,311	131,927
Compensated absences	112,885	12,527	1,059	124,353	93,265
Arbitrage rebate	569	837	255	1,151	105
Contracts, mortgages and notes	82,836	2,348	83,379	1,805	977
Total other liabilities	<u>1,313,242</u>	<u>90,777</u>	<u>113,935</u>	<u>1,290,084</u>	<u>226,789</u>
Total governmental activity long-term liabilities	<u>\$ 6,078,795</u>	<u>\$ 801,624</u>	<u>\$ 306,676</u>	<u>\$ 6,573,743</u>	<u>\$ 381,448</u>

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

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The following schedule summarizes the changes in long-term liabilities for business-type activities for the year ended June 30, 2006 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Bonds/certificates payable:					
General obligation bonds	\$ 1,939,024	\$ 131,766	\$ 152,986	\$ 1,917,804	\$ 110,468
Revenue bonds	1,774,841	553,895	643,205	1,685,531	35,643
Certificates of participation	20,110	5,575	3,359	22,326	3,065
Less deferred amounts:					
For issuance discounts	(4,112)	(117)	(341)	(3,888)	-
For issuance premiums	30,736	4,023	3,192	31,567	-
On refunding	(20,304)	-	(2,203)	(18,101)	-
Accreted interest	72,734	9,323	8,744	73,313	-
Total bonds/certificates payable	<u>3,813,029</u>	<u>704,465</u>	<u>808,942</u>	<u>3,708,552</u>	<u>149,176</u>
Other liabilities:					
Obligations under capital lease	711	63	284	490	287
Claims and judgments	-	1,315	-	1,315	1,292
Compensated absences	43,002	5,465	241	48,226	42,756
Lottery prize awards	138,047	841,300	848,151	131,196	29,519
Arbitrage rebate	760	1,844	488	2,116	213
Contracts, mortgages and notes	4,945	30,890	32,872	2,963	1,144
Trust funds	20,432	485,167	482,914	22,685	22,270
Total other liabilities	<u>207,897</u>	<u>1,366,044</u>	<u>1,364,950</u>	<u>208,991</u>	<u>97,481</u>
Total business-type activity long-term liabilities	<u>\$ 4,020,926</u>	<u>\$ 2,070,509</u>	<u>\$ 2,173,892</u>	<u>\$ 3,917,543</u>	<u>\$ 246,657</u>

The following schedule summarizes the changes in long-term liabilities for fiduciary fund activities for the year ended June 30, 2006 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Fiduciary fund activities:</b>					
Bonds/certificates payable:					
Revenue bonds	\$ 43,300	\$ -	\$ 1,100	\$ 42,200	\$ 1,200
Certificates of participation	14,175	-	2,300	11,875	2,365
Less deferred amounts:					
For issuance premiums	362	-	41	321	-
On refunding	(288)	-	(29)	(259)	-
Total bonds/certificates payable	<u>57,549</u>	<u>-</u>	<u>3,412</u>	<u>54,137</u>	<u>3,565</u>
Other liabilities:					
Claims and judgments	-	140	-	140	140
Contracts, mortgages and notes	1,582	238	57	1,763	56
Total other liabilities	<u>1,582</u>	<u>378</u>	<u>57</u>	<u>1,903</u>	<u>196</u>
Total fiduciary fund activity long-term liabilities	<u>\$ 59,131</u>	<u>\$ 378</u>	<u>\$ 3,469</u>	<u>\$ 56,040</u>	<u>\$ 3,761</u>

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The following schedule summarizes the changes in long-term liabilities for the SAIF Corporation for the year ended December 31, 2005, and for the Oregon Health and Science University for the year ended June 30, 2006 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Discretely presented component units:</b>					
Bonds/certificates payable:					
Revenue bonds	\$ 528,565	\$ 91,825	\$ 95,785	\$ 524,605	\$ 5,855
Less deferred amounts:					
For issuance discounts	(4,580)	-	(1,825)	(2,755)	-
For issuance premiums	1,077	-	50	1,027	-
On refunding	-	(6,024)	(269)	(5,755)	-
Accreted interest	18,591	2,597	-	21,188	-
Total bonds/certificates payable - OHSU	<u>543,653</u>	<u>88,398</u>	<u>93,741</u>	<u>538,310</u>	<u>5,855</u>
Other liabilities:					
Obligations under capital lease	4,150	3,729	1,755	6,124	499
Obligations under life income agreements	-	22,428	2,484	19,944	-
Reserve for loss and loss adjustment	-	2,888,566	300,561	2,588,005	214,223
Claims and judgments	2,575,701	22,422	2,549,666	48,457	-
Contracts, mortgages and notes	716	2,148	-	2,864	-
Advances from Primary Government	41,935	1,331	6,218	37,048	4,255
Total other liabilities - SAIF and OHSU	<u>2,622,502</u>	<u>2,940,624</u>	<u>2,860,684</u>	<u>2,702,442</u>	<u>218,977</u>
Total SAIF and OHSU long-term liabilities	<u>\$ 3,166,155</u>	<u>\$ 3,029,022</u>	<u>\$ 2,954,425</u>	<u>\$ 3,240,752</u>	<u>\$ 224,832</u>

**F. Demand Bonds**

Department of Veterans' Affairs Series 73

Included in long-term debt at June 30, 2006 is \$370.0 million of State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, Series 73 E, F, G, and H; \$30.0 million of State of Oregon, General Obligation, Veterans' Welfare Variable Rate Bonds, Series 83; \$30.0 million of State of Oregon, General Obligation, Veterans' Welfare Variable Rate Bonds, Series 84; and \$49.0 million of State of Oregon, General Obligation, Veterans' Welfare Variable Rate Bonds, Series 85. The bonds are general obligations of the State of Oregon and are payable from revenues and reserves of the Veterans' Loan Program. These bonds may be tendered by the bondholder on specified dates at a price equal to principal plus accrued interest.

The Department of Veterans' Affairs Remarketing Agents for Series 73 (J.P. Morgan Securities Inc. and Morgan Stanley) and for Series 83 and 84 (Bear, Stears & Co. Inc.) are authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a weekly basis. The interest rate borne by each series of bonds will be determined by the designated Remarketing Agent for such bonds.

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective Standby Bond Purchase Agreement (SBPA). Under the SBPA for Series 73, J. P. Morgan Chase Bank 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 SBPA. Under the SBPA for Series 83, 84, and 85, Dexia Credit Local will commit to purchase any Series 83, 84, and 85 unremarketed bonds, subject to certain conditions set forth in the SBPA.

No tender advances or draws have been necessary to purchase any unremarketed bonds under either SBPA. Therefore, no tender advances or draws are outstanding as of June 30, 2006. If a tender advance did occur, it would accrue interest at the bank's base rate (either a prime lending rate or the federal funds rate plus ½ of 1%, whichever is higher). If the tender advance is in default, interest would accrue at the bank's base rate plus 1%. Interest on tender advances must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be paid off in approximately two years. Tender advances could be paid off earlier than two years if the Department of Veterans' Affairs elected to do

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so. If repayment of any tender advances does not occur within the specified timeframes contained in the respective SBPA, a default would have occurred.

Each bank's present purchase commitment consists of the payment of the purchase price equal to the principal of and up to 40 days of accrued interest, if any, calculated at a rate of 14 percent per annum for Series 73, and up to 34 days of accrued interest, if any, calculated at a rate of 12 percent per annum for Series 83, 84, and 85 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 SBPA. As of June 30, 2006, the Department of Veterans' Affairs is required to pay a yearly commitment fee, which is payable quarterly in arrears, at a rate of 0.08 percent per annum for Series 73 and a rate of 0.09 percent per annum for Series 83, 84, and 85, applied to the purchase commitment.

The present purchase commitments by the banks will remain in effect to the earlier of (a) June 30, 2007 for J. P. Morgan Chase Bank and June 30, 2015 for BLG, and June 30, 2013 for Dexia Credit Local (scheduled expiration dates), unless extended at the option of the bank; (b) the conversion of all outstanding bonds of a given series to either a variable rate period ending after the scheduled expiration date or a fixed (or term) rate; (c) the date on which no bonds of a given series are outstanding; (d) the date on which the commitment with respect to a particular series has been terminated in accordance with the SBPA. However, BLG does have the option to terminate its purchase commitment obligations, at its sole discretion, as of June 30, 2007.

**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.

The following schedule shows no-commitment debt as of June 30, 2006 (in thousands):

<u>Primary Government</u>	
Economic and Community Development Department	\$ 671,336
Oregon Facilities Authority	791,014
Housing and Community Services Department	<u>127,274</u>
Total Primary Government	<u>1,589,624</u>
 <u>Discretely Presented Component Units</u>	
Oregon Health and Science University	<u>115,400</u>
Total No-Commitment Debt	<u>\$ 1,705,024</u>

**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, 2005, and June 30, 2006:

On August 16, 2005, the Department of Environmental Quality issued \$13.6 million in 2005 Series A General Obligation Bonds with an average interest rate of 4.0 percent. These bonds refunded \$13.1 million of previously issued 1995 Series A, 1998 Series A, and 2000 Series B general obligation bonds with an average interest rate of 5.2 percent. The advance refunding was undertaken to reduce the total debt service payments by \$651 thousand over the next 15 years and resulted in an economic gain of \$662 thousand.

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On October 18, 2005, the Oregon Health and Science University issued \$91.8 million of 2005 Series A and B Revenue Bonds to partially refund \$88.8 million of outstanding 1995 Series A and B bonds with an average interest rate of 5.3 percent. The 2005 Revenue Bonds carry a variable interest rate which is adjusted weekly. The interest rate was 3.8 percent as of June 30, 2006. The advance refunding was undertaken to reduce the total debt service payments over the next 22 years by \$14.0 million and resulted in an economic loss of \$6.0 million.

On October 20, 2005, the Department of Administrative Services issued \$19.9 million in 2005 Series C Certificates of Participation with an average interest rate of 3.8 percent. These certificates of participation were issued as a partial refunding of \$18.8 million of outstanding 1997 Series B and 1998 Series A certificates with an average interest rate of 4.9 percent for the Department of Administrative Services, the Department of Corrections, Department of Forestry, and the Military Department. The advance refunding was undertaken to reduce the total debt service payments by \$881 thousand over the next 12 years and resulted in an economic gain of \$759 thousand.

**I. Defeased Debt.** The following schedule summarizes the amount of bonds and certificates of participation outstanding that are considered defeased as of June 30, 2006 (in thousands):

<u>Primary Government</u>	
Department of Administrative Services	\$ 18,375
Economic and Community Development Department	33,429
Military Department	620
Department of Corrections	265,430
Employment Department	645
Oregon University System	179,026
Department of Education	84,100
Department of Forestry	3,965
Department of Fish and Wildlife	13,321
Parks and Recreation Department	180
Department of Transportation	978
Water Resources Department	8,775
Total Primary Government	<u>608,844</u>
 <u>Discretely Presented Component Unit</u>	
Oregon Health and Science University	88,840
Total Defeased Bonds and Certificates of Participation	<u>\$ 697,684</u>

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

The following schedule identifies outstanding arbitrage rebate liabilities as of June 30, 2006 (in thousands):

<u>Primary Government</u>	
Department of Human Services	\$ 5
Department of Administrative Services	10
Economic and Community Development Department	278
Legislative Administration Committee	1
Department of Veterans' Affairs	1,104
Department of Corrections	48
Department of Energy	5
Oregon University System	182
Department of Education	690
Parks and Recreation Department	95
Department of Transportation	25
Housing and Community Services Department	824
Total Arbitrage Rebate Liability	<u>\$ 3,267</u>

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## 10. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2006 consisted of the following (in thousands):

### Due to Other Funds

<b>Due From Other Funds</b>	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Nonmajor Governmental Funds	Housing and Community Services	Veterans' Loan	University System	Nonmajor Enterprise Funds	Fiduciary Funds	All Others	Total
General	\$ -	\$ 212	\$ -	\$ 18	\$ -	\$ 166	\$ -	\$ -	\$ -	\$ 5,139	\$ -	\$ 571	\$ 6,106
Health and Social Services	101,339	-	10	673	31	4,164	-	-	180	8,805	-	-	115,202
Public Transportation	-	179	-	14,405	-	899	-	-	-	-	-	-	15,483
Environmental Management	89	-	1,882	-	420	6,386	-	-	52	-	-	42	8,871
Common School	1	-	-	871	-	-	-	-	-	-	-	-	872
Nonmajor Governmental Funds	18,557	10,076	230	28,050	-	94,338	54	-	2,869	-	-	1,928	156,102
Housing and Community Services	-	-	-	-	-	1	-	-	-	-	-	-	1
Lottery Operations	-	-	-	-	-	159,359	-	-	-	-	-	-	159,359
Unemployment Compensation	-	-	-	-	-	363	-	-	-	-	-	-	363
Nonmajor Enterprise Funds	19,532	1,311	-	-	-	1,996	-	119	-	-	-	-	22,958
Internal Service Funds	5	-	-	-	-	51	-	-	-	4,884	-	4	4,944
Fiduciary Funds	-	-	-	-	10	802	-	20	-	-	3,109	-	3,941
Total	\$ 139,523	\$ 11,778	\$ 2,122	\$ 44,017	\$ 461	\$ 268,525	\$ 54	\$ 139	\$ 3,101	\$ 18,828	\$ 3,109	\$ 2,545	\$ 494,202

### Advances to Other Funds

<b>Advances From Other Funds</b>	General	Common School	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Total
General	\$ -	\$ -	\$ -	\$ 866	\$ 804	\$ 1,670
Public Transportation	-	-	-	82	-	82
Environmental Management	-	300	-	-	-	300
Nonmajor Governmental Funds	40,598	68	1,108	-	-	41,774
University System	-	-	-	15,641	-	15,641
Nonmajor Enterprise Funds	-	-	-	910	38	948
Internal Service Funds	-	-	-	377	-	377
Total	\$ 40,598	\$ 368	\$ 1,108	\$ 17,876	\$ 842	\$ 60,792

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.

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Interfund transfers reported in the fund financial statements as of June 30, 2006 consisted of the following (in thousands):

**Transfers to Other Funds**

<b>Transfers From Other Funds</b>	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Nonmajor Governmental Funds	Unemployment Compensation	University System	Nonmajor Enterprise Funds	Fiduciary Funds	Internal Service Funds	Total
General	\$ -	\$ 99,125	\$ 478	\$ 8,945	\$ -	\$ 15,555	\$ -	\$ 357,363	\$ 112,059	\$ -	\$ 3	\$ 593,528
Health and Social Services	-	-	280	10,830	88	121,803	-	2,874	34,832	-	216	170,923
Environmental Management	-	44	287	-	9,636	37,803	-	2,830	1,304	-	203	52,107
Public Transportation	-	4,896	-	32,195	-	51,266	-	-	-	-	-	88,357
Common School	-	-	-	5,928	-	22,773	-	-	-	-	-	28,701
Nonmajor Governmental Funds	43,873	54,055	1,647	81,100	-	384,623	8,025	8,209	13,109	505	1,239	596,385
Lottery Operations	-	-	-	-	-	536,026	-	-	-	-	-	536,026
Unemployment Compensation	-	-	-	-	-	17,674	-	-	-	-	-	17,674
University System	2,020	-	-	5	-	47	-	-	-	-	-	2,072
Nonmajor Enterprise Funds	74,012	7,327	-	1,223	-	22,854	-	-	2,912	-	506	108,834
Internal Service Funds	-	4	-	270	-	6,605	-	-	-	-	-	6,879
Fiduciary Funds	-	-	-	-	-	-	-	-	-	50,250	-	50,250
<b>Total</b>	<b>\$ 119,905</b>	<b>\$ 165,451</b>	<b>\$ 2,692</b>	<b>\$ 140,496</b>	<b>\$ 9,724</b>	<b>\$ 1,217,029</b>	<b>\$ 8,025</b>	<b>\$ 371,276</b>	<b>\$ 164,216</b>	<b>\$ 50,755</b>	<b>\$ 2,167</b>	<b>\$ 2,251,736</b>

	Transfers From Other Funds	Transfers To Other Funds
Amount per table above	\$ 2,251,736	\$ 2,251,736
Transfer of capital assets from Other Enterprise Fund to general government	-	21,933
Transfer of capital assets from Central Services Fund to general government	-	6,137
Transfer of liabilities from Other Enterprise Fund to general government	-	(18,863)
Transfer of liabilities from Central Services Fund to general government	309	-
Transfer of assets from Other Enterprise Fund to general government	-	148
Transfer of assets from general government to Central Services Fund	-	(10)
Transfer of liabilities from general government to Central Services Fund	-	4,290
<b>Total transfers to/from</b>	<b>\$ 2,252,045</b>	<b>\$ 2,265,371</b>

In the fund financial statements, total transfers to other funds of \$2,265,371 thousand are more than total transfers from other funds of \$2,252,045 thousand due to the transfer of assets and liabilities between proprietary funds and the general government, as described in the above reconciliation.

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) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## 11. SEGMENT INFORMATION

Sections 285B.410 through 285B.482 of the Oregon Revised Statutes (ORS) create the Special Public Works Fund and authorize the Oregon Economic and Community Development Department (OECDD) to issue revenue bonds to finance loans to municipalities for infrastructure projects. ORS 285B.560 through 285B.599 establish the Water Fund and authorize OECDD 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 Housing and Community Services Department 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 Housing and Community Services Department for the year ended June 30, 2006 (in thousands) is as follows:

<b>Condensed balance sheet</b>	<b>Special Public Works Fund</b>	<b>Water Fund</b>	<b>Housing Finance Revenue Bonds</b>	<b>Mortgage Revenue Bonds</b>
Assets:				
Other current assets	\$ 52,876	\$ 30,830	\$ 1,201	\$ 40,926
Interfund receivables	-	100	-	24
Other noncurrent assets	250,933	91,038	20,235	840,049
Total assets	<u>\$ 303,809</u>	<u>\$ 121,968</u>	<u>\$ 21,436</u>	<u>\$ 880,999</u>
Liabilities:				
Other current liabilities	\$ 15,684	\$ 4,781	\$ 1,120	\$ 37,003
Interfund payables	-	-	24	97
Other noncurrent liabilities	107,881	59,294	3,620	794,429
Total liabilities	<u>123,565</u>	<u>64,075</u>	<u>4,764</u>	<u>831,529</u>
Net assets:				
Restricted	2,112	1,521	16,672	49,470
Unrestricted	178,132	56,372	-	-
Total net assets	<u>180,244</u>	<u>57,893</u>	<u>16,672</u>	<u>49,470</u>
Total liabilities and net assets	<u>\$ 303,809</u>	<u>\$ 121,968</u>	<u>\$ 21,436</u>	<u>\$ 880,999</u>

<b>Condensed statement of revenues, expenses, and changes in fund net assets</b>	<b>Special Public Works Fund</b>	<b>Water Fund</b>	<b>Housing Finance Revenue Bonds</b>	<b>Mortgage Revenue Bonds</b>
Loan interest income	\$ 10,316	\$ 4,350	\$ 387	\$ 36,737
Other operating revenue	3,395	1,241	361	15,704
Other operating expenses	(11,049)	(4,235)	(288)	(52,188)
Operating income (loss)	<u>2,662</u>	<u>1,356</u>	<u>460</u>	<u>253</u>
Transfers from other funds	10,456	-	-	1,100
Transfers to other funds	-	(2,912)	(2,500)	-
Change in net assets	<u>13,118</u>	<u>(1,556)</u>	<u>(2,040)</u>	<u>1,353</u>
Beginning net assets (as restated)	167,126	59,449	18,712	48,117
Ending net assets	<u>\$ 180,244</u>	<u>\$ 57,893</u>	<u>\$ 16,672</u>	<u>\$ 49,470</u>

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<b>Condensed statement of cash flows</b>	<b>Special Public Works Fund</b>	<b>Water Fund</b>	<b>Housing Finance Revenue Bonds</b>	<b>Mortgage Revenue Bonds</b>
Net cash provided (used) by:				
Operating activities	\$ (60,812)	\$ 81	\$ 1,670	\$ (22,132)
Noncapital financing activities	(3,097)	(9,089)	(3,760)	(541,296)
Investing activities	3,790	1,410	2,721	553,927
Net increase (decrease)	(60,119)	(7,598)	631	(9,501)
Beginning cash and cash equivalents (as restated)	105,431	37,818	208	27,057
Ending cash and cash equivalents	<u>\$ 45,312</u>	<u>\$ 30,220</u>	<u>\$ 839</u>	<u>\$ 17,556</u>

<b>Condensed balance sheet</b>	<b>Homeowner Revenue Bonds</b>	<b>Multifamily Housing Revenue Bonds</b>	<b>Multiple Purpose Bonds</b>	<b>Elderly and Disabled Housing Fund</b>
Assets:				
Other current assets	\$ 1,864	\$ 7,695	\$ 7,247	\$ 18,751
Capital assets	-	-	-	93
Accumulated depreciation	-	-	-	(83)
Other noncurrent assets	468,231	175,587	46,799	239,801
Total assets	<u>\$ 470,095</u>	<u>\$ 183,282</u>	<u>\$ 54,046</u>	<u>\$ 258,562</u>
Liabilities:				
Interfund payables	\$ -	\$ -	\$ -	\$ 1
Other current liabilities	1,864	6,625	6,926	17,712
Other noncurrent liabilities	468,128	163,915	35,145	190,137
Total liabilities	<u>469,992</u>	<u>170,540</u>	<u>42,071</u>	<u>207,850</u>
Net assets:				
Invested in capital assets, net of related debt	-	-	-	10
Restricted	103	12,742	11,975	50,702
Total net assets	<u>103</u>	<u>12,742</u>	<u>11,975</u>	<u>50,712</u>
Total liabilities and net assets	<u>\$ 470,095</u>	<u>\$ 183,282</u>	<u>\$ 54,046</u>	<u>\$ 258,562</u>

<b>Condensed statement of revenues, expenses, and changes in fund net assets</b>	<b>Homeowner Revenue Bonds</b>	<b>Multifamily Housing Revenue Bonds</b>	<b>Multiple Purpose Bonds</b>	<b>Elderly and Disabled Housing Fund</b>
Loan interest income	\$ -	\$ 10,097	\$ 3,757	\$ 13,833
Other operating revenue	8,818	(51)	874	302
Depreciation and amortization	-	-	-	(15)
Other operating expenses	(8,868)	(9,197)	(1,879)	(13,050)
Operating income (loss)	<u>(50)</u>	<u>849</u>	<u>2,752</u>	<u>1,070</u>
Transfers from other funds	44	555	-	-
Transfers to other funds	-	-	(2,821)	(117)
Change in net assets	<u>(6)</u>	<u>1,404</u>	<u>(69)</u>	<u>953</u>
Beginning net assets (as restated)	109	11,338	12,044	49,759
Ending net assets	<u>\$ 103</u>	<u>\$ 12,742</u>	<u>\$ 11,975</u>	<u>\$ 50,712</u>

**State of Oregon**  
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<b>Condensed statement of cash flows</b>	<b>Homeowner Revenue Bonds</b>	<b>Multifamily Housing Revenue Bonds</b>	<b>Multiple Purpose Bonds</b>	<b>Elderly and Disabled Housing Fund</b>
Net cash provided (used) by:				
Operating activities	\$ (24)	\$ 1,097	\$ 9,401	\$ 32,277
Noncapital financing activities	422,011	(217)	(8,800)	(34,761)
Capital and related financing activities	-	-	-	(11)
Investing activities	(420,113)	(465)	(836)	6,282
Net increase (decrease)	1,874	415	(235)	3,787
Beginning cash and cash equivalents (as restated)	99	548	887	43,196
Ending cash and cash equivalents	<u>\$ 1,973</u>	<u>\$ 963</u>	<u>\$ 652</u>	<u>\$ 46,983</u>

## 12. 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, 2006, PERS had 881 employer members consisting of:

State Agencies	118
Community Colleges	17
School Districts	255
Political Subdivisions	<u>491</u>
	<u>881</u>

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 68<sup>th</sup> Parkway, Tigard, Oregon 97223.

Effective July 1, 1996, the Oregon Health and Science University (OHSU) 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.

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.

**State of Oregon**  
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**B. Summary of Significant Accounting Policies.** The financial statements of PERS 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 debt and equity securities is determined by the custodial agent, using recognized pricing services. Mortgage loans on real estate and state agency loans are stated at the amortized unpaid principal balance. Fair values of investments in real estate are based upon valuations provided by investment managers and advisors retained by the Oregon State Treasury. Investments that do not have an established market are represented at estimated fair value.

**C. Funding Policies.** The PERS funding policy provides for plan 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.

The following schedule summarizes the required State employee contributions and the required State employer contributions, shown as a percentage of covered salary, for the PERS multiple-employer plans, as of July 1, 2005:

	238/238A		238A	
	Employee Rate	Employer Rate	General Service	Police and Fire
State Agencies	6.0%	8.69%	8.04%	11.65%
Community Colleges	6.0%	15.73%	8.04%	11.65%
Judiciary	7.0%	23.38%	8.04%	11.65%
School Districts	6.0%	16.97%	8.04%	11.65%
Political Subdivisions	6.0%	14.60%	8.04%	11.65%

The State 238 and 238A combined employer contributions for the primary government for the years ended June 30, 2006, 2005, and 2004 were approximately \$66.7 million, \$92.9 million, and \$2,119.0 million respectively. The State 238 and 238A combined employer contributions for the discretely presented component units for the years ended June 30, 2006, 2005, and 2004 were approximately \$23.8 million, \$14.7 million, and \$13.0 million respectively. Fiscal year 2006, fiscal year 2005, and fiscal year 2004 contributions less \$2.0 billion for reduction of the State's unfunded actuarial liability were equal to the annual required contributions required for each year for the primary government and the discretely presented component units. The \$2.0 billion 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 assumed interest rate of 8.0 percent. The employer pension cost of \$129.4 million for fiscal year 2006 includes \$38.9 million of amortization of the net pension asset.

The OHSU Board of Directors determines contribution levels for the UPP. Employer contributions to the plan are 6.0% of salary and employee contributions are an additional 6.0%. Currently OHSU is funding employee contributions. The OHSU employer contributions to the UPP for the years ended June 30, 2006, 2005, and 2004 were approximately \$10.7 million, \$8.4 million, and \$7.5 million respectively, and were equal to the employee contributions for each year.

Under the ORP Tier One, Tier Two and Tier Three, the employee contribution rate is 6.0% and is paid by OUS. The employer contribution rate for the ORP Tier One and Tier Two is 16.75% and for Tier Three is 8.04% as of June 30, 2006. The OUS employer contribution to the ORP for the years ended June 30, 2006, 2005, and 2004 was approximately \$25.3 million, \$16.6 million, and \$12.7 million respectively. The OUS employee contribution to the ORP for the years ended June 30, 2006, 2005, and 2004 was approximately \$10.4 million, \$8.9 million, and \$8.4 million respectively.

## 13. OTHER POSTEMPLOYMENT BENEFITS

Under Oregon Revised Statute 238.410, the Public Employees Retirement Board (Board), acting through the Public Employees Retirement System (PERS) may contract for medical and hospital insurance on behalf of retired members. Members and their dependents are eligible for PERS healthcare coverage if the member is receiving a retirement allowance or benefit under the PERS. A surviving spouse or dependent of a PERS retiree is eligible to participate if the surviving spouse or dependent was covered under the health plan at the time of the retiree's death.

Oregon Revised Statute 238.420 established the Retirement Health Insurance Account (RHIA) and authorized the payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To qualify, the member must: (1) have eight years or more qualifying service in the PERS system at the time of retirement, or receive a disability allowance as if the member had eight years or more of creditable service in the PERS system, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who had been eligible to receive the contribution is eligible to receive the subsidy if the individual is receiving a retirement benefit or allowance from PERS, or the individual was insured at the time the member died and the member retired before May 1, 1991.

All PERS employers currently contribute 0.64 percent of covered payroll to fund the RHIA. This contribution is included in the employer contribution rates discussed in Note 12. 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 contribution for the year ended June 30, 2006, totaled approximately \$38.2 million. The number of active plan RHIA participants totaled 36,432 for the year ended June 30, 2006. Based on the December 31, 2004 valuation, the actuarial accrued liability for the RHIA was \$556.9 million and the unfunded actuarial accrued liability was \$408.9 million.

Oregon Revised Statute 238.415 established the Retirement Health Insurance Premium Account (RHIPA) and requires the Board on or before January 1 of each year to calculate 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. ORS 238.415 authorizes payment of this average difference to qualified retired State employees. Retired State employees are qualified to receive this benefit 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 is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired on or after September 29, 1991.

State agencies currently contribute 0.16 percent of PERS covered salaries to fund the RHIPA. State employer contributions for the year ended June 30, 2006, totaled approximately \$2.2 million. The number of active plan RHIPA participants totaled 858 for the year ended June 30, 2006. Based on the December 31, 2004 valuation, the actuarial accrued liability for the RHIPA was \$28.2 million and the unfunded actuarial accrued liability was \$23.0 million.

The postemployment retirement 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, 2004 using the projected unit credit cost method. Employers' contributions are advance-funded on an actuarially determined basis for both programs. Significant assumptions used in the actuarial update include an 8.0 percent per annum rate of return on the investment of present and future assets, projected salary increases of 4.0 percent, and a healthcare cost inflation adjustment graded from 7.5 percent in 2006 to 5.0 percent in 2011, at the rate of 0.5 percent per year. The RHIA plan uses an inflation assumption of 3.0 percent. However, the RHIPA 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 at June 30, 2006 is \$208.0 million.

## 14. DEFERRED COMPENSATION PLANS

**A. *Deferred Compensation Fund.*** ORS 243.411 established the Deferred Compensation Fund. ORS 243.400 to 243.507 established and provided for PERS to administer the Deferred Compensation funds with the Oregon Savings Growth Plan (State Plan). The State Plan is a benefit available to eligible State employees. To participate, an employee enters into an individual agreement with the State deferring current earnings to be paid at a future date. The Board, as trustee of the assets, contracts with Citistreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain participant records. The Oregon State Treasury, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. Activity of the State Plan is accounted for in a pension trust fund. As of June 30, 2006, the fair value of investments was \$831.4 million.

**B. *SAIF Corporation Deferred Compensation Plan.*** SAIF Corporation administers a deferred compensation plan that is available to SAIF employees (SAIF Plan). Employees may enter into an individual agreement with SAIF Corporation deferring 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 is administered in compliance with Internal Revenue Code Section 457(b). The plan assets and the corresponding liability are not reported in the SAIF Corporation balance sheet at December 31, 2005.

Participants in both the State Plan and the SAIF Plan 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 is met: termination due to death; disability; resignation; retirement; unforeseeable emergency; or by requesting a de minimus distribution from inactive accounts valued 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 these deferred compensation plans; but, they do have the duty of due care that would be required of an ordinary prudent investor.

## 15. TERMINATION BENEFITS

The State implemented the portions of GASB Statement No. 47, *Accounting for Termination Benefits*, which were effective for periods beginning after June 15, 2005.

During the year ended June 30, 2006, the Oregon University System provided termination benefits through an early retirement program at Southern Oregon University (SOU). SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty who are least 55 years of age since 1998. Faculty 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 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, 2006, twenty-two retirees were participating in the plan.

An early retirement liability of \$139.0 thousand is included in current Notes, Contracts and Mortgages Payable and an early retirement liability of \$293.0 thousand is included in noncurrent Notes, Contracts and Mortgages Payable in the University System Fund. The liability is calculated using the discounted present value of expected future benefit payments, with a discount rate of six percent.

## 16. RISK FINANCING

**A. Property, Liability, and Workers' Compensation Coverages for State Government.** The State Services Division of the Department of Administrative Services administers the State's property and liability insurance programs. The division believes it is economical to manage the State's risks internally. The division minimizes purchases of commercial insurance for most risks of loss. The division sets aside assets for actuarially forecasted losses in the Insurance Fund. It is an internal service fund established under Chapter 278 of the Oregon Revised Statutes. The Insurance Fund services claims for these 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

The fund is backed by commercial policies, such as an excess property policy with a limit of \$400 million and a blanket commercial excess bond with a limit of \$20 million. The division purchases commercial insurance for specific insurance needs not covered by the fund. 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 fund. The 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.

The division purchases workers' compensation insurance for the State from SAIF Corporation. The Insurance Fund reimburses SAIF Corporation for claim costs and service fees. The division purchases retrospective paid loss plans that have cash flow and investment earnings advantages. The plans are ten years in length. The accumulated claim loss liability for the plans was approximately \$48 million as of June 30, 2006. Independent actuaries determine biennial loss forecasts.

The division reevaluates claim liabilities periodically, considering recently settled claims, the frequency of claims, and other economic and social factors. Liabilities include an amount for claims and legal expenses that have been incurred but not reported. The estimation process is not exact since actual claim liabilities depend on inflation and changes in legal doctrines and damage awards. The division discounts claim liabilities at annual rates of two to seven percent. Contracted actuaries estimate claims and allocated and unallocated expenses, including legal expenses, which are incurred but not reported. They use the last 15 to 20 years of State claims data and the projected numbers of employees, payroll, vehicles, and other property. They forecast ultimate losses by line of coverage.

The changes in the Insurance Fund balances of aggregate claim liabilities for the years ended June 30, 2006 and 2005 (in thousands) are:

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2006	\$ 88,135	\$ 49,116	\$ (28,112)	\$ 109,139
2005	78,180	41,269	(31,314)	88,135

The June 30, 2006 balance of claim liabilities is reported as claims and judgments payable in the Central Services Fund.

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**B. SAIF Corporation Workers' Compensation Insurance.** The Legislature created SAIF Corporation to transact workers' compensation insurance and reinsurance business. SAIF Corporation is an independent public corporation, a component unit of the State, and the largest workers' compensation insurer in the State.

The financial activity for SAIF Corporation is discretely presented in the financial statements. The liability for claims and claim adjustment expenses is generally based on experience. This includes provision for reported claims, claims incurred but not reported, and claims that are currently closed but which experience indicates will be reopened. SAIF Corporation discounts certain indemnity claim reserves to their present value at a rate of 3.5 percent.

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

The Department of Consumer and Business Services determines the funding of supplemental workers' compensation insurance programs through cash flow projections based on historical data and economic forecasts. Employer work hour assessments, contributions by employees, workers' compensation insurance premium assessments, investment, and interest earnings pay for the programs.

The changes in the balances of aggregate claim liabilities for supplemental workers' compensation insurance for the years ended June 30, 2006 and 2005 (in thousands) are:

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2006	\$ 1,024,863	\$ 29,632	\$ (17,033)	\$ 1,037,462
2005	1,105,123	91,310	(171,570)	1,024,863

Long-term liabilities were actuarially computed as of June 30, 2006, using the discounted cost valuation method. The discount rate for the Retroactive Program is 6.0 percent. This liability is reported as part of claims and judgments payable in the government-wide Statement of Net Assets.

## 17. 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. The following schedule summarizes discounts and allowances in proprietary funds for the year ended June 30, 2006 (in thousands):

### Primary Government

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	\$ 1,260
Unemployment Compensation	Assessments	(13)
Unemployment Compensation	Fines and forfeitures	42
University System	Charges for services	78,753
Nonmajor Enterprise Funds	Charges for services	90,907
Nonmajor Enterprise Funds	Rents and royalties	(2)
Nonmajor Enterprise Funds	Sales	5,286
Internal Service Funds	Other	56
Total primary government		<u>\$ 176,289</u>

### Discretely Presented Component Units

Component Units	Type of Revenue	Amount
SAIF Corporation	Charges for services	\$ 96
Oregon Health and Science University	Charges for services	584,927
Oregon Health and Science University	Gifts, grants and contracts	(310)
Total SAIF and Oregon Health and Science University		<u>\$ 584,713</u>

## 18. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments over \$10 million are included in total prior period adjustments in the accompanying financial statements:

### Primary Government

A prior period adjustment of \$32.4 million was made to correct the balances of capital assets that were incorrectly reported in prior years. A prior period adjustment of \$28.3 million was made to correct the balances of construction in progress that were incorrectly reported in prior years.

### Governmental Funds

*Health and Social Services Fund.* A prior period adjustment of \$30.8 million was made to correct an error in federal revenues from the prior year.

*Public Transportation Fund.* A prior period adjustment of \$22.7 million was made to restate beginning fund balance as a result of correcting the fund classification for the Oregon Transportation Infrastructure program formerly reported in the Other Enterprise Fund.

### Proprietary Funds

*Other Enterprise Fund.* A prior period adjustment of \$22.7 million was made to restate beginning net assets to reflect the correction of the fund classification of the Oregon Transportation Infrastructure program from Other Enterprise Fund to a Special Revenue Fund.

## 19. FUND EQUITY

The State implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, effective for the year ended June 30, 2006.

**A. Net Assets Restricted by Enabling Legislation.** The following schedule summarizes the State's net assets at June 30, 2006 that are restricted by enabling legislation. All of these legislative restrictions are in the governmental activities.

	Restricted Net Assets
Expendable Restricted Net Assets Restricted for:	
Residential Assistance	\$ 126,230
Workers' Compensation	13
Education	4,558
Natural Resource Programs	26,032
Health Services	34,282
Public Safety	1,801
Business Development	4,860
Nonexpendable Restricted Net Assets Restricted for:	
Education	875
Residential Assistance	19,066
Natural Resource Programs	3,374
Workers' Compensation	250
Total	<u>\$ 221,341</u>

**B. Reserved for Permanent Fund Principal.** The amount reported as reserved for permanent fund principal in the governmental funds financial statements is \$2.2 million higher than the prior fiscal year. However, this increase is not supported by contributions to permanent funds in the current fiscal year because the contributions were reported in error as investment income in the prior fiscal year. This did not result in reporting a prior period adjustment because beginning fund balance in total is correct.

## 20. COMMITMENTS

The State has made commitments that are to be funded with general funds, federal funds, lottery funds, or other fund resources. These commitments may take the form of grants, loans, or contracts for services. Commitments in effect as of June 30, 2006, 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	\$ 236,000	\$ 218,200	\$ 2,300	\$ 11,600	\$ 468,100
Indigent defense contracts	88,315	-	-	-	88,315
Personal services contracts	44,007	24,101	2,301	21,788	92,197
Grant and loan commitments	198,545	395,791	69,054	214,912	878,302
Equipment purchases	-	-	43,521	-	43,521
Total	<u>\$ 566,867</u>	<u>\$ 638,092</u>	<u>\$ 117,176</u>	<u>\$ 248,300</u>	<u>\$ 1,570,435</u>

## 21. 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 pending against the State in Oregon circuit courts and in the United States Court of Appeals for the Ninth Circuit challenge 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 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 will affect 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. The decision will most directly affect a class action suit filed by certain retirees which challenges PERB's recovery of funds from the 1999 over-crediting. The amount at issue is approximately \$800 million. If the court finds in favor of the retirees, PERS may be required to devise an alternative method to recover the funds.

The most recent actuarial valuations of the PERS system take into account the court decisions in existence when the valuations were completed. The outcome of pending federal and state cases challenging the Legislature's and PERB's actions may affect the system's Unfunded Actuarial Liability in the future. Nevertheless, the State believes that there are strong arguments for upholding the 2003 legislation and the PERB's actions.

Other legal claims pending against the State relate to Measure 37, which was approved by Oregon voters in November 2004. This measure entitles certain landowners either (1) to compensation for land use regulations that restrict their use of the property and that reduce the fair market value of their property as the result of certain land use regulations that are enacted or enforced by the State, city, county or Metropolitan Service District; or (2) to have their property released from land use regulations. Measure 37 does not apply to laws that were enacted to prevent nuisances or to protect public health or to laws that are required to comply with federal law. A property owner is not entitled to compensation for land use regulations that were enacted before the property owner's family acquired the property. If claims are not paid within two years after they accrue, Measure 37 releases the owner's use of the property from land use regulations. As of October 2006, the State had received approximately 2,700 Measure 37 claims. The compensation requested under these claims totaled approximately \$6.0 billion. About 90 percent of the submitted claims have resulted in the waiver of State laws, and no claims have been paid to date. The State continues to receive additional claims for compensation and appeals from the denial of claims.

A lawsuit was filed in the Marion County Circuit Court challenging the constitutionality of Measure 37. The judge ruled in October 2005, that the measure violates the Oregon Constitution because it restricts the power of the Legislature and treats pre- and post-regulation landowners unequally. The State appealed the decision to the Oregon Supreme Court. In February 2006, the Oregon Supreme Court reversed the lower court's decision holding that the measure does not violate the Oregon or U.S. Constitutions. Additional lawsuits have been filed and remain pending that assert the State's actions in waiving State laws or denying claims do not comply with Measure 37 or are unlawful or violate the Oregon Constitution for other reasons. The impact of these cases on the interpretation and implementation of Measure 37 is uncertain, as is the amount of claims compensation that may eventually be payable as a result.

On July 5, 2006, the Oregon Court of Appeals decided *Clarke v. Oregon Health Sciences University* (OHSU), a case challenging the constitutionality of parts of the Oregon Tort Claims Act. Under the Act, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the State. The liability of public bodies is capped at \$200,000 for individual claims. The public body may be substituted as a defendant in lieu of individual employees of the public body, limiting recovery for claims against individual employees. In *Clarke*, the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU. The alleged damages amount to approximately

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\$12 million. The Court of Appeals concluded that, based on the amount of damages alleged, the substitution of OHSU for the individual defendants did not provide substantial remedy to the plaintiff and therefore violated Article I, Section 10 of the Oregon Constitution, which provides the right to a remedy to persons who are injured in their person, property or reputation. The impact of the court's ruling in this case on other public bodies is uncertain. OHSU has appealed the case to the Oregon Supreme Court, which has accepted review.

**B. Debt Guarantees.** Article XI-K of the Oregon Constitution authorizes the State to guarantee the general obligation bonded debt of Oregon school districts, community colleges, and education service districts. The Article authorizes the issuance of state general obligation bonds to satisfy the guarantee. Short-term borrowing from eligible state funds may also satisfy the guarantee. Ultimate responsibility for debt service payments remains the responsibility of the respective district, and the Treasurer will seek recovery if payments are made on behalf of any district. As of June 30, 2006, a total of \$1.7 billion in bonds was outstanding and 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. There appears to be no practical method of estimating the amount of future benefit payments, which may be made to former employees for wage credits earned prior to fiscal year end. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2006, totaled approximately \$9.3 million.

**D. Federal Issues.** The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are 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 certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements.

## 22. SUBSEQUENT EVENTS

**A. Bond Issues.** The following schedule summarizes bond issues that have occurred since July 1, 2006 (in thousands):

General Obligation Bonds

Department of Energy	\$ 27,950
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Revenue Bonds

Housing and Community Services Department	\$ 117,690
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Department of Administrative Services	33,920
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**B. Bond Calls.** The Housing and Community Services Department called \$156,961 thousand of revenue bonds subsequent to July 1, 2006.

**C. Interest Rate Swaps.** The Housing and Community Services Department (HCS D) entered into an interest rate swap transaction with an effective date of July 18, 2006 for Mortgage Revenue Bond Series 2006 F. The notional amount of the swap is \$20.0 million, and the termination date is July 1, 2037. HCS D will pay the counterparty (Bank of America) a fixed rate of 4.43 percent and receive a variable payment of 64 percent of LIBOR plus 29 basis points. On July 18, 2006, the HCS D entered into an interest rate swap transaction for Mortgage Revenue Bond Series 2006 G. The notional amount of the swap is \$16.1 million, and the termination date is July 1, 2016. HCS D will pay the counterparty (Merrill Lynch Capital Services) a fixed rate of 3.83 percent and receive a variable payment of 64 percent of LIBOR plus 19 basis points.

**D. Line of Credit.** The Department of Veterans' Affairs drew \$11.0 million on September 27, 2006 from their revolving line of credit to help preserve refunding opportunities to finance veterans' housing loans.

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# **Required Supplementary Information**

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## **Budgeted Appropriated Funds**

The State accounts for budgetary activities based on the source of monies 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 are earned by the State Lottery, and 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, 2007  
As of June 30, 2006  
(In Thousands)**

General Fund				
	2005-2007 Original Budget	2005-2007 Final Budget	1st Year Actual	Variance Over/ (Under)
<b>Revenues:</b>				
Personal Income Taxes	\$ 10,124,013	\$ 10,948,876	\$ 5,266,735	\$ (5,682,141)
Corporate Income Taxes	499,995	698,463	438,225	(260,238)
Tobacco Taxes	104,075	110,872	60,628	(50,244)
Motor Fuels Taxes	-	-	-	-
Weight-Mile Taxes	-	-	-	-
Employer-Employee Taxes	-	-	-	-
Vehicle Registration Taxes	-	-	-	-
Other Taxes	239,252	247,395	152,755	(94,640)
Licenses and Fees	79,257	82,221	30,597	(51,624)
Federal	-	-	-	-
Charges for Services	6,742	6,400	3,371	(3,029)
Fines and Forfeitures	1,337	1,337	2,312	975
Rents and Royalties	-	-	-	-
Investment Income	31,750	50,000	32,148	(17,852)
Sales	4,424	4,424	2,005	(2,419)
Donations and Grants	-	-	51	51
Pension Bond Debt Service Assessments	-	-	-	-
Other	2,733	6,333	9,622	3,289
<b>Total Revenues</b>	<b>11,093,578</b>	<b>12,156,321</b>	<b>5,998,449</b>	<b>(6,157,872)</b>
<b>Expenditures:</b>				
Education	6,362,958	6,428,005	3,172,612	(3,255,393)
Human Resources	2,605,065	2,699,210	1,480,857	(1,218,353)
Public Safety	1,488,299	1,533,091	750,565	(782,526)
Economic and Community Development	21,951	22,181	9,672	(12,509)
Natural Resources	122,981	130,414	60,544	(69,870)
Transportation	8,626	8,626	4,500	(4,126)
Consumer and Business Services	11,321	11,708	5,686	(6,022)
Administration	164,941	171,170	81,160	(90,010)
Legislative	255,587	180,404	27,088	(153,316)
Judicial	447,009	456,202	304,928	(151,274)
<b>Total Expenditures</b>	<b>11,488,738</b>	<b>11,641,011</b>	<b>5,897,612</b>	<b>(5,743,399)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(395,160)	515,310	100,837	(414,473)
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	937,554	989,584	488,902	(500,682)
Transfers to Other Funds	(704,437)	(737,484)	(356,580)	380,904
Long-term Debt Issued	-	-	-	-
Debt Issuance Premium	-	-	-	-
Loan Proceeds	-	-	-	-
Gain(Loss) on Disposition of Assets	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>\$ (162,043)</b>	<b>\$ 767,410</b>	233,159	<b>\$ (534,251)</b>
<b>Budgetary Fund Balances - Beginning</b>			466,060	
Prior Period Adjustments			(85)	
Budgetary Fund Balances - Beginning - As Restated			465,975	
Prior Biennium Transactions			(8,807)	
<b>Budgetary Fund Balances - Ending</b>			<b>\$ 690,327</b>	

**State of Oregon**

Federal Funds				Lottery Funds			
2005-2007 Original Budget	2005-2007 Final Budget	1st Year Actual	Variance Over/ (Under)	2005-2007 Original Budget	2005-2007 Final Budget	1st Year Actual	Variance Over/ (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	247	247	-	-	21	21
8,766,190	8,831,916	3,252,153	(5,579,763)	-	-	-	-
-	-	240	240	-	-	-	-
-	-	163	163	-	-	-	-
-	-	450	450	-	-	-	-
-	-	1,412	1,412	11,375	11,375	13,800	2,425
-	-	483	483	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	13,208	70,801	57,593	-	-	71	71
<u>8,766,190</u>	<u>8,845,124</u>	<u>3,325,949</u>	<u>(5,519,175)</u>	<u>11,375</u>	<u>11,375</u>	<u>13,892</u>	<u>2,517</u>
866,549	886,584	376,399	(510,185)	474,470	516,715	223,551	(293,164)
5,064,436	5,144,510	2,493,849	(2,650,661)	9,312	9,312	3,646	(5,666)
327,698	334,463	127,524	(206,939)	6,358	6,568	2,786	(3,782)
389,702	390,222	174,774	(215,448)	107,779	108,914	44,095	(64,819)
223,077	235,441	94,792	(140,649)	155,453	163,648	59,811	(103,837)
75,290	75,564	20,555	(55,009)	22,162	22,162	11,079	(11,083)
1,771	1,894	822	(1,072)	-	-	-	-
9,970	14,566	4,697	(9,869)	7,290	7,338	3,867	(3,471)
-	-	-	-	-	-	-	-
1,390	1,615	597	(1,018)	-	-	-	-
<u>6,959,883</u>	<u>7,084,859</u>	<u>3,294,009</u>	<u>(3,790,850)</u>	<u>782,824</u>	<u>834,657</u>	<u>348,835</u>	<u>(485,822)</u>
1,806,307	1,760,265	31,940	(1,728,325)	(771,449)	(823,282)	(334,943)	488,339
1,280	1,280	8,509	7,229	2,015,774	2,058,427	804,460	(1,253,967)
(336,168)	(336,148)	(60,800)	275,348	(1,117,184)	(1,117,592)	(247,255)	870,337
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,471,419</u>	<u>\$ 1,425,397</u>	(20,351)	<u>\$ (1,445,748)</u>	<u>\$ 127,141</u>	<u>\$ 117,553</u>	222,262	<u>\$ 104,709</u>
		21,904				(38,863)	
		600				3,352	
		22,504				(35,511)	
		(59,432)				(103,159)	
		<u>(57,279)</u>				<u>\$ 83,592</u>	

(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, 2007  
As of June 30, 2006  
(In Thousands)**

(continued from previous page)

	<b>Other Funds</b>			
	<b>2005-2007 Original Budget</b>	<b>2005-2007 Final Budget</b>	<b>1st Year Actual</b>	<b>Variance Over/ (Under)</b>
<b>Revenues:</b>				
Personal Income Taxes	\$ -	\$ -	\$ -	\$ -
Corporate Income Taxes	-	-	-	-
Tobacco Taxes	369,586	369,586	171,756	(197,830)
Motor Fuels Taxes	852,362	852,362	379,779	(472,583)
Weight-Mile Taxes	454,977	454,977	241,963	(213,014)
Employer-Employee Taxes	415,841	415,841	-	(415,841)
Vehicle Registration Taxes	-	-	186,415	186,415
Other Taxes	515,010	515,010	196,147	(318,863)
Licenses and Fees	1,079,367	1,080,543	274,822	(805,721)
Federal	570,054	578,308	352,128	(226,180)
Charges for Services	1,894,669	1,907,064	780,677	(1,126,387)
Fines and Forfeitures	166,018	166,018	75,646	(90,372)
Rents and Royalties	90,908	90,908	49,247	(41,661)
Investment Income	130,782	130,707	44,588	(86,119)
Sales	430,059	438,833	163,106	(275,727)
Donations and Grants	165,007	172,301	12,505	(159,796)
Pension Bond Debt Service Assessments	-	-	117,596	117,596
Other	678,777	679,838	218,465	(461,373)
<b>Total Revenues</b>	<b>7,813,417</b>	<b>7,852,296</b>	<b>3,264,840</b>	<b>(4,587,456)</b>
<b>Expenditures:</b>				
Education	1,661,168	1,789,924	614,405	(1,175,519)
Human Resources	1,214,233	1,230,132	469,687	(760,445)
Public Safety	396,283	409,875	178,831	(231,044)
Economic and Community Development	267,855	275,013	112,594	(162,419)
Natural Resources	599,749	652,848	288,021	(364,827)
Transportation	2,615,185	2,675,436	1,099,091	(1,576,345)
Consumer and Business Services	267,976	277,882	126,396	(151,486)
Administration	1,084,648	1,129,139	496,226	(632,913)
Legislative	5,795	6,839	2,062	(4,777)
Judicial	24,603	26,286	10,132	(16,154)
<b>Total Expenditures</b>	<b>8,137,495</b>	<b>8,473,374</b>	<b>3,397,445</b>	<b>(5,075,929)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(324,078)	(621,078)	(132,605)	488,473
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	3,835,961	3,872,221	1,982,943	(1,889,278)
Transfers to Other Funds	(4,725,993)	(4,752,161)	(1,915,276)	2,836,885
Long-term Debt Issued	1,155,396	1,156,365	493,471	(662,894)
Debt Issuance Premium	-	-	12,099	12,099
Loan Proceeds	-	-	500	500
Gain(Loss) on Disposition of Assets	-	-	1,131	1,131
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (58,714)</u>	<u>\$ (344,653)</u>	442,263	<u>\$ 786,916</u>
<b>Budgetary Fund Balances - Beginning</b>			2,756,399	
Prior Period Adjustments			(1,770)	
Budgetary Fund Balances - Beginning - As Restated			2,754,629	
Prior Biennium Transactions			(48,130)	
<b>Budgetary Fund Balances - Ending</b>			<u>\$ 3,148,762</u>	

**Total All Budgeted Appropriated Funds**

2005-2007 Original Budget	2005-2007 Final Budget	1st Year Actual	Variance Over/ (Under)
\$ 10,124,013	\$ 10,948,876	\$ 5,266,735	\$ (5,682,141)
499,995	698,463	438,225	(260,238)
473,661	480,458	232,384	(248,074)
852,362	852,362	379,779	(472,583)
454,977	454,977	241,963	(213,014)
415,841	415,841	-	(415,841)
-	-	186,415	186,415
754,262	762,405	348,902	(413,503)
1,158,624	1,162,764	305,687	(857,077)
9,336,244	9,410,224	3,604,281	(5,805,943)
1,901,411	1,913,464	784,288	(1,129,176)
167,355	167,355	78,121	(89,234)
90,908	90,908	49,697	(41,211)
173,907	192,082	91,948	(100,134)
434,483	443,257	165,594	(277,663)
165,007	172,301	12,556	(159,745)
-	-	117,596	117,596
681,510	699,379	298,959	(400,420)
<u>27,684,560</u>	<u>28,865,116</u>	<u>12,603,130</u>	<u>(16,261,986)</u>
9,365,145	9,621,228	4,386,967	(5,234,261)
8,893,046	9,083,164	4,448,039	(4,635,125)
2,218,638	2,283,997	1,059,706	(1,224,291)
787,287	796,330	341,135	(455,195)
1,101,260	1,182,351	503,168	(679,183)
2,721,263	2,781,788	1,135,225	(1,646,563)
281,068	291,484	132,904	(158,580)
1,266,849	1,322,213	585,950	(736,263)
261,382	187,243	29,150	(158,093)
473,002	484,103	315,657	(168,446)
<u>27,368,940</u>	<u>28,033,901</u>	<u>12,937,901</u>	<u>(15,096,000)</u>
315,620	831,215	(334,771)	(1,165,986)
6,790,569	6,921,512	3,284,814	(3,636,698)
(6,883,782)	(6,943,385)	(2,579,911)	4,363,474
1,155,396	1,156,365	493,471	(662,894)
-	-	12,099	12,099
-	-	500	500
-	-	1,131	1,131
<u>\$ 1,377,803</u>	<u>\$ 1,965,707</u>	877,333	<u>\$ (1,088,374)</u>
		3,205,500	
		2,097	
		3,207,597	
		(219,528)	
		<u>\$ 3,865,402</u>	

## 1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The State's budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium. The Governor establishes priorities for the State based on function (i.e., Education, Human Resources, 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, which are not included in the Governor's budget recommendations, are also established by agencies for certain expenditures to enhance fiscal control. These nonbudgeted items include federal funds and other funds.

During the interim period when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. It authorizes and allocates all changes in funding and takes other actions to meet emergency needs when the Legislature is not in session. 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 2005-2007 biennium as of June 30, 2006. 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.

**State of Oregon**  
**Notes to Required Supplementary Information**

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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).

R\*STARS establishes the following budgeted appropriated funds to account for the State's budgetary activities: General Fund, Federal Funds, Lottery Funds, and Other Funds.

**State of Oregon**  
**Notes to Required Supplementary Information**

## 2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

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

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2006 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	Budgetary General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Non- Budgeted Funds	GAAP Balances
General	233,159	-	-	-	233,159	(2,064)	209,221	77,264	517,580
Health & Social Services	-	(89,323)	2,549	47,650	(39,124)	37,904	27,503	35,769	62,052
Public Transportation	-	475	-	280,368	280,843	(68,234)	31,574	(4,249)	239,934
Environmental Management	-	(17,177)	36,822	16,501	36,146	(3,623)	(10,400)	32,377	54,500
Common School	-	-	-	(6,135)	(6,135)	(71)	112,459	(22,336)	83,917
Nonmajor Governmental	-	85,674	181,952	82,262	349,888	(82,516)	31,139	31,486	329,997
Housing & Community Services	-	-	-	716	716	(312)	(203)	1,868	2,069
Veterans' Loan	-	-	-	(6,026)	(6,026)	(138)	(598)	8,051	1,289
Lottery Operations	-	-	-	-	-	-	-	39,625	39,625
Unemployment Compensation	-	-	-	-	-	-	-	308,632	308,632
University System	-	-	1,138	12,635	13,773	(33,375)	19,602	8,766	8,766
Nonmajor Proprietary	-	-	(199)	(14,894)	(15,093)	(19,986)	11,149	43,538	19,608
Internal Service	-	-	-	41,358	41,358	(3,397)	(184,649)	168,688	22,000
Pension Trust	-	-	-	(12,172)	(12,172)	(7,085)	(8,525)	5,969,036	5,941,254
Private Purpose Trust	-	-	-	-	-	-	-	(1,413)	(1,413)
Investment Trust	-	-	-	-	-	-	-	(199,198)	(199,198)
Totals (Memo Only)	233,159	(20,351)	222,262	442,263	877,333	(182,897)	238,272	6,497,904	7,430,612



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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. Employer and employee taxes, business taxes, 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.

#### **Educational Support Fund**

This fund is used to account 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, charges for services, and transfers from other funds.

#### **Employment Services Fund**

This fund accounts for programs that provide workers with a safe and secure workplace. Funding for these employment related programs comes from federal grants, employer and employee taxes, and other 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 was 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, 2006  
(In Thousands)**

	<b>Special Revenue Funds</b>		
	<b>Agricultural Resources</b>	<b>Business Development</b>	<b>Community Protection</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 18,283	\$ 85,197	\$ 121,256
Investments	-	4,052	1,661
Cash and Securities Held in Trust	-	10	-
Securities Lending Cash Collateral	-	-	19,952
Accounts and Interest Receivable (net)	1,889	1,162	60,167
Taxes Receivable	-	5,797	-
Due from Other Funds	213	159,403	9,040
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	220	45	376
Prepaid Items	44	-	82
Net Contracts, Notes and Other Receivables	-	990	129,203
Loans Receivable	-	9	-
<b>Total Assets</b>	<b>\$ 20,649</b>	<b>\$ 256,665</b>	<b>\$ 341,737</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts and Interest Payable	\$ 703	\$ 1,736	\$ 20,467
Obligations Under Securities Lending	-	-	19,952
Due to Other Funds	473	111,794	14,491
Due to Other Governments	-	2,186	3,385
Matured Bonds/COPs and Coupons Payable	-	-	-
Advances from Other Funds	-	68	-
Trust Funds Payable	778	4	188
Deferred Revenue	16	5,278	131,625
Contracts, Mortgages and Notes Payable	-	93	-
<b>Total Liabilities</b>	<b>1,970</b>	<b>121,159</b>	<b>190,108</b>
Fund Balances:			
Reserved for Encumbrances	138	-	2,320
Reserved for Inventories	220	45	376
Reserved for Loans Receivable	-	9	-
Reserved for Other Long-term Receivables	-	600	27
Reserved for Prepaid Items	44	-	82
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	26	-	89
Unreserved, Undesignated	18,251	134,852	148,735
<b>Total Fund Balances</b>	<b>18,679</b>	<b>135,506</b>	<b>151,629</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,649</b>	<b>\$ 256,665</b>	<b>\$ 341,737</b>

State of Oregon

Special Revenue Funds

Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other
\$ 107,623	\$ 153,790	\$ 17,994	\$ 261	\$ 60,085	\$ 38,608
-	7,010	247,602	-	15,219	1,609
3,145	-	-	-	-	-
90,696	-	27,132	-	3,885	87
1,836	19,071	57,760	35,482	6,103	993
5,949	3,702	-	-	-	-
292	24,660	742	-	22	3,489
-	-	9,878	-	-	-
-	13	-	-	-	-
122	-	3,440	36	101	783
68	131	181	-	-	-
1,851	5	14,428	-	156	-
-	7	-	-	96,372	-
<b>\$ 211,582</b>	<b>\$ 208,389</b>	<b>\$ 379,157</b>	<b>\$ 35,779</b>	<b>\$ 181,943</b>	<b>\$ 45,569</b>
\$ 2,857	\$ 49,827	\$ 28,961	\$ 20,467	\$ 3,675	\$ 1,428
90,696	-	27,132	-	3,885	87
9,429	1,402	8,249	-	158	221
5,282	290	-	6,626	2,111	94
-	-	-	-	-	-
-	-	1,108	-	40,598	-
3,224	33	214	-	-	16
1,855	3,645	14,466	367	1,036	15,604
-	-	-	-	-	-
<b>113,343</b>	<b>55,197</b>	<b>80,130</b>	<b>27,460</b>	<b>51,463</b>	<b>17,450</b>
681	7	875	39	-	352
122	-	3,440	36	101	783
-	7	-	-	96,372	-
-	-	-	-	-	-
68	131	181	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	124,033	-	-	-
8	6	102	-	-	-
97,360	153,041	170,396	8,244	34,007	26,984
98,239	153,192	299,027	8,319	130,480	28,119
<b>\$ 211,582</b>	<b>\$ 208,389</b>	<b>\$ 379,157</b>	<b>\$ 35,779</b>	<b>\$ 181,943</b>	<b>\$ 45,569</b>

(continued on next page)

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**  
**(In Thousands)**  
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	Certificates of Participation	General Obligation Bond	General Appropriation Bond
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 12,176	\$ 104	\$ 14,686	\$ 64
Investments	63,137	7,297	22,853	-
Cash and Securities Held in Trust	-	-	-	-
Securities Lending Cash Collateral	-	-	-	-
Accounts and Interest Receivable (net)	-	-	-	-
Taxes Receivable	-	-	-	-
Due from Other Funds	70,185	-	-	-
Due from Component Units	-	-	-	-
Due from Other Governments	-	-	-	-
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-	-
Loans Receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ 145,498</b>	<b>\$ 7,401</b>	<b>\$ 37,539</b>	<b>\$ 64</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts and Interest Payable	\$ -	\$ 3	\$ -	\$ -
Obligations Under Securities Lending	-	-	-	-
Due to Other Funds	7,602	-	-	-
Due to Other Governments	-	-	-	-
Matured Bonds/COPs and Coupons Payable	-	-	5	-
Advances from Other Funds	-	-	-	-
Trust Funds Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Contracts, Mortgages and Notes Payable	-	-	-	-
<b>Total Liabilities</b>	<b>7,602</b>	<b>3</b>	<b>5</b>	<b>-</b>
Fund Balances:				
Reserved for Encumbrances	-	-	-	-
Reserved for Inventories	-	-	-	-
Reserved for Loans Receivable	-	-	-	-
Reserved for Other Long-term Receivables	-	-	-	-
Reserved for Prepaid Items	-	-	-	-
Reserved for Debt Service	137,896	7,398	37,534	64
Reserved for Permanent Fund Principal	-	-	-	-
Reserved for Claims and Judgments Payable	-	-	-	-
Reserved for Revolving Accounts	-	-	-	-
Unreserved, Undesignated	-	-	-	-
<b>Total Fund Balances</b>	<b>137,896</b>	<b>7,398</b>	<b>37,534</b>	<b>64</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 145,498</b>	<b>\$ 7,401</b>	<b>\$ 37,539</b>	<b>\$ 64</b>

<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
\$ 4,277	\$ 30,398	\$ 664,802
116,859	-	487,299
-	-	3,155
-	-	141,752
640	-	185,103
-	-	15,448
479	-	268,525
-	-	9,878
-	-	13
-	-	5,123
-	-	506
115	-	146,748
-	-	96,388
<u>\$ 122,370</u>	<u>\$ 30,398</u>	<u>\$ 2,024,740</u>
\$ 482	\$ 76	\$ 130,682
-	-	141,752
2,283	-	156,102
-	-	19,974
-	-	5
-	-	41,774
-	-	4,457
120	-	174,012
984	-	1,077
<u>3,869</u>	<u>76</u>	<u>669,835</u>
250	-	4,662
-	-	5,123
-	-	96,388
115	-	742
-	-	506
-	-	182,892
-	23,565	23,565
-	-	124,033
-	-	231
118,136	6,757	916,763
<u>118,501</u>	<u>30,322</u>	<u>1,354,905</u>
<u>\$ 122,370</u>	<u>\$ 30,398</u>	<u>\$ 2,024,740</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006  
(In Thousands)**

	<b>Special Revenue Funds</b>		
	<b>Agricultural Resources</b>	<b>Business Development</b>	<b>Community Protection</b>
<b>Revenues:</b>			
Employer-Employee Taxes	\$ -	\$ 196,684	\$ -
Other Taxes	-	20,404	-
Licenses and Fees	14,524	2,515	50,078
Federal	4,718	9,941	184,553
Charges for Services	6,134	296	21,527
Fines and Forfeitures	19	54	71,853
Rents and Royalties	-	-	1,843
Investment Income	583	4,132	2,188
Sales	5	1,558	1,223
Donations and Grants	12	3,119	226
Pension Bond Debt Service Assessments	-	-	-
Other	818	1,492	41,932
<b>Total Revenues</b>	<b>26,813</b>	<b>240,195</b>	<b>375,423</b>
<b>Expenditures:</b>			
Current:			
Education	-	-	-
Human Resources	-	-	2,013
Public Safety	-	1,841	295,672
Economic and Community Development	-	43,506	-
Natural Resources	31,228	201	-
Transportation	-	-	8,313
Consumer and Business Services	-	388	-
Administration	-	227,628	13,744
Legislative	-	-	-
Judicial	-	-	44,155
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	101
Interest	-	7	-
Other Debt Service	-	241	1,518
<b>Total Expenditures</b>	<b>31,228</b>	<b>273,812</b>	<b>365,516</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,415)	(33,617)	9,907
<b>Other Financing Sources (Uses):</b>			
Transfers from Other Funds	6,674	540,233	84,310
Transfers to Other Funds	(116)	(443,470)	(50,778)
Insurance Recoveries	4	-	274
Long-Term Debt Issued	-	14,563	2,395
Debt Issuance Premium	-	-	85
Debt Issuance Discount	-	-	-
Refunded Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>6,562</b>	<b>111,326</b>	<b>36,286</b>
Net Change in Fund Balances	2,147	77,709	46,193
Fund Balances - Beginning	16,557	57,771	104,775
Prior Period Adjustments	(29)	1	543
Fund Balances - Beginning - As Restated	16,528	57,772	105,318
Change in Reserve for Inventories	4	25	118
<b>Fund Balances - Ending</b>	<b>\$ 18,679</b>	<b>\$ 135,506</b>	<b>\$ 151,629</b>

**State of Oregon**

**Special Revenue Funds**

Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other
\$ -	\$ -	\$ 85,873	\$ -	\$ -	\$ -
81,354	882	54,079	-	24,686	-
82,878	399	1,494	-	487	-
976	413,602	199,004	640,072	104,616	11,506
2,322	1,921	15,491	1,640	2,293	14,514
1,054	-	4,426	-	2,399	-
-	120	-	-	-	700
4,361	6,498	22,972	19	7,307	1,253
63	161	242	1	1	2,067
-	10,151	715	60	49	150
-	-	-	-	-	-
1,657	765	1,665	15,448	506	464
<b>174,665</b>	<b>434,499</b>	<b>385,961</b>	<b>657,240</b>	<b>142,344</b>	<b>30,654</b>
2,052	603,732	62,225	135,308	-	-
-	-	-	515,838	-	-
-	-	-	-	-	-
-	-	123,617	1,055	133,102	1,538
1,862	-	-	-	353	-
17	-	-	-	-	-
132,172	-	137,543	-	4,266	-
28,042	39,818	692	-	58	47,877
-	-	-	-	-	2,635
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1	-	-	189
<b>164,145</b>	<b>643,550</b>	<b>324,078</b>	<b>652,201</b>	<b>137,779</b>	<b>52,239</b>
10,520	(209,051)	61,883	5,039	4,565	(21,585)
15,980	306,541	17,780	-	5,424	34,519
(13,887)	(4,205)	(67,545)	(1,390)	(1,369)	(4,260)
2	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>2,095</b>	<b>302,336</b>	<b>(49,765)</b>	<b>(1,390)</b>	<b>4,055</b>	<b>30,259</b>
<b>12,615</b>	<b>93,285</b>	<b>12,118</b>	<b>3,649</b>	<b>8,620</b>	<b>8,674</b>
<b>85,620</b>	<b>59,880</b>	<b>286,948</b>	<b>4,807</b>	<b>121,236</b>	<b>19,069</b>
-	27	6	-	622	24
<b>85,620</b>	<b>59,907</b>	<b>286,954</b>	<b>4,807</b>	<b>121,858</b>	<b>19,093</b>
4	-	(45)	(137)	2	352
<b>\$ 98,239</b>	<b>\$ 153,192</b>	<b>\$ 299,027</b>	<b>\$ 8,319</b>	<b>\$ 130,480</b>	<b>\$ 28,119</b>

(continued on next page)

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**  
 (continued from previous page)

	Debt Service Funds			
	Revenue Bond	Certificates of Participation	General Obligation Bond	General Appropriation Bond
<b>Revenues:</b>				
Employer-Employee Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Rents and Royalties	-	52	-	-
Investment Income	5,722	410	2,213	48
Sales	-	-	-	-
Donations and Grants	-	-	-	-
Pension Bond Debt Service Assessments	-	-	119,778	-
Other	28	13	-	-
<b>Total Revenues</b>	<b>5,750</b>	<b>475</b>	<b>121,991</b>	<b>48</b>
<b>Expenditures:</b>				
Current:				
Education	-	-	-	-
Human Resources	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	-	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	60,255	4,154	11,620	23,600
Interest	52,423	5,130	128,278	19,151
Other Debt Service	33	129	-	-
<b>Total Expenditures</b>	<b>112,711</b>	<b>9,413</b>	<b>139,898</b>	<b>42,751</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,961)	(8,938)	(17,907)	(42,703)
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	121,080	6,105	21,127	42,751
Transfers to Other Funds	(1,425)	(1,605)	(117)	-
Insurance Recoveries	-	-	-	-
Long-Term Debt Issued	-	5,659	-	-
Debt Issuance Premium	-	-	-	-
Debt Issuance Discount	-	(18)	-	-
Refunded Debt Issued	-	16,010	-	-
Refunded Debt Payment to Escrow Agent	(9,297)	(15,863)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>110,358</b>	<b>10,288</b>	<b>21,010</b>	<b>42,751</b>
Net Change in Fund Balances	3,397	1,350	3,103	48
Fund Balances - Beginning	134,742	5,940	34,431	16
Prior Period Adjustments	(243)	108	-	-
Fund Balances - Beginning - As Restated	134,499	6,048	34,431	16
Change in Reserve for Inventories	-	-	-	-
<b>Fund Balances - Ending</b>	<b>\$ 137,896</b>	<b>\$ 7,398</b>	<b>\$ 37,534</b>	<b>\$ 64</b>

**State of Oregon**

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<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	
<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
\$ -	\$ -	\$ 282,557
-	-	181,405
-	-	152,375
6,996	-	1,575,984
-	-	66,138
-	-	79,805
1	-	2,716
3,300	1,238	62,244
-	-	5,321
1,969	17	16,468
-	-	119,778
817	2	65,607
<u>13,083</u>	<u>1,257</u>	<u>2,610,398</u>
-	-	803,317
-	2,439	520,290
-	-	297,513
-	-	302,818
-	368	34,012
-	-	8,330
-	15	274,384
-	-	357,859
-	-	2,635
-	-	44,155
114,088	-	114,088
-	-	99,730
-	-	204,989
-	-	2,111
<u>114,088</u>	<u>2,822</u>	<u>3,066,231</u>
(101,005)	(1,565)	(455,833)
9,688	4,817	1,217,029
(6,218)	-	(596,385)
-	-	280
145,997	-	168,614
5,375	-	5,460
-	-	(18)
-	-	16,010
-	-	(25,160)
<u>154,842</u>	<u>4,817</u>	<u>785,830</u>
<u>53,837</u>	<u>3,252</u>	<u>329,997</u>
64,534	27,070	1,023,396
130	-	1,189
64,664	27,070	1,024,585
-	-	323
<u>\$ 118,501</u>	<u>\$ 30,322</u>	<u>\$ 1,354,905</u>

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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.

### **Water Resources Fund**

This fund accounts for activities to provide low-interest loans for irrigation, drainage, and water systems projects for small municipalities. Capital for this fund is provided from general obligation bonds that are repaid by borrowers.

### **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. This includes programs within the following state agencies: the Department of Administrative Services, Legislative Administration Committee, the Judicial Department, the Oregon Facilities Authority, the Oregon State Treasury, the Department of Corrections, Oregon Corrections Enterprises, the Department of Forestry, the State Fair and Exposition Center, and the Economic and Community Development Department.

**Combining Balance Sheet  
Nonmajor Enterprise Funds  
June 30, 2006  
(In Thousands)**

	Energy Loan	Water Resources	Business Development
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 1,576	\$ 10,102
Cash and Cash Equivalents - Restricted	-	74	-
Investments	-	-	-
Securities Lending Cash Collateral	-	-	-
Accounts and Interest Receivable (net)	965	5	105
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
<b>Total Current Assets</b>	<b>965</b>	<b>1,655</b>	<b>10,207</b>
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	46,154	-	-
Investments - Restricted	-	-	-
Deferred Charges	419	-	-
Advances to Other Funds	17,776	-	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable	79,850	536	17,152
Capital Assets:			
Land	-	-	-
Buildings, Property and Equipment	265	-	-
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	-	-
Less Accumulated Depreciation and Amortization	(84)	-	-
<b>Total Noncurrent Assets</b>	<b>144,380</b>	<b>536</b>	<b>17,152</b>
<b>Total Assets</b>	<b>\$ 145,345</b>	<b>\$ 2,191</b>	<b>\$ 27,359</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities:			
Accounts and Interest Payable	\$ 2,069	\$ 6	\$ 16
Obligations Under Securities Lending	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Matured Bonds/COPS and Coupons Payable	-	74	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	12,490	-	-
Claims and Judgments Payable	-	1	-
Trust Funds Payable	2,115	-	-
Unearned Revenue	175	-	-
Compensated Absences Payable	40	-	10
<b>Total Current Liabilities</b>	<b>16,889</b>	<b>81</b>	<b>26</b>
Noncurrent Liabilities:			
Bonds/COPS Payable	110,282	-	-
Obligations Under Capital Lease	-	-	-
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	13	-	3
Arbitrage Rebate Payable	6	-	-
Trust Funds Payable	-	-	-
Advances from Other Funds	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>110,301</b>	<b>-</b>	<b>3</b>
<b>Total Liabilities</b>	<b>127,190</b>	<b>81</b>	<b>29</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	181	-	-
Expendable Restricted Net Assets:			
Restricted for Debt Service	17,974	-	-
Unrestricted	-	2,110	27,330
<b>Total Net Assets</b>	<b>18,155</b>	<b>2,110</b>	<b>27,330</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 145,345</b>	<b>\$ 2,191</b>	<b>\$ 27,359</b>

**State of Oregon**

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
\$ 41,359	\$ 4,487	\$ 23,104	\$ 1,475	\$ 28,580	\$ 28,447	\$ 139,130
-	-	-	-	-	-	74
-	4	-	-	-	-	4
5,615	-	-	189	-	-	5,804
5,902	2,192	76	759	2,250	5,349	17,603
-	18,785	-	-	-	43	18,828
-	804	15,321	-	-	10,623	26,748
-	270	71	1	-	38	380
<b>52,876</b>	<b>26,542</b>	<b>38,572</b>	<b>2,424</b>	<b>30,830</b>	<b>44,500</b>	<b>208,571</b>
3,953	-	-	-	1,640	-	51,747
2,228	-	-	-	863	2	3,093
1,470	-	-	-	751	-	2,640
-	-	-	-	100	-	17,876
-	-	-	2	-	-	2
243,282	-	-	-	87,784	84,432	513,036
-	41	59	600	-	3,385	4,085
-	37,276	12,890	12,578	-	36,389	99,398
-	1,485	-	-	-	-	1,485
-	879	-	-	-	-	879
-	-	-	40	-	-	40
-	(14,221)	(7,031)	(2,739)	-	(16,715)	(40,790)
<b>250,933</b>	<b>25,460</b>	<b>5,918</b>	<b>10,481</b>	<b>91,138</b>	<b>107,493</b>	<b>653,491</b>
<b>\$ 303,809</b>	<b>\$ 52,002</b>	<b>\$ 44,490</b>	<b>\$ 12,905</b>	<b>\$ 121,968</b>	<b>\$ 151,993</b>	<b>\$ 862,062</b>
\$ 2,823	\$ 2,684	\$ 13,468	\$ 705	\$ 1,502	\$ 2,488	\$ 25,761
5,615	-	-	189	-	-	5,804
-	13,207	9,363	119	-	269	22,958
113	-	-	-	20	-	133
-	-	-	-	-	-	74
-	13	-	-	-	6	19
6,055	-	-	-	3,160	476	22,181
6	853	84	-	5	2	951
1,021	1	-	1	79	1,479	4,696
-	-	75	-	-	10	260
51	4,906	626	-	15	516	6,164
<b>15,684</b>	<b>21,664</b>	<b>23,616</b>	<b>1,014</b>	<b>4,781</b>	<b>5,246</b>	<b>89,001</b>
107,667	-	-	-	59,071	10,316	287,336
-	5	-	-	-	-	5
-	-	-	7	-	-	7
17	1,635	209	-	5	172	2,054
-	-	-	-	-	-	6
197	-	-	-	218	-	415
-	335	-	-	-	613	948
<b>107,881</b>	<b>1,975</b>	<b>209</b>	<b>7</b>	<b>59,294</b>	<b>11,101</b>	<b>290,771</b>
<b>123,565</b>	<b>23,639</b>	<b>23,825</b>	<b>1,021</b>	<b>64,075</b>	<b>16,347</b>	<b>379,772</b>
-	25,442	5,917	10,479	-	11,595	53,614
2,112	-	-	-	1,521	-	21,607
178,132	2,921	14,748	1,405	56,372	124,051	407,069
<b>180,244</b>	<b>28,363</b>	<b>20,665</b>	<b>11,884</b>	<b>57,893</b>	<b>135,646</b>	<b>482,290</b>
<b>\$ 303,809</b>	<b>\$ 52,002</b>	<b>\$ 44,490</b>	<b>\$ 12,905</b>	<b>\$ 121,968</b>	<b>\$ 151,993</b>	<b>\$ 862,062</b>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2006  
(In Thousands)**

	Energy Loan	Water Resources	Business Development
<b>Operating Revenues:</b>			
Licenses and Fees	\$ 123	\$ -	\$ 8
Federal	-	-	-
Charges for Services	325	-	22
Fines and Forfeitures	7	-	-
Rents and Royalties	-	-	-
Sales	-	-	-
Loan Interest Income	3,937	45	952
Investment Income	1,358	116	440
Other	16	-	7
Total Operating Revenues	<u>5,766</u>	<u>161</u>	<u>1,429</u>
<b>Operating Expenses:</b>			
Salaries and Wages	745	73	245
Services and Supplies	553	50	115
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	-	-
Special Payments	-	-	-
Bond and COP Interest	5,213	127	-
Other Debt Service	-	-	-
Depreciation and Amortization	53	-	-
Bad Debt Expense	-	-	479
Total Operating Expenses	<u>6,564</u>	<u>250</u>	<u>839</u>
Operating Income (Loss)	<u>(798)</u>	<u>(89)</u>	<u>590</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment Income (Loss)	-	-	-
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-
Loan Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	<u>(798)</u>	<u>(89)</u>	<u>590</u>
Capital Contributions	-	-	-
Transfers from Other Funds	500	-	-
Transfers to Other Funds	-	-	(400)
Change in Net Assets	<u>(298)</u>	<u>(89)</u>	<u>190</u>
Net Assets - Beginning	<u>18,453</u>	<u>2,199</u>	<u>27,140</u>
Prior Period Adjustments	-	-	-
Net Assets - Beginning - As Restated	<u>18,453</u>	<u>2,199</u>	<u>27,140</u>
<b>Net Assets - Ending</b>	<u>\$ 18,155</u>	<u>\$ 2,110</u>	<u>\$ 27,330</u>

State of Oregon

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
\$ -	\$ -	\$ 4,039	\$ -	\$ -	\$ -	\$ 4,170
-	-	-	2,907	-	-	2,907
-	25,464	-	6,902	-	18,830	51,543
-	4	471	-	-	10	492
-	125	-	-	-	1,090	1,215
-	979	344,692	-	-	20,536	366,207
10,316	-	-	-	4,350	2,125	21,725
3,381	-	-	-	1,241	987	7,523
14	106	253	2	-	3,665	4,063
<b>13,711</b>	<b>26,678</b>	<b>349,455</b>	<b>9,811</b>	<b>5,591</b>	<b>47,243</b>	<b>459,845</b>
1,182	138,963	13,268	81	355	16,664	171,576
1,091	27,170	37,403	9,288	179	10,314	86,163
-	-	172,492	-	-	14,744	187,236
2,853	-	39,650	-	529	599	43,631
-	-	230	-	-	19	249
5,768	-	-	-	3,100	262	14,470
155	-	-	-	72	-	227
-	636	706	290	-	1,424	3,109
-	-	-	-	-	-	479
<b>11,049</b>	<b>166,769</b>	<b>263,749</b>	<b>9,659</b>	<b>4,235</b>	<b>44,026</b>	<b>507,140</b>
<b>2,662</b>	<b>(140,091)</b>	<b>85,706</b>	<b>152</b>	<b>1,356</b>	<b>3,217</b>	<b>(47,295)</b>
-	-	-	74	-	-	74
-	-	14,851	-	-	-	14,851
-	(15)	23	-	-	(139)	(131)
-	(27)	-	-	-	(44)	(71)
-	(42)	14,874	74	-	(183)	14,723
2,662	(140,133)	100,580	226	1,356	3,034	(32,572)
-	-	-	17	-	-	17
10,456	139,418	-	25	-	13,817	164,216
-	(20)	(99,823)	-	(2,912)	(8,898)	(112,053)
<b>13,118</b>	<b>(735)</b>	<b>757</b>	<b>268</b>	<b>(1,556)</b>	<b>7,953</b>	<b>19,608</b>
<b>167,126</b>	<b>33,822</b>	<b>19,908</b>	<b>11,616</b>	<b>59,449</b>	<b>152,238</b>	<b>491,951</b>
-	(4,724)	-	-	-	(24,545)	(29,269)
<b>167,126</b>	<b>29,098</b>	<b>19,908</b>	<b>11,616</b>	<b>59,449</b>	<b>127,693</b>	<b>462,682</b>
<b>\$ 180,244</b>	<b>\$ 28,363</b>	<b>\$ 20,665</b>	<b>\$ 11,884</b>	<b>\$ 57,893</b>	<b>\$ 135,646</b>	<b>\$ 482,290</b>

**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**

	<b>Energy Loan</b>	<b>Water Resources</b>	<b>Business Development</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 339	\$ -	\$ 30
Receipts from Other Funds For Services	-	-	-
Loan Principal Repayments	16,080	35	2,544
Loan Interest Received	6,140	45	914
Payments to Employees for Services	(749)	(72)	(229)
Payments to Suppliers	(738)	(26)	(41)
Payments to Other Funds for Services	(134)	(25)	(77)
Loans Made	(10,867)	-	(4,457)
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(780)	-	7
Net Cash Provided (Used) in Operating Activities	<u>9,291</u>	<u>(43)</u>	<u>(1,309)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bond/COP Sales	17,874	-	-
Principal Payments on Bonds/COPS	(15,041)	(1,414)	-
Principal Payments on Loans	-	-	-
Interest Payments on Bonds/COPS	(5,331)	(90)	-
Interest Payments on Loans	-	-	-
Repayments on Advances Received	-	-	-
Interest Payments on Advances	-	-	-
Taxes and Assessments Received	-	-	-
Transfers from Other Funds	500	-	-
Transfers to Other Funds	-	-	(400)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(1,998)</u>	<u>(1,504)</u>	<u>(400)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Acquisition of Capital Assets	-	-	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>			
Purchases of Investments	-	-	-
Proceeds from Sales and Maturities of Investments	-	-	-
Interest on Investments and Cash Balances	1,358	116	440
Interest Income from Securities Lending	-	-	-
Interest Expense from Securities Lending	-	-	-
Net Cash Provided (Used) in Investing Activities	<u>1,358</u>	<u>116</u>	<u>440</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,651	(1,431)	(1,269)
Cash and Cash Equivalents - Beginning	37,503	3,081	11,371
Prior Period Adjustments Restating Beginning Cash Balances	-	-	-
<b>Cash and Cash Equivalents - Ending</b>	<u><u>\$ 46,154</u></u>	<u><u>\$ 1,650</u></u>	<u><u>\$ 10,102</u></u>

**State of Oregon**

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
\$ -	\$ 15,616	\$ 348,604	\$ 7,254	\$ -	\$ 42,211	\$ 414,054
-	19	-	-	-	854	873
11,199	-	-	-	4,163	2,559	36,580
9,397	-	-	-	4,363	1,901	22,760
(1,187)	(137,681)	(13,155)	(78)	(371)	(16,370)	(169,892)
(291)	(27,188)	(206,832)	(8,787)	(351)	(24,134)	(268,388)
(282)	(7,361)	(3,187)	(643)	(137)	(1,027)	(12,873)
(76,609)	-	-	-	(6,482)	(10,988)	(109,403)
(3,109)	-	(38,708)	-	(587)	(601)	(43,005)
70	2,363	25	2,726	(517)	310	4,204
(60,812)	(154,232)	86,747	472	81	(5,285)	(125,090)
-	-	-	-	-	-	17,874
(7,585)	-	-	-	(2,995)	-	(27,035)
-	(100)	-	-	-	(13)	(113)
(5,968)	-	-	-	(3,182)	-	(14,571)
-	(27)	-	-	-	-	(27)
-	(79)	-	-	-	(390)	(469)
-	-	-	-	-	(44)	(44)
-	-	14,845	-	-	-	14,845
10,456	157,288	-	25	-	13,850	182,119
-	(5,295)	(97,002)	(494)	(2,912)	(5,374)	(111,477)
(3,097)	151,787	(82,157)	(469)	(9,089)	8,029	61,102
-	-	-	-	-	(779)	(779)
-	-	-	-	-	(484)	(484)
-	(818)	(500)	(6)	-	(638)	(1,962)
-	(12)	-	-	-	-	(12)
-	-	44	-	-	-	44
-	(830)	(456)	(6)	-	(1,901)	(3,193)
(10,672)	-	-	-	(2,472)	(2)	(13,146)
11,545	-	-	-	2,643	2,113	16,301
2,910	-	-	63	1,239	988	7,114
467	-	-	11	-	-	478
(460)	-	-	(10)	-	-	(470)
3,790	-	-	64	1,410	3,099	10,277
(60,119)	(3,275)	4,134	61	(7,598)	3,942	(56,904)
105,431	7,762	18,970	1,414	37,818	43,004	266,354
-	-	-	-	-	(18,499)	(18,499)
\$ 45,312	\$ 4,487	\$ 23,104	\$ 1,475	\$ 30,220	\$ 28,447	\$ 190,951

(continued on next page)

**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**  
(continued from previous page)

	Energy Loan	Water Resources	Business Development
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating Income (Loss)	\$ (798)	\$ (89)	\$ 590
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	53	-	-
Amortization of Bond/COP Issuance Costs	-	-	-
Amortization of Bond/COP Premium and Discount	100	36	-
Amortization of Deferred Charges	96	-	-
Bad Debt Expense	-	-	479
Interest Income Reported as Operating Revenue	(1,358)	(116)	(440)
Investment Expense Reported as Operating Expense	-	-	-
Interest Payments Reported as Operating Expense	5,096	90	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	2,296	-	(37)
Due from Other Funds	-	-	12
Inventories	-	-	-
Prepaid Items	-	-	-
Deferred Charges	(105)	-	-
Advances to Other Funds	49	-	-
Loans Receivable	4,983	35	(1,913)
Net Contracts, Notes and Other Receivables	-	-	-
Accounts and Interest Payable	34	-	9
Due to Other Funds	-	-	(14)
Due to Other Governments	-	-	-
Trust Funds Payable	(1,126)	-	-
Unearned Revenue	(25)	-	-
Claims and Judgments Payable	-	1	-
Compensated Absences Payable	(4)	-	5
Advances from Other Funds	-	-	-
Total Adjustments	10,089	46	(1,899)
Net Cash Provided (Used) by Operating Activities	\$ 9,291	\$ (43)	\$ (1,309)
<b>Noncash Investing and Capital and Related Financing Activities:</b>			
Net Change in Fair Value of Investments	\$ -	\$ -	\$ -
Assets Transferred to Governmental Funds	-	-	-
Liabilities Transferred to Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Capital Assets Transferred to Governmental Funds	-	-	-
Capital Assets Contributed	-	-	-
<b>Total Noncash Investing and Capital and Related Financing Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

State of Oregon

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
\$ 2,662	\$ (140,091)	\$ 85,706	\$ 152	\$ 1,356	\$ 3,217	\$ (47,295)
-	636	706	290	-	1,424	3,109
115	-	-	-	55	-	170
19	-	-	-	6	(53)	108
39	-	-	-	18	44	197
-	-	-	-	-	-	479
(3,381)	-	-	-	(1,241)	(987)	(7,523)
460	-	-	10	-	-	470
5,749	-	-	-	3,094	270	14,299
(919)	2,384	(21)	60	13	(278)	3,498
-	(13,356)	-	5	-	(1,180)	(14,519)
-	(146)	(739)	-	-	88	(797)
-	(6)	(32)	-	-	178	140
-	-	-	-	-	-	(105)
-	-	-	-	-	-	49
(65,410)	-	-	-	(2,319)	(8,428)	(73,052)
-	-	-	1	-	-	1
51	(855)	1,556	(168)	(18)	571	1,180
-	(4,304)	-	119	-	-	(4,199)
(255)	-	-	-	(58)	-	(313)
56	1	-	-	(830)	648	(1,251)
-	-	(576)	-	-	(930)	(1,531)
6	853	84	7	5	2	958
(4)	652	63	(4)	-	78	786
-	-	-	-	-	51	51
(63,474)	(14,141)	1,041	320	(1,275)	(8,502)	(77,795)
\$ (60,812)	\$ (154,232)	\$ 86,747	\$ 472	\$ 81	\$ (5,285)	\$ (125,090)
\$ (4)	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ (2)
-	-	-	-	-	(148)	(148)
-	-	-	-	-	18,413	18,413
-	30	-	-	-	-	30
-	-	-	-	-	(21,933)	(21,933)
-	-	-	17	-	-	17
\$ (4)	\$ 30	\$ -	\$ 17	\$ 2	\$ (3,668)	\$ (3,623)

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## Internal Service Funds

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

### **Central Services Fund**

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

### **Legal Services Fund**

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

### **Banking Services Fund**

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

### **Audit Services Fund**

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

### **Forestry Services Fund**

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

### **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, 2006  
(In Thousands)**

	<b>Central Services</b>	<b>Legal Services</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 67,851	\$ 9,595
Investments	82,508	-
Securities Lending Cash Collateral	38,692	-
Accounts and Interest Receivable (net)	48,531	6,142
Due from Other Funds	40	2,480
Inventories	1,053	150
Prepaid Items	925	-
<b>Total Current Assets</b>	<b>239,600</b>	<b>18,367</b>
Noncurrent Assets:		
Cash and Cash Equivalents - Restricted	25	-
Investments - Restricted	49,613	-
Deferred Charges	1,111	-
Advances to Other Funds	842	-
Net Contracts, Notes and Other Receivables	2,949	45
Capital Assets:		
Land	10,862	-
Buildings, Property and Equipment	379,573	1,973
Construction in Progress	48,760	-
Infrastructure	631	-
Works of Art and Historical Treasures	141	-
Less Accumulated Depreciation and Amortization	(156,942)	(1,233)
<b>Total Noncurrent Assets</b>	<b>337,565</b>	<b>785</b>
<b>Total Assets</b>	<b>\$ 577,165</b>	<b>\$ 19,152</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts and Interest Payable	\$ 15,552	\$ 537
Obligations Under Securities Lending	38,692	-
Due to Other Funds	4,884	38
Bonds/COPS Payable	18,880	-
Claims and Judgments Payable	32,942	621
Trust Funds Payable	22,365	5
Unearned Revenue	17,771	1,449
Compensated Absences Payable	1,944	2,052
Contracts, Mortgages and Notes Payable	381	-
<b>Total Current Liabilities</b>	<b>153,411</b>	<b>4,702</b>
Noncurrent Liabilities:		
Bonds/COPS Payable	212,778	-
Claims and Judgments Payable	76,197	-
Compensated Absences Payable	648	684
Arbitrage Rebate Payable	10	-
Advances from Other Funds	377	-
<b>Total Noncurrent Liabilities</b>	<b>290,010</b>	<b>684</b>
<b>Total Liabilities</b>	<b>443,421</b>	<b>5,386</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	107,340	740
Unrestricted	26,404	13,026
<b>Total Net Assets</b>	<b>133,744</b>	<b>13,766</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 577,165</b>	<b>\$ 19,152</b>

**State of Oregon**

<b>Banking Services</b>	<b>Audit Services</b>	<b>Forestry Services</b>	<b>Other</b>	<b>Total</b>
\$ 4,963	\$ 2,390	\$ 3,832	\$ 3,660	\$ 92,291
-	-	-	-	82,508
-	-	-	-	38,692
1,253	105	54	230	56,315
-	-	2	23	2,545
13	-	229	7	1,452
-	-	-	-	925
<u>6,229</u>	<u>2,495</u>	<u>4,117</u>	<u>3,920</u>	<u>274,728</u>
-	-	-	-	25
-	-	-	-	49,613
-	-	-	-	1,111
-	-	-	-	842
-	-	-	-	2,994
-	-	-	-	10,862
1,761	180	18,196	4,665	406,348
-	-	18	-	48,778
-	-	-	-	631
-	-	-	-	141
<u>(1,705)</u>	<u>(165)</u>	<u>(12,502)</u>	<u>(2,580)</u>	<u>(175,127)</u>
56	15	5,712	2,085	346,218
<u>\$ 6,285</u>	<u>\$ 2,510</u>	<u>\$ 9,829</u>	<u>\$ 6,005</u>	<u>\$ 620,946</u>
\$ 212	\$ 311	\$ 626	\$ 79	\$ 17,317
-	-	-	-	38,692
-	-	-	22	4,944
-	-	-	-	18,880
27	-	7	-	33,597
-	-	-	1	22,371
-	-	-	-	19,220
340	168	112	14	4,630
-	-	-	-	381
<u>579</u>	<u>479</u>	<u>745</u>	<u>116</u>	<u>160,032</u>
-	-	-	-	212,778
-	12	-	-	76,209
113	56	37	5	1,543
-	-	-	-	10
-	-	-	-	377
<u>113</u>	<u>68</u>	<u>37</u>	<u>5</u>	<u>290,917</u>
<u>692</u>	<u>547</u>	<u>782</u>	<u>121</u>	<u>450,949</u>
56	15	5,712	2,085	115,948
5,537	1,948	3,335	3,799	54,049
<u>5,593</u>	<u>1,963</u>	<u>9,047</u>	<u>5,884</u>	<u>169,997</u>
<u>\$ 6,285</u>	<u>\$ 2,510</u>	<u>\$ 9,829</u>	<u>\$ 6,005</u>	<u>\$ 620,946</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**

	<b>Central Services</b>	<b>Legal Services</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 170,354	\$ 45,389
Rents and Royalties	35,634	12
Sales	11,643	174
Other	5,843	96
Total Operating Revenues	<u>223,474</u>	<u>45,671</u>
<b>Operating Expenses:</b>		
Salaries and Wages	39,444	42,165
Services and Supplies	118,607	2,695
Cost of Goods Sold	17,817	-
Bond and COP Interest	9,091	-
Other Debt Service	104	-
Depreciation and Amortization	18,278	177
Total Operating Expenses	<u>203,341</u>	<u>45,037</u>
Operating Income (Loss)	<u>20,133</u>	<u>634</u>
<b>Nonoperating Revenues (Expenses):</b>		
Investment Income	8,263	-
Gain (Loss) on Disposition of Assets	3,929	(17)
Insurance Recoveries	308	-
Loan Interest Income	48	-
Loan Interest Expense	(23)	-
Total Nonoperating Revenues (Expenses)	<u>12,525</u>	<u>(17)</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	32,658	617
Capital Contributions	-	-
Transfers from Other Funds	2,270	-
Transfers to Other Funds	(14,847)	-
Change in Net Assets	<u>20,081</u>	<u>617</u>
Net Assets - Beginning	109,256	13,149
Prior Period Adjustments	4,407	-
Net Assets - Beginning - As Restated	<u>113,663</u>	<u>13,149</u>
<b>Net Assets - Ending</b>	<u>\$ 133,744</u>	<u>\$ 13,766</u>

State of Oregon

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Banking Services	Audit Services	Forestry Services	Other	Total
\$ 11,090	\$ 8,779	\$ 3,845	\$ 494	\$ 239,951
-	-	1,874	-	37,520
-	-	283	-	12,100
-	-	3	640	6,582
11,090	8,779	6,005	1,134	296,153
6,402	4,659	1,705	170	94,545
4,068	1,440	2,515	837	130,162
-	-	-	-	17,817
-	-	-	-	9,091
-	-	-	-	104
53	7	1,544	344	20,403
10,523	6,106	5,764	1,351	272,122
567	2,673	241	(217)	24,031
-	-	-	-	8,263
-	-	278	(33)	4,157
-	-	1	12	321
-	-	-	-	48
-	-	-	-	(23)
-	-	279	(21)	12,766
567	2,673	520	(238)	36,797
-	-	-	22	22
-	-	206	-	2,476
-	(1,971)	(353)	(124)	(17,295)
567	702	373	(340)	22,000
5,026	1,261	8,674	6,224	143,590
-	-	-	-	4,407
5,026	1,261	8,674	6,224	147,997
\$ 5,593	\$ 1,963	\$ 9,047	\$ 5,884	\$ 169,997

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**

	<b>Central Services</b>	<b>Legal Services</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customers	\$ 48,956	\$ 7,018
Receipts from Other Funds for Services	189,474	37,532
Payments to Employees for Services	(41,563)	(41,373)
Payments to Suppliers	(88,888)	(372)
Payments to Other Funds for Services	(22,130)	(2,596)
Claims Paid	(5,068)	-
Other Receipts (Payments)	(150,409)	51
Net Cash Provided (Used) in Operating Activities	<u>(69,628)</u>	<u>260</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Transfers from Other Funds	984	-
Transfers to Other Funds	(3,448)	-
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(2,464)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from Bond/COP Sales	72,607	-
Principal Payments on Bonds/COPS	(15,789)	-
Interest Payments on Bonds/COPS	(8,933)	-
Bond/COP Issuance Costs	(598)	-
Repayments on Advances Made	35	-
Interest Payments on Advances	48	-
Principal Payments on Loans	(25)	-
Interest Payments on Loans	(23)	-
Acquisition of Capital Assets	(63,083)	(187)
Proceeds from Disposition of Capital Assets	1,108	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(14,653)</u>	<u>(187)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of Investments	(86,837)	-
Proceeds from Sales and Maturities of Investments	32,881	-
Interest on Investments and Cash Balances	9,234	-
Interest Income from Securities Lending	732	-
Interest Expense from Securities Lending	(717)	-
Net Cash Provided (Used) in Investing Activities	<u>(44,707)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(131,452)	73
Cash and Cash Equivalents - Beginning	198,842	9,522
Prior Period Adjustments Restating Beginning Cash Balances	486	-
<b>Cash and Cash Equivalents - Ending</b>	<u><u>\$ 67,876</u></u>	<u><u>\$ 9,595</u></u>

State of Oregon

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Banking Services	Audit Services	Forestry Services	Other	Total
\$ -	\$ -	\$ -	\$ -	55,974
11,311	8,951	6,005	439	253,712
(6,345)	(4,640)	(1,663)	(313)	(95,897)
(3,156)	(932)	(2,234)	(755)	(96,337)
(1,015)	(506)	(260)	(173)	(26,680)
-	-	-	-	(5,068)
-	-	3	684	(149,671)
795	2,873	1,851	(118)	(63,967)
-	-	219	5	1,208
-	(1,971)	(354)	(119)	(5,892)
-	(1,971)	(135)	(114)	(4,684)
-	-	-	-	72,607
-	-	-	-	(15,789)
-	-	-	-	(8,933)
-	-	-	-	(598)
-	-	1	-	36
-	-	-	-	48
-	-	-	-	(25)
-	-	-	-	(23)
(50)	-	(1,582)	(535)	(65,437)
-	-	369	45	1,522
(50)	-	(1,212)	(490)	(16,592)
-	-	-	-	(86,837)
-	-	-	-	32,881
-	-	-	-	9,234
-	-	-	-	732
-	-	-	-	(717)
-	-	-	-	(44,707)
745	902	504	(722)	(129,950)
4,218	1,488	3,328	4,382	221,780
-	-	-	-	486
\$ 4,963	\$ 2,390	\$ 3,832	\$ 3,660	\$ 92,316

(continued on next page)

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**  
**(In Thousands)**  
(continued from previous page)

	<b>Central Services</b>	<b>Legal Services</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating Income (Loss)	\$ 20,133	\$ 634
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	18,278	177
Amortization of Bond Issuance Costs	55	-
Amortization of Bond/COP Premium and Discount	(682)	-
Amortization of Deferred Charges	506	-
Investment Expense Reported as Operating Expense	717	-
Interest Payments Reported as Operating Expense	9,315	-
Bond/COP Issuance Costs Reported as Operating Expense	49	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	(1,036)	(1,700)
Due from Other Funds	(20)	(832)
Inventories	59	27
Prepaid Items	(925)	-
Net Contracts, Notes and Other Receivables	-	(45)
Accounts and Interest Payable	(6,361)	(237)
Due to Other Funds	4,884	23
Trust Funds Payable	(152,190)	(2)
Unearned Revenue	15,823	1,312
Claims and Judgments Payable	21,004	621
Contracts, Mortgages and Notes Payable	362	-
Compensated Absences Payable	401	282
Total Adjustments	(89,761)	(374)
Net Cash Provided (Used) by Operating Activities	\$ (69,628)	\$ 260
<b>Noncash Investing and Capital and Related Financing Activities:</b>		
Net Change in Fair Value of Investments	\$ (2,128)	\$ -
Assets Transferred from Governmental Funds	10	-
Capital Assets Transferred from Governmental Funds	-	-
Capital Assets Transferred to Governmental Funds	(6,137)	-
Liabilities Transferred to Governmental Funds	309	-
Liabilities Transferred from Governmental Funds	(4,290)	-
Total Noncash Investing and Capital and Related Financing Activities	\$ (12,236)	\$ -

State of Oregon

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Banking Services	Audit Services	Forestry Services	Other	Total
\$ 567	\$ 2,673	\$ 241	\$ (217)	\$ 24,031
54	7	1,543	344	20,403
-	-	-	-	55
-	-	-	-	(682)
-	-	-	-	506
-	-	-	-	717
-	-	-	-	9,315
-	-	-	-	49
195	172	3	(11)	(2,377)
-	-	-	-	(852)
(1)	-	(32)	-	53
-	-	-	-	(925)
-	-	-	-	(45)
(101)	(5)	62	(93)	(6,735)
-	-	-	1	4,908
-	-	-	-	(152,192)
-	-	-	-	17,135
26	12	7	-	21,670
-	-	-	-	362
55	14	27	(142)	637
228	200	1,610	99	(87,998)
\$ 795	\$ 2,873	\$ 1,851	\$ (118)	\$ (63,967)
\$ -	\$ -	\$ -	\$ -	(2,128)
-	-	-	-	10
-	-	-	22	22
-	-	-	-	(6,137)
-	-	-	-	309
-	-	-	-	(4,290)
\$ -	\$ -	\$ -	\$ 22	\$ (12,214)

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## **Fiduciary Funds – Combining Pension 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 for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the retirement system.

#### **Public Employees Defined Benefit Pension 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. This activity includes 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 Internal Revenue Code Section 401(a).

#### **Individual Account Program Defined Contribution Pension 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.

#### **Oregon Public Service Retirement Plan Defined Benefit Pension Fund**

The activity formerly reported in this fund is now reported in the Public Employees Defined Benefit Pension Fund. It has been determined that assets accumulated for either defined benefit pension plan may be used interchangeably; thus, the defined benefit plan is now reported as a single fund.

#### **Postemployment Healthcare Fund**

This fund accounts for the transactions, assets, liabilities, and net assets related to medical and hospital insurance coverage contracted on behalf of retired members of the Public Employees Retirement System.

#### **Deferred Compensation Fund**

This fund accounts for the activities of the Deferred Compensation Program, 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 Trust Funds  
June 30, 2006  
(In Thousands)**

	<b>Public Employees Defined Benefit Pension</b>	<b>Individual Account Program Defined Contribution Pension</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,835,632	\$ 95,049
Receivables:		
Employer Contributions	27,199	-
Employee Contributions	-	14,434
Interest and Dividends	154,088	3,218
Investment Sales	1,019,672	19,422
Accounts	51,261	-
From Other Funds	3,109	-
Total Receivables	<u>1,255,329</u>	<u>37,074</u>
Investments:		
Fixed Income	15,158,205	316,424
Equity	29,551,831	604,468
Real Estate	3,773,364	79,747
Alternative Equity	5,003,693	106,132
Restricted Investment Contracts	7	1
Total Investments	<u>53,487,100</u>	<u>1,106,772</u>
Securities Lending Cash Collateral	5,219,470	114,451
Prepaid Items	3,140	69
Capital Assets (net of \$6,102 accumulated depreciation):		
Land	944	-
Buildings, Property and Equipment	12,658	687
<b>Total Assets</b>	<u>62,814,273</u>	<u>1,354,102</u>
<b>LIABILITIES</b>		
Accounts and Interest Payable	3,092,513	64,481
Obligations Under Securities Lending	5,219,470	114,451
Due to Other Funds	-	2,972
Deferred Revenue	161	-
Trust Funds Payable	105,332	-
Bonds/COPS Payable	53,460	677
Claims and Judgments Payable	140	-
<b>Total Liabilities</b>	<u>8,471,076</u>	<u>182,581</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Employees' Pension Benefits	54,343,197	1,171,521
Employees' Postemployment Healthcare Benefits	-	-
Individuals, Organizations and Other Governments	-	-
<b>Total Net Assets</b>	<u>\$ 54,343,197</u>	<u>\$ 1,171,521</u>

**State of Oregon**

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<b>Oregon Public Service Retirement Plan</b>				
<b>Defined Benefit Pension</b>	<b>Postemployment Healthcare</b>	<b>Deferred Compensation</b>	<b>Total</b>	
\$	-	\$ 19,801	\$ 5,234	\$ 2,955,716
	-	1,614	-	28,813
	-	-	-	14,434
	-	564	-	157,870
	-	3,462	57	1,042,613
	-	-	-	51,261
	-	-	-	3,109
	-	5,640	57	1,298,100
	-	55,425	281,117	15,811,171
	-	105,879	550,292	30,812,470
	-	13,968	-	3,867,079
	-	18,590	-	5,128,415
	-	-	-	8
	-	193,862	831,409	55,619,143
	-	20,525	666	5,355,112
	-	11	-	3,220
	-	-	-	944
	-	-	-	13,345
	-	239,839	837,366	65,245,580
	-	11,265	2	3,168,261
	-	20,525	666	5,355,112
	-	68	69	3,109
	-	-	4,450	4,611
	-	-	-	105,332
	-	-	-	54,137
	-	-	-	140
	-	31,858	5,187	8,690,702
	-	-	-	55,514,718
	-	207,981	-	207,981
	-	-	832,179	832,179
\$	-	\$ 207,981	\$ 832,179	\$ 56,554,878

**Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
For the Year Ended June 30, 2006  
(In Thousands)**

	<b>Public Employees Defined Benefit Pension</b>	<b>Individual Account Program Defined Contribution Pension</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 783,921	\$ -
Employee	9,612	417,556
Total Contributions	<u>793,533</u>	<u>417,556</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	5,669,467	84,145
Interest, Dividends and Other Investment Income	1,712,062	58,950
Total Investment Income	<u>7,381,529</u>	<u>143,095</u>
Less Investment Expense	463,513	8,124
Net Investment Income	<u>6,918,016</u>	<u>134,971</u>
Other Income	1,081	4,765
Transfers from Other Funds	24,890	25,360
<b>Total Additions</b>	<u>7,737,520</u>	<u>582,652</u>
<b>DEDUCTIONS</b>		
Pension Benefits	2,416,931	14,792
Recovery of Overpaid Benefits	(51,261)	-
Death Benefits	5,958	-
Contributions Refunded	33,173	-
Healthcare Premium Subsidies	-	-
Retiree Healthcare Expenses	-	-
Administrative Expenses	27,584	6,237
Transfers to Other Funds	25,360	-
<b>Total Deductions</b>	<u>2,457,745</u>	<u>21,029</u>
Change in Net Assets Held in Trust For:		
Employees' Pension Benefits	5,279,775	561,623
Employees' Postemployment Healthcare Benefits	-	-
Individuals, Organizations and Other Governments	-	-
Net Assets - Beginning	49,063,422	609,898
<b>Net Assets - Ending</b>	<u>\$ 54,343,197</u>	<u>\$ 1,171,521</u>

**State of Oregon**

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<b>Oregon Public Service Retirement Plan</b>				
<b>Defined Benefit Pension</b>	<b>Postemployment Healthcare</b>	<b>Deferred Compensation</b>	<b>Total</b>	
\$ -	\$ 40,352	\$ -	\$ 824,273	
-	85,662	59,724	572,554	
-	126,014	59,724	1,396,827	
-	19,490	71,968	5,845,070	
-	6,599	-	1,777,611	
-	26,089	71,968	7,622,681	
-	1,633	2,054	475,324	
-	24,456	69,914	7,147,357	
-	32	759	6,637	
-	-	-	50,250	
-	150,502	130,397	8,601,071	
-	-	40,544	2,472,267	
-	-	-	(51,261)	
-	-	-	5,958	
-	-	-	33,173	
-	28,180	-	28,180	
-	83,475	-	83,475	
-	3,070	884	37,775	
24,890	-	-	50,250	
24,890	114,725	41,428	2,659,817	
(24,890)	-	-	5,816,508	
-	35,777	-	35,777	
-	-	88,969	88,969	
24,890	172,204	743,210	50,613,624	
\$ -	\$ 207,981	\$ 832,179	\$ 56,554,878	

## 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, 2006  
(In Thousands)**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 114,951	\$ 2,067,287	\$ 2,054,336	\$ 127,902
Investments	6,875	404	7,279	-
Cash and Securities Held in Trust	1,454,380	614,187	631,153	1,437,414
Accounts and Interest Receivable	8,155	501	4,535	4,121
Net Contracts, Notes and Other Receivables	50,384	33,299	18,667	65,016
Conservatorship and Custodial Assets	39	-	2	37
Receivership Assets	91,097	415	2,984	88,528
<b>Total Assets</b>	<u>\$ 1,725,881</u>	<u>\$ 2,716,093</u>	<u>\$ 2,718,956</u>	<u>\$ 1,723,018</u>
<b>LIABILITIES</b>				
Accounts and Interest Payable	\$ 341	\$ 141,496	\$ 141,344	\$ 493
Due to Other Governments	2,802	281	-	3,083
Trust Funds Payable	1,722,738	2,006,093	2,009,389	1,719,442
<b>Total Liabilities</b>	<u>\$ 1,725,881</u>	<u>\$ 2,147,870</u>	<u>\$ 2,150,733</u>	<u>\$ 1,723,018</u>



# Statistical Section

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## Statistical Section Index

This part of the State of Oregon's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

### Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance has changed over time.

Schedule 1	Net Assets by Component
Schedule 2	Changes in Net Assets
Schedule 3	Fund Balance – Governmental Funds
Schedule 4	Changes in Fund Balance – Governmental Funds

### Revenue Capacity

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

Schedule 5	Personal Income by Industry
Schedule 6	Personal Income Tax Rates
Schedule 7	Personal Income Tax Filers and Liability by Income Level

### 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.

Schedule 8	Outstanding Debt by Type
Schedule 9	Ratios of General Bonded Debt Outstanding
Schedule 10	Legal Debt Margin Calculation
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### 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.

Schedule 13	Demographic and Economic Indicators
Schedule 14	Employment by Industry

### 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.

Schedule 15	Government Employees
Schedule 16	Operating Indicators and Capital Asset Information by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial 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 Five Fiscal Years (In Thousands)**  
**(Accrual basis of accounting)**

	2002	2003	2004	2005	2006
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 10,031,651	\$ 9,928,983	\$ 9,555,705	\$ 9,151,443	\$ 8,901,594
Restricted	526,189	342,793	334,292	904,848	1,021,026
Unrestricted	(70,371)	131,349	(2,158,668)	155,880	1,116,586
Total Governmental Activities Net Assets	<u>\$ 10,487,469</u>	<u>\$ 10,403,125</u>	<u>\$ 7,731,329</u>	<u>\$ 10,212,171</u>	<u>\$ 11,039,206</u>
<b>Business-type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 282,782	\$ 579,928	\$ 549,148	\$ 562,325	\$ 594,247
Restricted	2,477,458	2,453,241	2,233,534	2,550,548	2,857,577
Unrestricted	539,431	223,601	527,165	570,121	584,655
Total Business-type Activities Net Assets	<u>\$ 3,299,671</u>	<u>\$ 3,256,770</u>	<u>\$ 3,309,847</u>	<u>\$ 3,682,994</u>	<u>\$ 4,036,479</u>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 10,314,433	\$ 10,508,911	\$ 10,104,853	\$ 9,713,768	\$ 9,495,841
Restricted	3,003,647	2,796,034	2,567,826	3,455,396	3,878,603
Unrestricted	469,060	354,950	(1,631,503)	726,001	1,701,241
Total Primary Government Net Assets	<u>\$ 13,787,140</u>	<u>\$ 13,659,895</u>	<u>\$ 11,041,176</u>	<u>\$ 13,895,165</u>	<u>\$ 15,075,685</u>

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

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

	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
Education	\$ 3,363,716	\$ 2,915,016	\$ 3,485,891	\$ 3,204,580	\$ 3,622,117
Human Resources	4,399,183	4,348,175	4,276,235	4,675,846	4,873,613
Public Safety	862,219	842,881	857,643	928,483	1,008,285
Economic and Community Development	289,051	328,202	296,497	340,653	311,713
Natural Resources	494,385	523,941	488,514	582,788	541,084
Transportation	1,239,599	1,417,844	1,410,741	1,882,649	1,598,419
Consumer and Business Services	319,913	278,486	388,336	282,875	394,886
Administration	567,717	700,611	2,693,591	622,036	640,561
Legislative	27,914	30,717	25,480	31,447	29,602
Judicial	232,185	205,874	239,773	249,036	271,714
Interest on Long-term Debt	N/A	4,106	164,461	254,840	242,664
Total governmental activities expenses	<u>11,795,882</u>	<u>11,595,853</u>	<u>14,327,162</u>	<u>13,055,233</u>	<u>13,534,658</u>
Business-type activities:					
Housing and Community Services	94,686	93,326	88,653	89,583	93,288
Veterans' Loan	79,922	73,663	59,106	51,479	49,730
Lottery Operations	485,299	505,038	494,628	504,102	525,277
Unemployment Compensation	1,030,423	1,287,629	1,106,005	577,396	535,190
University System	1,551,981	1,605,464	1,617,687	1,729,107	1,858,254
State Hospitals	N/A	N/A	N/A	162,651	166,810
Liquor Control	N/A	N/A	N/A	237,604	263,725
Other Business-type Activities	409,472	411,495	442,676	75,182	76,804
Total business-type activities expenses	<u>3,651,783</u>	<u>3,976,615</u>	<u>3,808,755</u>	<u>3,427,104</u>	<u>3,569,078</u>
Total primary government expenses	<u>\$ 15,447,665</u>	<u>\$ 15,572,468</u>	<u>\$ 18,135,917</u>	<u>\$ 16,482,337</u>	<u>\$ 17,103,736</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for Services:					
Human Resources	\$ 282,692	\$ 196,489	\$ 139,353	\$ 221,522	\$ 298,666
Public Safety	46,360	37,561	138,377	35,107	70,979
Natural Resources	233,344	293,441	252,952	270,465	284,857
Transportation	113,083	103,888	106,598	129,351	108,552
Consumer and Business Services	127,581	130,866	152,899	158,999	202,305
Administration	25,734	72,910	94,970	203,275	214,866
Judicial	97,782	137,126	78,870	29,522	130,549
Other governmental activities	38,685	35,716	41,379	32,442	26,909
Operating Grants and Contributions	4,036,264	4,452,645	4,378,480	4,850,141	4,952,825
Capital Grants and Contributions	9,957	3,414	5,869	6,566	14,992
Total governmental activities program revenues	<u>5,011,482</u>	<u>5,464,056</u>	<u>5,389,747</u>	<u>5,937,390</u>	<u>6,305,500</u>

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

(continued on next page)

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

	2002	2003	2004	2005	2006
Business-type activities:					
Charges for Services:					
Lottery Operations	\$ 817,490	\$ 853,812	\$ 892,672	\$ 938,370	\$ 1,093,196
Unemployment Compensation	649,892	588,003	726,680	783,594	758,350
University System	650,248	663,214	735,556	799,122	860,042
Liquor Control	N/A	N/A	N/A	313,308	349,454
Other Business-type Activities	522,951	526,603	507,666	210,964	192,481
Operating Grants and Contributions	848,800	1,196,853	908,594	770,971	803,972
Capital Grants and Contributions	85,982	-	-	-	-
Total business-type activities program revenues	<u>3,575,363</u>	<u>3,828,485</u>	<u>3,771,168</u>	<u>3,816,329</u>	<u>4,057,495</u>
Total primary government program revenues	<u>\$ 8,586,845</u>	<u>\$ 9,292,541</u>	<u>\$ 9,160,915</u>	<u>\$ 9,753,719</u>	<u>\$ 10,362,995</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (6,784,400)	\$ (6,131,797)	\$ (8,937,415)	\$ (7,117,843)	\$ (7,229,158)
Business-type activities	(76,420)	(148,130)	(37,587)	389,225	488,417
Total primary government net expense	<u>\$ (6,860,820)</u>	<u>\$ (6,279,927)</u>	<u>\$ (8,975,002)</u>	<u>\$ (6,728,618)</u>	<u>\$ (6,740,741)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Personal Income Taxes	\$ 4,096,359	\$ 4,073,262	\$ 4,294,369	\$ 4,746,727	\$ 5,404,020
Corporate Incomes Taxes	190,346	220,175	314,510	211,016	443,425
Tobacco Taxes	175,115	255,482	252,885	255,035	254,836
Healthcare Provider Taxes	N/A	N/A	N/A	N/A	131,371
Other Taxes	356,319	369,614	412,531	503,666	419,786
Motor Fuels Taxes	397,713	406,736	406,317	407,729	417,916
Weight Mile Taxes	201,315	213,935	224,078	253,419	266,221
Vehicle Registration Taxes	113,262	120,711	165,270	204,787	207,581
Employer-employee Taxes	255,279	252,810	249,822	266,688	281,974
Unrestricted Investment Earnings	17,146	29,737	11,134	44,662	37,934
Contributions to Permanent Fund	48,638	-	4,701	11,453	-
Capital Contributions	1,475	1,736	389	407	1,473
Transfers	(61,903)	16,428	(44,272)	31,901	124,307
Total governmental activities	<u>5,791,064</u>	<u>5,960,626</u>	<u>6,291,734</u>	<u>6,937,490</u>	<u>7,990,844</u>
Business-type activities:					
Other Taxes	12,676	13,327	13,666	13,964	14,851
Capital Contributions	649	658	660	700	855
Additions to Permanent Endowments	-	-	-	-	2,580
Special Items	-	-	21,868	-	-
Transfers	61,903	(16,428)	44,272	(31,901)	(124,307)
Total business-type activities	<u>75,228</u>	<u>(2,443)</u>	<u>80,466</u>	<u>(17,237)</u>	<u>(106,021)</u>
Total primary government	<u>\$ 5,866,292</u>	<u>\$ 5,958,183</u>	<u>\$ 6,372,200</u>	<u>\$ 6,920,253</u>	<u>\$ 7,884,823</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (993,336)	\$ (171,171)	\$ (2,645,681)	\$ (180,353)	\$ 761,686
Business-type activities	(1,192)	(150,573)	42,879	371,988	382,396
Total primary government	<u>\$ (994,528)</u>	<u>\$ (321,744)</u>	<u>\$ (2,602,802)</u>	<u>\$ 191,635</u>	<u>\$ 1,144,082</u>

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

	2002	2003	2004	2005	2006
<b>General Fund</b>					
Reserved	\$ 204,730	\$ 83,063	\$ 157,183	\$ 63,788	\$ 86,253
Unreserved	(1,178,320)	19,298	(501,913)	237,769	736,196
Total general fund	<u>\$ (973,590)</u>	<u>\$ 102,361</u>	<u>\$ (344,730)</u>	<u>\$ 301,557</u>	<u>\$ 822,449</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 1,055,359	\$ 760,307	\$ 799,074	\$ 785,135	\$ 823,590
Unreserved, reported in:					
Special revenue funds	1,629,004	1,414,757	1,517,921	1,911,255	2,640,061
Capital projects fund	63,506	32,073	37,305	64,405	118,136
Permanent fund	28,972	3,875	5,823	5,749	6,757
Total all other governmental funds	<u>\$ 2,776,841</u>	<u>\$ 2,211,012</u>	<u>\$ 2,360,123</u>	<u>\$ 2,766,544</u>	<u>\$ 3,588,544</u>

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

	2002	2003	2004	2005	2006
<b>Revenues</b>					
Taxes	\$ 5,728,923	\$ 5,836,554	\$ 6,303,389	\$ 6,817,329	\$ 7,839,265
Licenses and Fees	275,439	286,619	312,609	369,626	389,766
Federal	3,767,499	4,160,747	4,233,648	4,608,759	4,661,448
Charges for Services	232,711	234,459	214,485	223,109	228,606
Fines and Forfeitures	81,899	91,349	116,191	68,399	89,559
Rents and Royalties	6,331	6,015	7,244	20,226	16,387
Investment Income	90,423	98,185	76,594	205,808	253,152
Sales	112,287	110,945	111,905	125,399	128,945
Donations and Grants	116,152	138,599	12,409	13,447	20,637
Contributions to Permanent Funds	-	-	4,701	11,453	-
Tobacco Settlement Proceeds	86,524	85,255	72,065	73,142	67,145
Pension Bond Debt Service					
Assessments	-	-	21,579	121,895	119,778
Other	280,478	244,775	288,622	275,937	360,081
<b>Total Revenues</b>	<b>10,778,666</b>	<b>11,293,502</b>	<b>11,775,441</b>	<b>12,934,529</b>	<b>14,174,769</b>
<b>Expenditures</b>					
Education	3,347,415	2,900,408	3,484,917	3,203,813	3,620,721
Human Resources	4,402,681	4,347,675	4,269,562	4,665,643	4,877,485
Public Safety	778,997	783,712	842,487	905,510	984,969
Economic and Community Development	281,481	319,732	298,654	341,807	309,614
Natural Resources	460,214	508,367	484,410	573,781	538,831
Transportation	1,016,600	1,184,102	1,266,474	1,767,779	1,461,987
Consumer and Business Services	323,653	325,140	338,971	362,765	381,576
Administration	511,415	652,000	663,545	587,665	626,743
Legislative	26,718	29,637	25,181	30,688	29,381
Judicial	231,580	204,908	239,157	250,438	270,927
Capital Improvements/Construction	81,681	63,726	32,576	83,784	114,088
Debt Service:					
Principal	58,859	88,379	85,736	131,004	131,702
Interest	60,041	113,765	164,461	266,330	238,247
Other Debt Service	3,637	5,610	10,773	4,959	4,823
<b>Total Expenditures</b>	<b>11,584,972</b>	<b>11,527,161</b>	<b>12,206,904</b>	<b>13,175,966</b>	<b>13,591,094</b>
Excess of Revenues Over (Under) Expenditures	(806,306)	(233,659)	(431,463)	(241,437)	583,675
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds	3,300,534	1,691,017	1,292,842	1,596,919	1,655,297
Transfers to Other Funds	(3,438,615)	(1,670,815)	(3,413,477)	(1,474,364)	(1,530,001)
Insurance Recoveries	-	-	-	-	1,432
Debt Issued	302,638	704,710	2,241,043	593,065	586,744
Refunded Debt Issued	260,435	60,130	127,577	21,625	29,610
Leases Incurred	7	107	-	3,939	-
Payment to Escrow Agent	(270,769)	(62,543)	(144,206)	(130,389)	(38,777)
Contributions to Permanent Funds	48,638	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>202,868</b>	<b>722,606</b>	<b>103,779</b>	<b>610,795</b>	<b>704,305</b>
<b>Net Change in Fund Balances</b>	<b>\$ (603,438)</b>	<b>\$ 488,947</b>	<b>\$ (327,684)</b>	<b>\$ 369,358</b>	<b>\$ 1,287,980</b>
Debt service as a percentage of noncapital expenditures	1.10%	1.89%	2.24%	3.21%	2.87%

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

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Farm earnings	\$ 819,042	\$ 944,559	\$ 877,230	\$ 829,000
Forestry, fishing and related activities	555,139	628,432	787,481	930,964
Mining	88,923	95,381	104,508	111,026
Utilities	N/A	N/A	N/A	N/A
Construction	4,212,244	4,577,017	4,705,577	4,757,849
Manufacturing	10,625,632	11,520,652	12,135,627	12,703,085
Wholesale trade	4,093,090	4,508,624	4,739,330	4,960,086
Retail trade	5,948,213	6,281,232	6,616,373	7,136,190
Transportation	3,558,958	3,757,279	3,918,526	4,198,237
Finance, insurance, and real estate	3,739,761	4,216,433	4,650,936	4,935,355
Finance and insurance	N/A	N/A	N/A	N/A
Real estate, rental and leasing	N/A	N/A	N/A	N/A
Services	13,686,046	14,471,278	15,658,372	16,781,480
Information	N/A	N/A	N/A	N/A
Professional and technical services	N/A	N/A	N/A	N/A
Management of companies	N/A	N/A	N/A	N/A
Administrative and waste services	N/A	N/A	N/A	N/A
Educational services	N/A	N/A	N/A	N/A
Health care and social assistance	N/A	N/A	N/A	N/A
Arts, entertainment and recreation	N/A	N/A	N/A	N/A
Accommodation and food services	N/A	N/A	N/A	N/A
Other services	N/A	N/A	N/A	N/A
Federal government, civilian	1,748,909	1,823,181	1,899,963	1,919,405
Military	225,906	229,080	227,765	234,824
State government	1,910,144	2,001,821	2,105,335	2,374,265
Local government	5,446,742	5,747,409	6,105,776	6,893,313
Other <sup>1</sup>	19,316,665	20,051,809	21,095,908	21,108,153
<b>Total personal income</b>	<b>\$ 75,975,414</b>	<b>\$ 80,854,187</b>	<b>\$ 85,628,707</b>	<b>\$ 89,873,232</b>
 Average effective rate <sup>2</sup>	 4.9%	 5.8%	 5.5%	 5.8%

Source: US Department of Commerce, Bureau of Economic Analysis

Note: Prior to 2001, the NAICS (North American Classification System) was used but, in 2001, the Bureau of Economic Analysis started using SIC (US Standard Industrial Classification System). While many categories are the same, there were some changes in the amount of detail available.

<sup>1</sup>Includes income from all sources other than wages, salaries, tips, etc.

<sup>2</sup>The total direct rate for personal income for the most current year is not available. Average effective rate equals tax as a percentage of taxable income. Average effective rate for 2005 will not be available until May 2007.

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

2000	2001	2002	2003	2004	2005
\$ 849,067	\$ 762,582	\$ 783,405	\$ 933,314	\$ 1,156,108	\$ 1,241,443
960,260	1,402,084	1,402,739	1,404,352	1,396,437	1,419,539
119,625	109,194	126,615	139,275	154,365	173,362
N/A	671,141	629,906	648,999	689,477	644,745
5,104,929	5,074,116	4,922,718	4,753,615	5,225,768	6,000,297
14,196,907	12,323,976	11,778,764	12,064,824	12,917,065	13,705,632
5,335,503	4,453,367	4,563,882	4,773,325	5,243,673	5,688,117
7,319,763	5,701,001	5,740,658	5,778,563	6,117,749	6,367,622
4,697,346	2,511,318	2,598,309	2,699,760	2,888,457	2,994,719
5,390,816	N/A	N/A	N/A	N/A	N/A
N/A	3,582,049	3,809,119	4,153,188	4,163,660	4,404,331
N/A	1,679,550	1,687,550	1,771,751	1,977,840	2,155,846
18,377,486	N/A	N/A	N/A	N/A	N/A
N/A	2,347,055	2,169,769	2,208,235	2,351,001	2,363,996
N/A	5,306,394	5,109,786	5,055,473	5,370,303	5,939,547
N/A	1,927,405	1,830,750	1,899,605	2,079,353	2,320,818
N/A	2,422,120	2,599,991	2,617,924	2,751,287	3,019,776
N/A	662,168	708,516	770,077	832,745	870,188
N/A	7,058,647	7,602,286	7,989,894	8,578,327	9,304,175
N/A	641,741	671,210	648,076	667,633	686,759
N/A	2,120,172	2,193,795	2,311,500	2,446,880	2,627,199
N/A	2,164,703	2,288,194	2,321,080	2,457,982	2,599,291
2,074,919	2,100,834	2,207,771	2,305,668	2,469,248	2,545,052
255,157	275,470	346,359	468,541	492,005	578,924
2,442,690	2,638,359	3,134,746	3,236,303	3,417,137	3,919,502
6,980,283	7,636,646	9,004,787	9,136,850	9,709,632	10,286,105
22,296,976	23,447,921	23,970,259	23,800,154	24,202,454	25,291,832
<b>\$ 96,401,727</b>	<b>\$ 99,020,013</b>	<b>\$ 101,881,884</b>	<b>\$ 103,890,346</b>	<b>\$ 109,756,586</b>	<b>\$ 117,148,817</b>
5.9%	5.6%	5.5%	5.6%	5.7%	N/A

**Schedule 6  
PERSONAL INCOME TAX RATES  
Last Ten Calendar Years**

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of		Average Effective Rate <sup>1</sup>
		Single & Married Filing Separately	Married Filing Jointly & Head of Household	
1996	9.0%	\$ 5,550	\$ 11,100	4.9%
1997	9.0%	5,700	11,400	5.8%
1998	9.0%	5,800	11,600	5.5%
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	N/A

Source: Oregon Department of Revenue

<sup>1</sup> The total direct rate for personal income for the most current year is not available. Average effective rate equals tax as a percentage of taxable income. Average effective rate for 2005 will not be available until May 2007.

**Schedule 7**  
**PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL**  
 Calendar Years 1995 and 2004  
 (Dollars In Thousands)

1995				
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	2,420	0.16%	\$ 236,745	8.62%
\$100,001–\$500,000	51,740	3.53%	599,361	21.82%
\$80,001–\$100,000	39,726	2.71%	225,596	8.21%
\$60,001–\$80,000	95,592	6.52%	397,864	14.48%
\$40,001–\$60,000	206,976	14.11%	566,863	20.63%
\$20,001–\$40,000	372,018	25.36%	525,250	19.12%
\$10,001–\$20,000	302,237	20.60%	158,313	5.76%
\$10,000 and lower	396,305	27.01%	37,270	1.36%
<b>Total</b>	<b>1,467,014</b>	<b>100.00%</b>	<b>\$ 2,747,262</b>	<b>100.00%</b>

2004				
Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	5,825	0.35%	\$ 596,651	14.05%
\$100,001–\$500,000	127,475	7.71%	1,367,966	32.22%
\$80,001–\$100,000	89,162	5.39%	459,934	10.83%
\$60,001–\$80,000	154,581	9.35%	572,920	13.50%
\$40,001–\$60,000	243,878	14.75%	595,582	14.03%
\$20,001–\$40,000	389,986	23.59%	494,880	11.66%
\$10,001–\$20,000	280,462	16.97%	126,443	2.98%
\$10,000 and lower	361,834	21.89%	30,828	0.73%
<b>Total</b>	<b>1,653,203</b>	<b>100.00%</b>	<b>\$ 4,245,204</b>	<b>100.00%</b>

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 2004 is the most current year available.

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

Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Revenue Bonds	Certificates of Participation	General Appropriation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Capital Leases			
1997	104,730	95,165	592,301	-	179	3,232,186	739,733	34,688	10,822	4,809,804	5.95%	1.46
1998	94,480	96,245	627,366	-	119	2,903,126	857,328	29,448	10,698	4,618,810	5.39%	1.38
1999	82,445	249,780	610,062	-	372	2,396,565	1,057,488	22,604	8,429	4,427,745	4.93%	1.30
2000	87,645	396,170	781,836	-	1,026	2,341,735	1,195,479	17,093	5,475	4,826,459	5.01%	1.41
2001	77,845	502,025	784,849	-	-	2,205,097	1,323,938	30,736	3,066	4,927,556	4.98%	1.42
2002	68,715	743,870	787,320	-	5	2,263,751	1,438,265	28,340	1,381	5,331,647	5.23%	1.51
2003	158,455	803,504	776,884	431,560	79	2,091,668	1,569,740	25,011	897	5,857,798	5.64%	1.64
2004	2,341,905	761,574	777,544	431,560	47	1,954,061	1,660,340	17,916	527	7,945,474	7.24%	2.21
2005	2,330,370	1,081,973	881,835	409,465	3,954	1,939,024	1,774,841	20,110	711	8,442,283	7.21%	2.32
2006	2,316,920	1,436,937	1,068,439	385,865	3,464	1,917,804	1,685,531	22,326	490	8,837,776	7.17%	2.40

Note: Details regarding the State's debt can be found in Note 9 of the financial statements.

<sup>1</sup> 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 <sup>1</sup>	Per Capita
1997	\$ 3,336,916	4.13%	\$ 1.01
1998	2,997,606	3.50%	0.89
1999	2,479,010	2.76%	0.73
2000	2,429,380	2.52%	0.71
2001	2,282,942	2.31%	0.66
2002	2,332,466	2.29%	0.66
2003	2,250,123	2.17%	0.63
2004	4,295,966	3.91%	1.20
2005	4,269,394	3.64%	1.17
2006	4,234,724	3.43%	1.15

Note: Details regarding the State's debt can be found in Note 9 of the financial statements.

<sup>1</sup> Ratios are calculated using personal income and population data found in Schedule 13.

**Schedule 10  
LEGAL DEBT MARGIN CALCULATION  
For Fiscal Year 2006**

	<b>Constitutional/Statutory Provision</b>	<b>Constitutional Debt Limit <sup>1</sup></b>	<b>Statutory Debt Limit</b>
<b>General Obligation Bonds</b>			
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 <sup>2</sup>	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 & Disabled Housing	Article XI-I(2)	0.50%	-
Alternate Energy Project	Article XI-J	0.50%	-
Oregon School Bond Guaranty	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU) <sup>3</sup>	Article XI-L	0.50%	203,175,000
Seismic Refit-Public Education Buildings	Article XI-M	0.20%	-
Seismic Refit-Emergency Service Building	Article XI-N	0.20%	-
Pension Obligation	Article XI-O	1.00%	-
<b>Revenue Bonds</b>			
Transportation Infrastructure Bank	ORS 367.030	0.00%	\$ 200,000,000
Highway User Tax	ORS 367.620	0.00%	2,228,000,000
Single & Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000

Source: Oregon State Treasury, Debt Management Division and Oregon Constitution

Note: The legal debt limit for lottery revenue bonds is based on the requirement that unobligated net lottery proceeds be at least 400 percent of the maximum annual debt service on outstanding bonds, including the estimated debt service on the 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 the schedule.

<sup>1</sup> Percentages listed are of Real Market Value (RMV) of all taxable real property in the state, based on the January 1, 2005 RMV of \$362,836,922,347.

<sup>2</sup> Issuance of Forest Rehabilitation bonds is limited by statute to \$750,000 per year.

<sup>3</sup> 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.

**Schedule 10 (continued)**  
**LEGAL DEBT MARGIN CALCULATION**  
**For Fiscal Year 2006**

<b>Legal Debt Limit</b>	<b>Amount Outstanding</b>	<b>Legal Debt Margin</b>
\$ 50,000	\$ -	\$ 50,000
3,628,369,223	-	3,628,369,223
29,026,953,788	763,935,000	28,263,018,788
5,442,553,835	-	5,442,553,835
680,319,229	-	680,319,229
5,442,553,835	832,442,717	4,610,111,118
260,000,000	38,655,000	221,345,000
5,442,553,835	-	5,442,553,835
1,814,184,612	199,580,000	1,614,604,612
1,814,184,612	123,545,000	1,690,639,612
1,814,184,612	-	1,814,184,612
203,175,000	192,605,000	10,570,000
725,673,845	-	725,673,845
725,673,845	-	725,673,845
3,628,369,223	2,083,960,000	1,544,409,223
<b>\$ 60,648,799,494</b>	<b>\$ 4,234,722,717</b>	<b>\$ 56,414,076,777</b>
\$ 200,000,000	\$ -	\$ 200,000,000
2,228,000,000	963,069,384	1,264,930,616
2,500,000,000	1,481,303,110	1,018,696,890
<b>\$ 4,928,000,000</b>	<b>\$ 2,444,372,494</b>	<b>\$ 2,483,627,506</b>

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

	2000	2001	2002	2003	2004	2005	2006
<b>General Obligation Bonds</b>							
Debt limit	\$ 35,557,043	\$ 38,185,215	\$ 41,878,725	\$ 45,244,118	\$ 52,440,336	\$ 56,691,300	\$ 60,648,799
Total debt applicable to limit	2,429,380	2,282,941	2,385,858	2,312,788	4,364,485	4,345,105	4,234,723
Legal debt margin	<u>\$ 33,127,663</u>	<u>\$ 35,902,274</u>	<u>\$ 39,492,867</u>	<u>\$ 42,931,330</u>	<u>\$ 48,075,851</u>	<u>\$ 52,346,195</u>	<u>\$ 56,414,076</u>
Total debt applicable to the limit as a percentage of debt limit	6.83%	5.98%	5.70%	5.11%	8.32%	7.66%	6.98%
<b>Revenue Bonds</b>							
Debt limit	\$ 2,548,400	\$ 2,548,400	\$ 3,110,000	\$ 3,110,000	\$ 4,838,000	\$ 4,838,000	\$ 4,428,000
Total debt applicable to limit	1,262,359	1,371,417	1,702,414	1,790,178	1,877,507	2,326,329	2,444,372
Legal debt margin	<u>\$ 1,286,041</u>	<u>\$ 1,176,983</u>	<u>\$ 1,407,586</u>	<u>\$ 1,319,822</u>	<u>\$ 2,960,493</u>	<u>\$ 2,511,671</u>	<u>\$ 1,983,628</u>
Total debt applicable to the limit as a percentage of debt limit	49.54%	53.81%	54.74%	57.56%	38.81%	48.08%	55.20%

Source: Oregon State Treasury, Debt Management Division

Note: Comparable legal debt limit information prior to fiscal year 2000 is not available.

**Schedule 12  
PLEGGED REVENUE  
Lottery Revenue Bonds  
Last Ten Fiscal Years  
(Dollars In Thousands)**

Year	Revenues	Expenses	Net Revenues Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$ 721,992	\$ 429,629	\$ 292,363	\$ 4,640	\$ 5,356	\$ 9,996	29.25
1998	716,336	427,938	288,398	4,875	5,124	9,999	28.84
1999	726,693	430,139	296,554	5,670	5,955	11,625	25.51
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

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

Note: The State also has 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**

<b>Year</b>	<b>Population</b>	<b>Personal Income<sup>1</sup></b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
1997	3,304,310	\$ 80,854,187	\$ 24,469	5.6%
1998	3,352,449	85,628,707	25,542	5.7%
1999	3,393,941	89,873,232	26,480	5.5%
2000	3,431,070	96,401,727	28,097	5.1%
2001	3,473,484	99,020,013	28,507	6.4%
2002	3,522,342	101,881,884	28,924	7.6%
2003	3,562,681	103,890,346	29,161	8.1%
2004	3,591,363	109,756,586	30,561	7.3%
2005	3,641,056	117,148,817	32,174	6.1%
2006	3,683,300	123,300,000	33,475	5.4%

Source: 1997 through 2005 US Department of Commerce, Bureau of Economic Analysis

Note: 2006 population and personal income estimates made by the Oregon Office of Economic Analysis. Unemployment rate for 2006 comes from the Oregon Employment Department.

<sup>1</sup> Personal income presented in thousands.

**Schedule 14  
EMPLOYMENT BY INDUSTRY  
Calendar Year 2005 and Nine Years Prior**

	1996		2005	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	66,458	3.44%	68,045	3.06%
Forestry, fishing and related activities	35,864	1.86%	35,877	1.61%
Mining	3,035	0.16%	3,346	0.15%
Utilities	N/A	N/A	5,281	0.24%
Construction	111,993	5.80%	131,872	5.93%
Manufacturing	252,390	13.06%	217,265	9.76%
Wholesale trade	96,265	4.98%	86,571	3.90%
Retail trade	338,892	17.53%	244,807	11.01%
Transportation	85,108	4.40%	64,490	2.90%
Finance, insurance, and real estate	134,474	6.96%	N/A	N/A
Finance and insurance	N/A	N/A	83,248	3.74%
Real estate, rental and leasing	N/A	N/A	89,326	4.01%
Services	554,524	28.69%	N/A	N/A
Information	N/A	N/A	40,783	1.83%
Professional and technical services	N/A	N/A	125,944	5.66%
Management of companies	N/A	N/A	28,919	1.30%
Administrative and waste services	N/A	N/A	123,158	5.54%
Educational services	N/A	N/A	41,975	1.89%
Health care and social assistance	N/A	N/A	231,629	10.41%
Arts, entertainment and recreation	N/A	N/A	46,822	2.10%
Accommodation and food services	N/A	N/A	150,943	6.79%
Other services	N/A	N/A	120,248	5.40%
Federal government, civilian	29,532	1.53%	29,647	1.33%
Military	13,398	0.69%	12,700	0.57%
State government	56,707	2.93%	67,707	3.04%
Local government	154,132	7.97%	174,235	7.83%
Total employment	<u>1,932,772</u>	<u>100.00%</u>	<u>2,224,838</u>	<u>100.00%</u>

Source: US Department of Commerce, Bureau of Economic Analysis

Notes: 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.

Prior to 2001, the NAICS (North American Classification System) was used but, in 2001, the Bureau of Economic Analysis started using SIC (US Standard Industrial Classification System). While many categories are the same, there were some changes in the amount of detail available.

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State of Oregon

**Schedule 15**  
**GOVERNMENT EMPLOYEES**  
Last Ten Fiscal Years

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Education	10,883	11,176	11,176	12,081	12,081	12,402	12,402	12,691	12,691	12,411
Human Resources	8,917	9,194	9,194	8,678	8,678	8,983	8,983	9,281	9,281	9,200
Public Safety	5,800	7,027	7,027	7,949	7,949	8,265	8,265	7,810	7,810	8,187
Economic and Community Services	1,734	1,796	1,796	1,881	1,881	1,940	1,940	1,846	1,846	1,753
Natural Resources	3,630	3,733	3,733	4,042	4,042	4,272	4,272	4,163	4,163	4,272
Transportation	4,875	4,826	4,826	4,796	4,796	4,742	4,742	4,602	4,602	4,579
Consumer and Business Services	1,735	1,699	1,699	1,627	1,627	1,589	1,589	1,559	1,559	1,550
Administration	2,408	2,458	2,458	2,583	2,583	2,736	2,736	2,817	2,817	2,879
Legislative Branch	374	386	386	417	417	418	418	394	394	393
Judicial Branch	1,547	1,649	1,649	1,725	1,725	1,865	1,865	1,896	1,896	1,907
<b>Total FTE Positions</b>	<b>41,903</b>	<b>43,944</b>	<b>43,944</b>	<b>45,779</b>	<b>45,779</b>	<b>47,212</b>	<b>47,212</b>	<b>47,059</b>	<b>47,059</b>	<b>47,131</b>

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**

	1997	1998	1999
<b>Governmental Activities</b>			
<b>Education</b>			
Number of PreK-12 students	541,346	540,359	542,867
Number of FTE community college students	83,264	85,346	89,616
Special education school campuses	2	2	2
<b>Human Resources</b>			
Number of individuals eligible for Oregon Health Plan	N/A	N/A	N/A
Average number of basic TANF individuals	63,457	46,697	41,491
<b>Public Safety</b>			
Number of sworn state police officers	859	769	794
Prison inmate population	7,808	8,475	9,246
Number of correctional facilities	10	10	11
<b>Economic and Community Development</b>			
Community development grants provided (in dollars)	23,548,553	15,520,585	4,189,128
Number of technical assistance grants provided	2	1	5
<b>Natural Resources</b>			
Forest acres burned	1,410	2,682	9,528
State park day use visitors (in millions)	37.3	37.2	36.9
Acreage of state parks	91,638	92,606	94,330
Miles of forest roads	2,325	2,845	2,861
<b>Transportation</b>			
Licensed drivers (in millions)	2.5	2.5	2.7
Vehicle miles traveled on state highway system (in billions)	19.4	19.7	20.3
State highway system miles	7,483	7,482	7,507
Number of state owned bridges	2,636	2,616	2,632
<b>Consumer and Business Services</b>			
Number of employers covered by workers' compensation	78,999	80,363	81,296
Historic premiums written for all insurance lines (in billions)	9.4	9.9	10.2
Average bank and credit union assets (in billions)	12.5	16.4	21.1
Construction employment (in thousands)	81.6	81.9	82.9
<b>Administration</b>			
Number of tax returns filed	1,563,139	1,587,399	1,602,850
Percent of returns filed electronically	7.2%	10.3%	15.6%
Uniform rent square footage	1,667,399	1,690,606	1,690,606
Leased office space square footage	2,945,337	3,189,424	3,189,424
Number of motor pool vehicles	3,892	4,320	3,967
<b>Legislative</b>			
Number of bills introduced	3,091	-	3,103
Number of bills becoming law	871	-	1,096
Length of legislative session (in days)	174	-	195
Capital building	1	1	1
<b>Judicial</b>			
Cases filed in circuit courts	N/A	623,593	635,501
Number of circuit court judges	N/A	160	163

Sources: Various state agencies

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

2000	2001	2002	2003	2004	2005	2006
545,085	545,680	551,679	554,071	551,407	552,320	559,215
93,648	96,037	102,019	100,023	93,221	92,054	91,401
2	2	2	2	2	2	2
345,523	344,992	376,063	380,646	359,325	374,751	381,343
39,836	36,050	39,366	41,272	40,598	42,119	40,565
805	735	753	699	610	582	607
9,945	10,694	11,450	12,003	12,778	12,877	13,229
11	12	12	12	12	13	13
18,790,086	18,185,247	10,914,364	12,340,280	13,319,246	11,454,006	17,040,564
18	14	7	3	6	6	8
10,875	51,438	99,166	9,346	5,941	11,588	11,458
37.4	37.9	37.9	38.4	42.4	40.6	40.1
94,869	94,937	95,462	95,313	99,030	101,010	97,340
3,042	3,035	3,055	3,059	3,082	3,123	3,123
2.8	2.8	2.9	2.8	2.9	3.0	N/A
20.5	20.5	20.9	20.8	20.8	20.7	N/A
7,499	7,485	7,476	7,448	7,441	7,426	N/A
2,646	2,653	2,658	2,664	2,670	2,664	2,676
82,161	83,420	83,938	84,674	86,115	87,150	N/A
11.0	12.5	14.2	14.7	14.4	15.0	N/A
20.9	20.9	23.8	24.6	33.2	34.7	N/A
82.9	80.5	78.3	76.9	82.6	90.9	N/A
1,628,413	1,623,813	1,616,700	1,611,785	1,653,203	N/A	N/A
20.3%	25.5%	30.6%	34.7%	45.3%	N/A	N/A
1,690,606	1,690,606	1,690,606	1,690,606	1,796,482	1,796,482	1,810,942
3,398,067	3,398,067	3,522,641	3,522,641	3,522,641	3,522,641	3,784,762
4,019	3,913	3,923	3,682	3,605	3,689	3,814
-	3,106	-	2,769	-	2,957	-
-	989	-	817	-	844	-
-	181	52	227	-	208	-
1	1	1	1	1	1	1
653,367	654,822	645,956	655,574	607,539	611,946	N/A
163	163	163	168	169	169	173

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

	1997	1998	1999
<b>Business-Type Activities</b>			
<b>Housing and Community Services</b>			
Number of low income single family home loans closed	1,137	951	1,474
Number of individuals provided emergency shelter assistance	N/A	N/A	N/A
Number of affordable rental units produced	N/A	N/A	680
<b>Veterans' Loan</b>			
Number of outstanding loans	45,498	37,697	30,229
Percent of delinquent loans	0.34%	0.33%	0.31%
<b>Lottery Operations</b>			
Number of retailers	3,634	3,622	3,516
Number of video terminals	8,884	9,033	8,892
<b>Unemployment Compensation</b>			
Number of claims paid	2,078,136	2,154,370	2,414,334
Amount of claims paid (in millions)	380.0	426.8	441.8
<b>University System</b>			
Total headcount enrollment	64,131	64,989	67,347
Degrees awarded	12,386	12,686	12,840
Number of university campuses	7	7	7
<b>State Hospitals</b>			
Number of mental health clients served	407,533	379,249	349,187
Number of state owned hospital beds	1,238	1,105	1,018
<b>Liquor Control</b>			
Number of state retail outlets	235	235	235
Number of cases sold	1,541,962	1,586,610	1,647,424
<b>Other Business-type Activities</b>			
Number of state fair visitors <sup>1</sup>	680,087	690,041	667,309
Number of residents in veterans' home	N/A	59	98
Number of state owned parking spaces	4,323	4,323	4,323

<sup>1</sup> State fair attendance calculation method changed in 2000.

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

2000	2001	2002	2003	2004	2005	2006
1,860	1,337	1,322	1,014	1,051	1,447	1,149
N/A	N/A	N/A	14,312	12,339	11,542	N/A
1,017	1,327	206	978	1,062	719	2,341
26,008	22,296	18,014	13,788	10,176	8,013	6,612
0.41%	0.42%	0.43%	0.54%	0.39%	0.21%	0.32%
3,501	3,526	3,600	3,722	3,816	3,842	3,972
8,776	8,903	9,259	9,434	10,194	10,438	11,125
2,070,844	3,025,616	4,648,216	5,025,707	2,903,857	2,209,165	N/A
440.5	705.3	1,153.0	1,277.8	718.1	558.0	N/A
69,508	73,883	78,111	79,558	80,066	80,888	81,002
13,592	13,150	13,551	15,112	16,349	16,694	16,979
7	7	7	7	7	7	7
284,975	288,792	291,527	282,675	295,183	304,731	284,265
812	820	880	833	810	834	781
237	237	238	237	239	241	243
1,723,145	1,763,159	1,812,009	1,889,240	2,014,098	2,108,035	2,295,797
401,640	390,680	368,518	346,841	371,457	333,913	361,396
107	125	96	104	120	132	135
4,323	4,323	4,700	4,700	4,507	4,507	4,507

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