

Oregon

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2017

Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



Kate Brown
Governor

Katy Coba
State Chief Operating Officer
Director, Department of Administrative Services

George Naughton
State Chief Financial Officer

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2017**

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Introductory Section



Oregon

Kate Brown, Governor

Department of Administrative Services

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

December 20, 2017

To the Honorable Governor Kate Brown, and Citizens of the State of Oregon:

We are pleased to provide you with the Comprehensive Annual Financial Report of the State of Oregon for the fiscal year ended June 30, 2017. This report is published to fulfill the requirement for annual financial statements in Oregon Revised Statute 291.040.

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

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the State's financial statements for the fiscal year ended June 30, 2017. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. Based on the audit, the auditors concluded the financial statements for fiscal year 2017 are fairly presented in accordance with GAAP. The audit report is the first component in the financial section of this report.

The audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal agencies that provide aid to the State. The standards governing single audit engagements require the auditor to report on the State's internal controls and compliance with legal requirements, particularly as they relate to federal awards. This information, also prepared by the Audits Division, will be available in a separately issued report on or about March 31, 2018.

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

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs, including education, human services, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative support, and judicial services. Oregon's primary government as reported in the accompanying financial statements consists of approximately 85 state agencies. In addition to the primary government, 11 entities are reported as discretely presented component units to emphasize that they are legally separate from the State. Refer to Note 1 to the basic financial statements for a more detailed discussion of the reporting entity.

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

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

Local Economy

Oregon's expansion continues to outperform the typical state due to our industrial structure and ability to attract and retain young, working-age households. While local job growth has slowed since the full-throttle rates seen in 2014 and 2015, Oregon is still outpacing the nation overall.

As the Oregon labor market is at, or near, full employment a few key trends emerge. The most important trend for Oregonians are the rising household incomes in recent years. These gains are the result of putting more Oregonians back to work, an even larger increase in those working full-time, and layering on wage gains as well. The result, based on the latest Census data, is Oregon's median household income is now essentially on par with the median U.S. income. More importantly household incomes today, after adjusting for inflation, are as high, if not higher than those first seen in the late 1990s and mid-2000s. Provided the economic expansion continues, incomes for the typical household are likely to finally break through the stagnation seen in recent decades.

Over time, Oregon's primary economic advantage comes from the state's ability to attract young, working-age households. These new residents provide an ample supply of labor for years to come. Our expectations were for population growth to slow slightly in 2017. Instead, the new data shows a slight acceleration from 2016 gains. That said, population growth does appear to be topping out for this cycle.

The aging Baby Boomers are placing downward pressure on economic growth in recent years, and over the coming decade, possibly two. As they continue to enter retirement, net growth rates are and will be slower than we have become accustomed to. They represent workers with a lifetime of experience and institutional knowledge for industry and firms. Such workers cannot instantaneously be replaced.

Spending on education as reported by the State's governmental funds during fiscal year 2017 increased \$141.6 million, or 2.5 percent, compared to fiscal year 2016 and over the last ten years, education spending has increased 36.9 percent. Human services spending by the State's governmental funds was up \$105.3 million, or 0.9 percent, compared to fiscal year 2016, but is more than double the amount spent in fiscal year 2008. Governmental fund expenditures for economic and community development in fiscal year 2017 increased \$47.8 million, or 11.4 percent, compared to fiscal year 2016, and are 31.3 percent higher than in fiscal year 2008. Spending on capital improvements in fiscal year 2017 increased \$16.2 million, or 26.3 percent from fiscal year 2016, and is down 0.6 percent from fiscal year 2008. Public safety expenditures increased \$37.3 million from fiscal year 2016, or 2.6 percent, and are 24.4 percent higher than in fiscal year 2008. The increased education funding is the result of historic levels of funding for the State School Fund and the transition of the State's public universities to independent status, which modified how the universities were funded. The increased expenditures in human resources is due largely to expenditures within the Aging and People with Disabilities program at the Oregon Department of Human Services incurred for matching grant purposes.

Governmental fund expenditures related to debt service, have increased as the State expands its use of low-cost capital financing. Debt service expenditures in fiscal year 2017 have increased 79.8 percent over the last ten years.

During this same ten-year period, tax revenues, while increasing in amount overall, decreased 7.4 percent as a percentage of total governmental fund revenues. The reason for this decline is the relative increase in governmental fund expenditures for federally supported programs (e.g., human services) versus governmental activities funded by taxes. As a percentage of total revenues, federal revenues are 9.3 percent higher than they were ten years ago, evidence of the State's continuing reliance on federal assistance programs.

Long-term Financial Planning

Budget for the 2017-19 Biennium

The legislatively adopted budget for the 2017-19 biennium is \$74.4 billion total funds, an increase of \$2.6 billion from the 2015-17 legislatively approved budget of \$71.8 billion, or a gain of 3.6 percent. The increase between the two biennia is, in part, due to the authorization to spend \$1.8 billion more in the General Fund in the 2017-19 biennium than was spent in the 2015-17 biennium. This 10.2 percent increase in General Fund expenditures continues a recent trend of biennial double-digit percentage increases. With the exception of the 2011-13 biennium, when the total funds budget was actually lower than in the previous biennium, the total funds budget percentage increase for the 2017-19 biennium is the lowest since the 1987-89 biennium. The low growth was due to an overall reduction in Federal Funds and the relatively low growth in Other Funds. It should be pointed out that the eventual 2017-19 approved budget will likely increase from the adopted level, barring any serious economic downturn, since additional Other Funds expenditure limitation and receipt of federal funding will cause the budget to increase over the course of the biennium.

Lottery game earnings are forecast to grow 1 percent over the 2015-17 biennium level. The broader measure of total Lottery resources, however, which includes the beginning balance and reversions, is forecast to total \$1.3 billion in the 2017-19 biennium, a \$66.6 million (or 5.3 percent) increase over the 2015-17 biennium level. This will represent the second increase in biennial lottery resources following three biennia of declines. After a period of rapid growth earlier in the decade, lottery resources declined by 22.4 percent during the 2009-11 biennium, followed by smaller declines in the 2011-13 and 2015-17 biennia (0.4 percent and 1.7 percent, respectively). Even with the growth projected for this biennium, 2017-19 biennium resources will still be 5 percent below the 2007-09 biennium peak. Although the Office of Economic Analysis anticipates that lottery resources will continue to grow going forward, it is not forecasting a return to rapid growth rates that occurred when the video lottery games were added. Total biennial lottery resources are not forecast to exceed the 2007-09 biennium peak level until the 2021-23 biennium.

The December 2017 economic and revenue forecast projects \$19.5 billion of General Fund gross revenues for the 2017-19 biennium. The projected General Fund ending balance for 2017-19 is \$272.1 million. General Fund resources are forecasted to increase by 5.2 percent in the 2017-19 biennium and 11.4 percent in the 2019-21 biennium.

State Bonding

The 2017 Legislature approved \$1.1 billion in General Fund debt. The amount authorized includes: \$264.3 million of Article XI-G and Article XI-Q general obligation bonds for 14 public university capital projects; \$103.2 million of Article XI-G general obligation bonds for 15 community college capital projects; \$206.1 million of Article XI-Q general obligation bonds to finance the capital costs of state property, including deferred maintenance of state-owned facilities and information technology projects; \$121.6 million of Article XI-M and Article XI-N general obligation bonds for seismic rehabilitation grants to schools and emergency services facilities; \$113.7 million of Article XI-Q general obligation bonds to complete construction of the Multnomah County Courthouse, provide initial support for replacement of the Lane County Courthouse, and begin renovation of the Supreme Court building; \$101 million of Article XI-P general obligation bonds to fund matching grants to school districts for capital improvements; \$101 million of certificates of participation to finance the release of a portion of the Elliott State Forest from restrictions from ownership of the Common School Fund to preserve non-economic benefits of the forest; and \$81.1 million of Article XI-Q general obligation bonds for the Local Innovation and Fast Track Housing program.

General Fund debt service for approved projects is estimated to be \$25.1 million in the 2017-19 biennium, rolling up to \$184.2 million in the 2019-21 biennium.

Lottery-backed Debt and Other Direct Revenue Bonds

The State Debt Policy Advisory Commission's 2017 Report recommended that the Legislature and the Governor issue no more than \$209.4 million in Lottery Funds supported debt for the 2017-19 biennium. This recommendation is based on the requirement included in the state's lottery revenue bond covenants that limits debt service to no more than 25 percent of unobligated net Lottery revenues (a four-times coverage ratio) and considered that all lottery bonds authorized in the 2015 and 2016 legislative sessions would be issued by the end of the 2015-17 biennium. However, \$16.7 million of Lottery Funds supported debt, including lottery bonds approved for the Roseburg Veterans' Home and Trillium Children's Farm Home, was not issued in the 2015-17 biennium, increasing the available capacity to \$226.1 million.

Lottery Funds supported debt authorized in the 2017-19 legislatively adopted budget represents a \$13.2 million (or 6.2 percent) decrease from the \$213.1 million authorized in the 2015-17 legislatively approved budget. Excluding the \$16.7 million of debt authorized but not issued in the 2015-17 biennium, debt authorized in the 2017-19 biennium is \$3.5 million (or 1.8 percent) more than debt issued in the 2015-17 biennium. There is \$26.2 million in remaining Lottery Funds supported debt capacity for the 2017-19 biennium.

Direct revenue bond authorization for the 2017-19 biennium totals \$529.9 million and includes \$300 million for housing bonds that finance single-family mortgage loans and multifamily housing projects and \$30 million for economic and community development projects through the Oregon Infrastructure Finance Authority Bond Bank Program.

Relevant Financial Policies

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

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

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

The Rainy Day Fund started the 2017-19 biennium with a cash balance of \$376.4 million. Because the General Fund's ending balance for the 2015-17 biennium was positive, 1 percent of budgeted appropriations, or \$180.1 million, will be deposited in the Rainy Day Fund. Additionally, \$41 million will be deposited due to the increase in corporate tax rates from Measure 67 which directs revenue collected from corporate income and excise tax rates above 6.6 percent to be deposited in the Rainy Day Fund. The December 2017 economic and revenue forecast projects the Rainy Day Fund will end the 2017-19 biennium with a cash balance of \$636 million.

The Education Stability Fund started the 2017-19 biennium with a cash balance of \$384.2 million. The December 2017 economic and revenue forecast projects the Education Stability Fund will end the current biennium with a cash balance of \$603.9 million, which includes deposits of \$220 million based on lottery sales. No withdrawals are projected at this time.

Major Initiatives

Of the major projects and related efforts included in the 2017-19 budget, several are of particular interest due to their overall cost, complexity and risk, importance to public safety and health, and/or cross-biennium timeframes. These projects include:

- Statewide Transportation Improvement Program
- High School Graduation and College Careers Readiness Act
- Local Innovation and Fast Track (LIFT) Rental Housing Program

Statewide Transportation Improvement Program

The Statewide Transportation Improvement Program (STIP) is the state's four-year transportation improvement program for state and regional transportation systems, including federal land and Indian reservation road systems, interstate, state, and regional highways, bridges, and public transportation. It covers state and federally funded system improvements for which funding is approved and that are expected to be undertaken during the upcoming four year period. The Oregon Transportation Commission (OTC) and the Oregon Department of Transportation (ODOT) develop the STIP in coordination with a wide range of stakeholders and the public. The STIP is adopted by the OTC and is approved by the Federal Highway Administration and the Federal Transit Administration as required by federal law. The 2018-21 STIP contains approximately \$2.3 billion in projects and programs.

High School Graduation and College Careers Readiness Act

Ballot measure 98 (High School Graduation and College Careers Readiness Act) was passed in 2016. The measure requires the Legislature to separately provide at least \$800 per high school student – adjusted upward annually for inflation/population – to a Department of Education (ODE) administered account. ODE distributes those funds to school districts to establish or expand high school programs providing career-technical education, college-level courses, and dropout-population strategies.

The Legislature made changes to the ballot measure during the 2017 legislative session to provide flexibility to school districts, including allowing up to 15 percent of the total funds awarded to be used for activities for 8th graders, removing the requirement that grant awards support activities in each of the three focus areas (career and technical education, accelerated learning, and drop-out prevention) for smaller districts. A total of \$170 million General Fund is available for distribution to school districts in the Department of Education's budget for the 2017-19 biennium.

Local Innovation and Fast Track (LIFT) Rental Housing Program

The Local Innovation and Fast Track (LIFT) Housing Program will build new affordable housing, especially for low income families. In 2015, the Legislature committed \$40 million of general obligation Article XI-Q bonds to fund the program, a new source of affordable housing dollars. In 2017, the Legislature committed additional general obligation XI-Q bonds to fund LIFT. Using this new funding source will allow the Oregon Housing and Community Services Department (OHCS) and its partners to test innovative strategies and create a modern model of affordable housing development, building upon years of experience, expertise, and success. OHCS together with the Housing Stability Council have developed a plan to efficiently use the new funds and to maximize the impact in communities across the state.

The primary goals of the LIFT program are to create a large number of new affordable housing units to serve low income Oregonians and serving historically underserved communities including rural communities with less than 25 thousand people and communities of color.

Secondary goals of the LIFT program are: to place affordable housing units in service as quickly as possible; to serve households receiving services through Oregon's Department of Human Services (DHS) child welfare or self-sufficiency programs; and to identify replicable innovative building strategies that result in lower cost of affordable housing development.

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, 2016. This was the twenty-fifth consecutive year that the State has achieved this prestigious award. To receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Chief Financial Office takes great pride in the preparation of the Oregon Comprehensive Annual Financial Report. We greatly appreciate the professionalism, commitment, and effort of Statewide Accounting and

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'GN', is positioned above the typed name.

George Naughton
Chief Financial Officer
State of Oregon



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

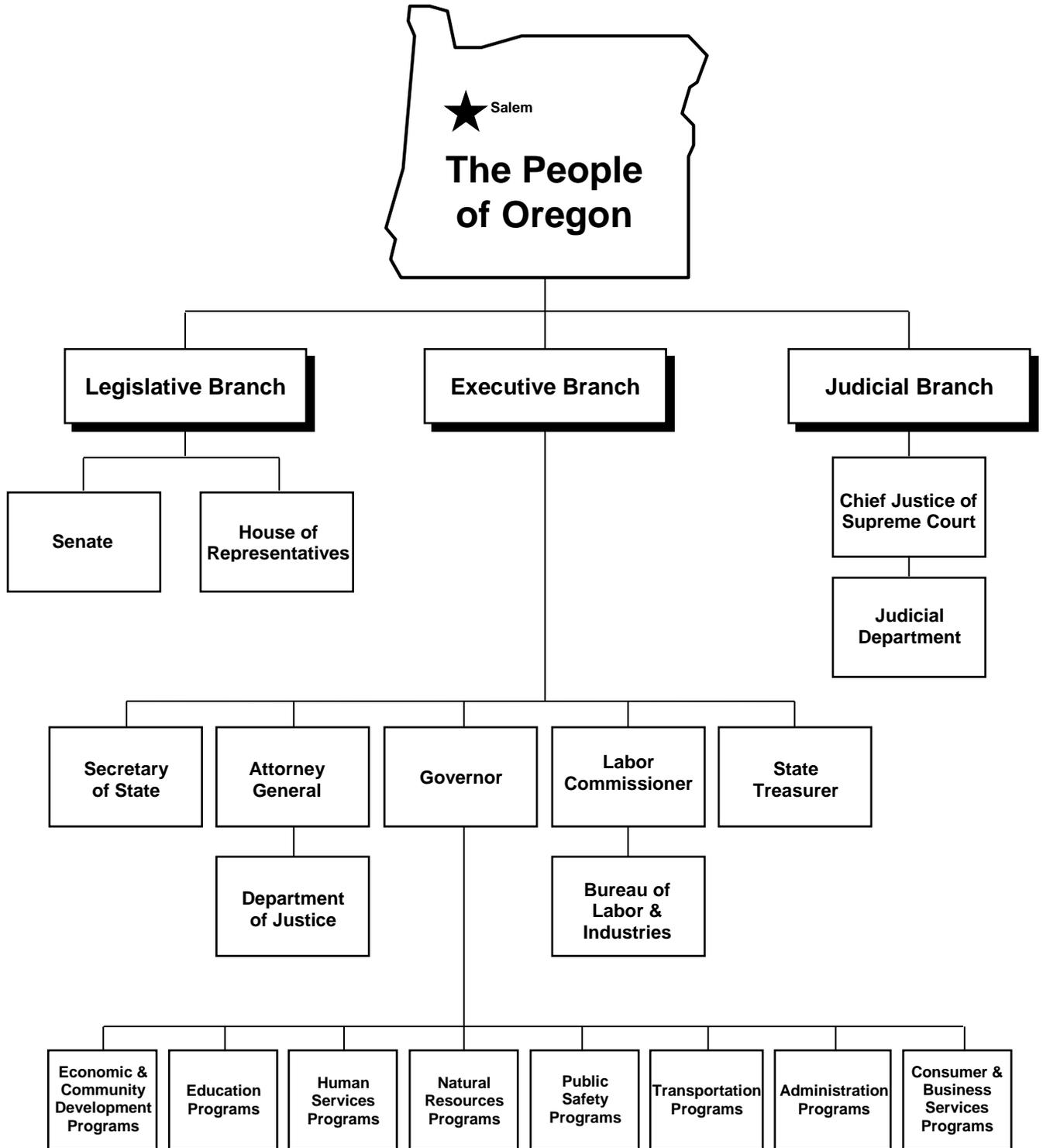
State of Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

STATE OF OREGON ORGANIZATION CHART



Principal State Officials



EXECUTIVE

Kate Brown, Governor

Dennis Richardson, Secretary of State

Tobias Read, State Treasurer

Ellen F. Rosenblum, Attorney General

Brad Avakian, Commissioner, Labor and Industries

LEGISLATIVE

Peter Courtney, Senate President

Tina Kotek, Speaker of the House of Representatives

JUDICIAL

Thomas A. Balmer, Chief Justice of the Supreme Court



Financial Section

Office of the Secretary of State

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor’s Report

The Honorable Kate Brown
Governor of Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Oregon’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Liabilities</u>	<u>Percent of Revenues/ Additions</u>
Governmental Activities	6%	2%	1%
Business Type Activities	1%	1%	5%
Discretely Presented Component Units	97%	96%	97%
Common School – Major Governmental Fund	100%	100%	100%
Aggregate Remaining Funds:			
Public Employees Retirement System	86%	59%	68%

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

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2017, the State of Oregon implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* and GASB Statement No. 77 *Tax Abatement Disclosures*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 19, 2017, on our consideration of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in the Oregon Single Audit Report. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oregon's internal control over financial reporting and compliance.

Office of the Secretary of State, Audits Division

State of Oregon
December 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Oregon (State) for the fiscal year ended June 30, 2017. The MD&A is intended to serve as an introduction to the State's financial statements. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes, and required supplementary information should be reviewed in their entirety.

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

FINANCIAL HIGHLIGHTS

- On June 30, 2017, the State's net position on a government-wide basis was over \$17.1 billion. Of this amount, the unrestricted portion was \$2.3 billion. The amount restricted for specific uses was \$4.5 billion. The State's net investment in capital assets was \$10.3 billion.
- The State's net position increased \$1.4 billion compared to the prior year, indicating the State's overall financial position has improved. Net position for governmental activities increased 8 percent, while net position for business-type activities increased 10.3 percent.
- As of June 30, 2017, the State's governmental funds reported combined ending fund balances of \$9.6 billion. Of this total, approximately 1.1 percent was considered nonspendable and included amounts related to inventories, prepaid amounts, and permanent fund principal.
- Approximately 75.7 percent of ending governmental fund balances were classified as restricted and included amounts that were subject to constraints imposed by external parties, such as creditors, grantors, or the laws and regulations of other governments (including the federal government), or imposed by constitutional provisions or enabling legislation. Restricted fund balances totaled \$7.3 billion.
- The remaining 23.2 percent of ending fund balances were classified as unrestricted and included the fund balance categories designated as committed, assigned, and unassigned. Committed fund balances are available for spending only with legislative approval, while assigned fund balances express legislative intent as indicated through the budget process. Unassigned fund balances may be spent at the government's discretion. Total unrestricted fund balances equaled \$2.2 billion. Additional information on the classification of governmental fund balances may be found in Notes 1 and 19 in the notes to the financial statements.
- At fiscal year-end, unrestricted fund balance (committed, assigned, and unassigned categories) in the General Fund was \$1.5 billion.
- The net pension liability for the State, as the primary government and excluding discretely presented component units, has increased from \$1.1 billion to \$3.1 billion. The State recognized pension expense of \$556.5 million during the current year. State contributions to this defined benefit plan during the current fiscal year were \$187.5 million.
- The State is reporting a new nonmajor enterprise fund, the Standard Retiree Health Insurance Fund, which accounts for a risk sharing and insurance purchasing pool that the Oregon Public Employees Retirement System (PERS) board contracts for medical and hospital insurance on behalf of PERS retirees. In previous years, this has been accounted for within the Other nonmajor enterprise fund.
- The State implemented GASB Statement No. 77, *Tax Abatement Disclosures* which established the definition of a tax abatement for financial reporting purposes. The State has four material programs that meet the definition of a tax abatement under GASB Statement No. 77, and \$65.4 million of income was abated through those programs during the current fiscal year. Refer to Notes 1 and 21 for additional information.

- Outstanding debt (bonds and certificates of participation) increased by \$826.7 million during fiscal year 2017. As part of an overall plan to reduce borrowing costs, the State was involved in ten separate debt refunding issuances and refunded \$814.1 million of previously existing debt with \$880.3 million of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

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

- *Governmental activities*. This category includes the basic services provided by the State to its citizens, such as K-12 schools, community colleges and universities, public assistance programs, public safety, and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
- *Business-type activities*. The State charges fees to customers to help cover the costs of certain services it provides. For example, the State administers loan programs to provide housing to citizens with low incomes and those who are elderly or disabled. The operation of the State's lottery and the unemployment compensation program are also reported under business-type activities.
- *Component units*. The State includes 11 other entities in its report: SAIF Corporation, University of Oregon, Oregon State University, Portland State University, Oregon Health and Science University, Western Oregon University, Southern Oregon University, Eastern Oregon University, Oregon Institute of Technology, the State Fair Council, and the Oregon Affordable Housing Assistance Corporation. Although legally separate, these entities are reported as component units either because they are fiscally dependent on the State or because of the nature and significance of their relationship to the State. Financial information for the component units is reported separately from the financial information of the primary government.

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

Fund Financial Statements

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

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

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

The State maintains 19 individual governmental funds. Information is presented separately in the governmental fund financial statements for the six major governmental funds, including the General Fund. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements presented later in this report. The basic governmental fund financial statements can be found on pages 34-41 of this report.

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

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

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

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

Discretely Presented Component Units

The State reports four major discretely presented component units (DPCU) and seven nonmajor DPCUs. Within the basic financial statements on pages 54-59, the major DPCUs, SAIF Corporation, University of Oregon,

Oregon State University, and Portland State University are presented separately while the nonmajor DPCUs are combined and reported in the aggregate. Individual information for each of the nonmajor DPCUs is provided in the combining statements presented later in this report. In the government-wide statements, the activities of the DPCUs are aggregated into a single column.

Notes to the Financial Statements

The basic financial statements also include notes that provide additional information essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 61-161 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents a section of *required supplementary information* (RSI), beginning on page 166, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes. This section also includes two schedules related to the State's pension plan, which is a cost-sharing multiple-employer plan: the Schedule of Proportionate Share of the Net Pension Liability/(Asset) and the Schedule of Defined Benefit Pension Plan Contributions. Lastly, this section includes the Schedule of Funding Progress and accompanying notes for the Public Employees Benefit Board Plan and the Retiree Health Insurance Premium Account, both are defined benefit single-employer postemployment healthcare benefit plans.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 180 of this report. These combining statements provide details about the nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and nonmajor discretely presented component units each of which has been aggregated and presented in a single column in the basic financial statements. The combining financial statements also provide details about the investment trust funds and the pension and other employee benefit trust funds.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. The State's net position on a government-wide basis at June 30, 2017, was over \$17.1 billion as shown in Table 1. Most of this balance was invested in capital assets, with infrastructure being the largest component. The net investment in capital assets was \$10.3 billion. Restricted net position represents resources that are subject to external restrictions on how they may be used. At June 30, 2017, restricted net position totaled \$4.5 billion. The remaining balance of \$2.3 billion was classified as unrestricted net position.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital assets	\$ 13,647.7	\$ 13,288.8	\$ 628.3	\$ 612.4	\$ 14,276.0	\$ 13,901.2
Other assets	13,391.9	12,068.4	6,979.8	6,574.5	20,371.7	18,643.0
Total assets	27,039.6	25,357.3	7,608.1	7,186.9	34,647.7	32,544.2
Total deferred outflows	1,655.0	444.2	153.6	35.6	1,808.6	479.8
Long-term liabilities	14,297.8	11,668.3	1,875.0	1,771.8	16,172.8	13,440.2
Other liabilities	2,841.2	3,203.3	288.8	353.8	3,130.1	3,557.1
Total liabilities	17,139.0	14,871.6	2,163.8	2,125.6	19,302.8	16,997.3
Total deferred inflows	27.1	251.9	8.1	29.1	35.2	281.0
Net investment in capital assets	9,694.2	9,563.0	610.6	612.1	10,304.9	10,175.1
Restricted	4,316.6	4,052.2	215.8	222.4	4,532.4	4,274.6
Unrestricted	(2,482.3)	(2,937.3)	4,763.3	4,233.3	2,281.0	1,296.0
Total net position	\$ 11,528.6	\$ 10,678.0	\$ 5,589.7	\$ 5,067.8	\$ 17,118.3	\$ 15,745.7

Changes in net position. The State's total net position increased \$1.4 billion compared to the prior year. The net position of governmental activities increased 8 percent, while the net position of business-type activities increased 10.3 percent.

The ending net position of governmental activities for fiscal year 2017 was \$11.5 billion compared to \$10.7 billion reported in fiscal year 2016. Expenses decreased \$114 million, or 0.5 percent, while revenues increased \$829.5 million, or 3.5 percent.

Personal income tax revenues were up in fiscal year 2017 by \$767.5 million while corporate income tax revenues were down slightly, by \$800 thousand. This increase in personal income tax revenues was the result of an expanding economy and better income tax collections, while the drop in corporate income taxes is due primarily to refunds of prior year estimated tax payments and refunds resulting from the filing of amended tax returns. In addition, other taxes increased by \$100.4 million, or 3.8 percent. This is largely due to increased inheritance taxes, which grew by \$77.8 million.

Governmental activities expenses decreased \$114 million, or 0.5 percent from fiscal year 2016. This decrease was largely the result of a smaller net pension expense compared to the previous year. In fiscal year 2016, the net pension expense reported by the governmental activities was \$735 million whereas in the current year it was \$302.2 million, a reduction of \$432.8 million. It is important to note that the net pension liability, which is measured in accordance with GASB Codification P20, only affects the accounting and financial reporting of employers participating in defined benefit pension plans, and it does not impact the employer contributions to the plan.

As shown in Table 2, the ending net position of business-type activities for fiscal year 2017 was \$5.6 billion, compared to \$5.1 billion reported in fiscal year 2016. For expenses, which decreased by \$60 million, similar to governmental activities, this reduction was caused primarily by overall decrease in expenses from the net pension liability of \$43.7 million. Charges for services increased \$48 million, or 1.5 percent. This is due to a combination of increases in unemployment insurance assessments and lottery sales, which increased \$21.1 million and \$16.8 million, respectively. The increased assessments are the result of higher wages, which in turn, bring higher unemployment assessments as they are dependent upon a wage base. The increased lottery sales are due to the deployment of new games and terminals which offer a wide variety of game choices that appeal to a diverse audience.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,856.0	\$ 1,905.7	\$ 3,234.3	\$ 3,186.3	\$ 5,090.3	\$ 5,091.9
Operating grants and contributions	10,801.2	10,797.4	128.3	131.9	10,929.5	10,929.3
Capital grants and contributions	11.2	18.4	1.0	0.5	12.1	19.0
General revenues:						
Personal income taxes	8,379.3	7,611.7	-	-	8,379.3	7,611.7
Corporate income taxes	633.0	633.9	-	-	633.0	633.9
Other taxes	2,748.4	2,648.0	18.8	18.3	2,767.2	2,666.3
Unrestricted investment earnings	27.8	12.2	-	-	27.8	12.2
Total revenues	24,456.8	23,627.2	3,382.4	3,337.0	27,839.2	26,964.2
Expenses:						
Education	5,722.7	5,588.7	-	-	5,722.7	5,588.7
Human services	12,446.2	12,516.8	-	-	12,446.2	12,516.8
Public safety	1,604.3	1,683.1	-	-	1,604.3	1,683.1
Economic & community development	477.7	444.6	-	-	477.7	444.6
Natural resources	801.0	845.6	-	-	801.0	845.6
Transportation	1,667.7	1,614.2	-	-	1,667.7	1,614.2
Consumer and business services	260.4	364.4	-	-	260.4	364.4
Administration	410.7	450.1	-	-	410.7	450.1
Legislative	49.5	48.3	-	-	49.5	48.3
Judicial	433.3	455.7	-	-	433.3	455.7
Interest on long-term debt	427.7	403.8	-	-	427.7	403.8
Housing and community services	-	-	42.2	48.1	42.2	48.1
Veterans' loan	-	-	18.1	18.5	18.1	18.5
Lottery operations	-	-	578.6	595.7	578.6	595.7
Unemployment compensation	-	-	528.9	547.3	528.9	547.3
State hospitals	-	-	408.5	399.8	408.5	399.8
Liquor control	-	-	447.3	424.9	447.3	424.9
Other business-type activities	-	-	266.5	315.7	266.5	315.7
Total expenses	24,301.2	24,415.2	2,290.0	2,350.0	26,591.2	26,765.3
Increase (decrease) before contributions, special and extraordinary items, and transfers	155.5	(788.0)	1,092.4	987.0	1,248.0	199.0
Contributions to permanent funds	0.5	-	-	-	0.5	-
Special Items	-	-	-	(335.6)	-	(335.6)
Transfers	581.5	(230.6)	(581.5)	230.6	-	-
Increase (decrease) in net position	737.6	(1,018.6)	510.9	881.9	1,248.5	(136.6)
Net position – beginning	10,678.0	11,684.8	5,067.8	4,150.8	15,745.7	15,835.6
Prior period adjustments	113.1	(55.7)	11.0	35.1	124.1	(20.6)
Cumulative effect of accounting change	-	50.0	-	-	-	50.0
Cumulative effect of reporting entity change	-	17.4	-	-	-	17.4
Net position – beginning – as restated	10,791.0	11,696.5	5,078.8	4,185.8	15,869.8	15,882.4
Net position – ending	\$11,528.6	\$10,678.0	\$ 5,589.7	\$ 5,067.8	\$17,118.3	\$15,745.7

Figure 1 below illustrates fiscal year 2017 revenues of the State as a whole, by source. Approximately 39.3 percent of total revenue was provided by other entities and governments in the form of operating grants and contributions (e.g., federal revenues). Personal and corporate income taxes provided 32.4 percent of total revenues, while charges for services accounted for 18.3 percent.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2017

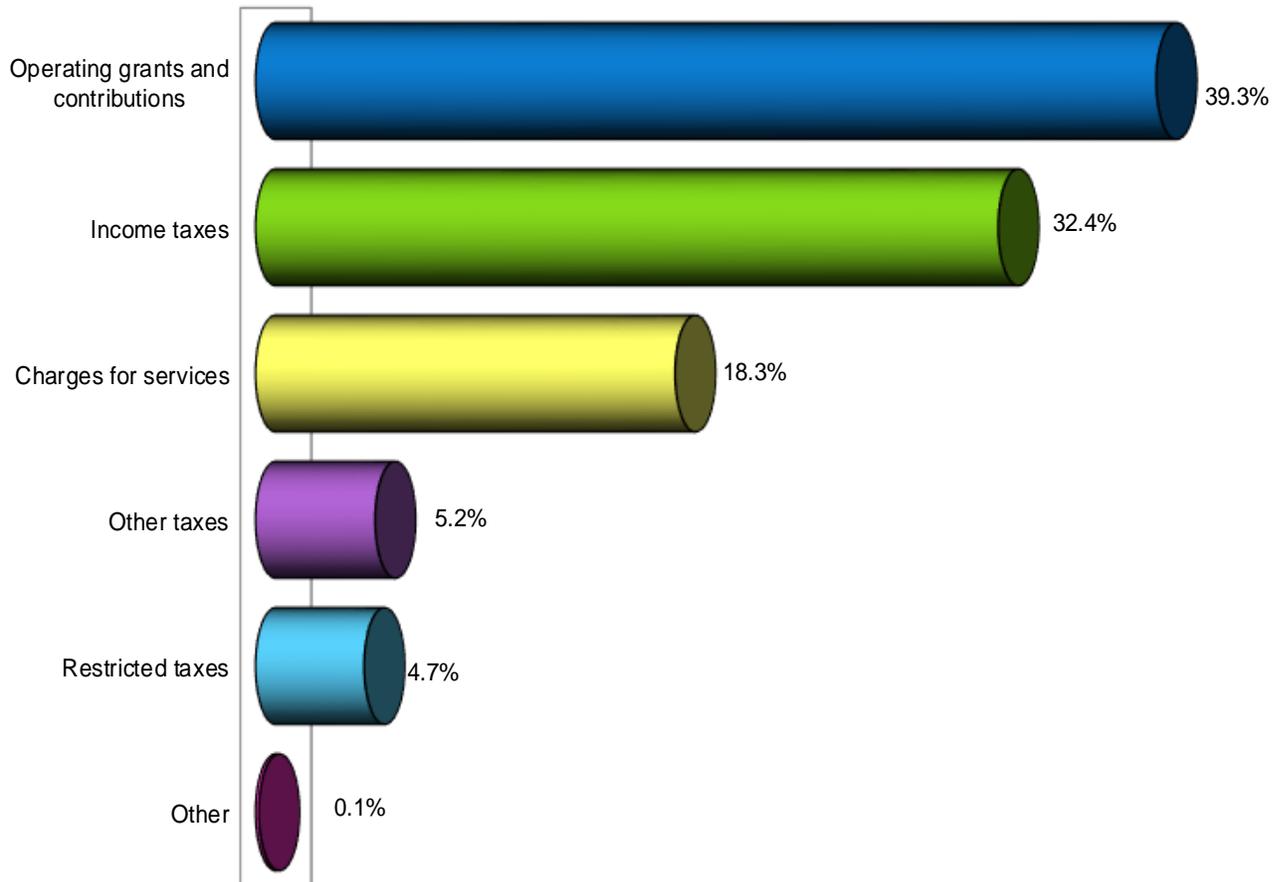
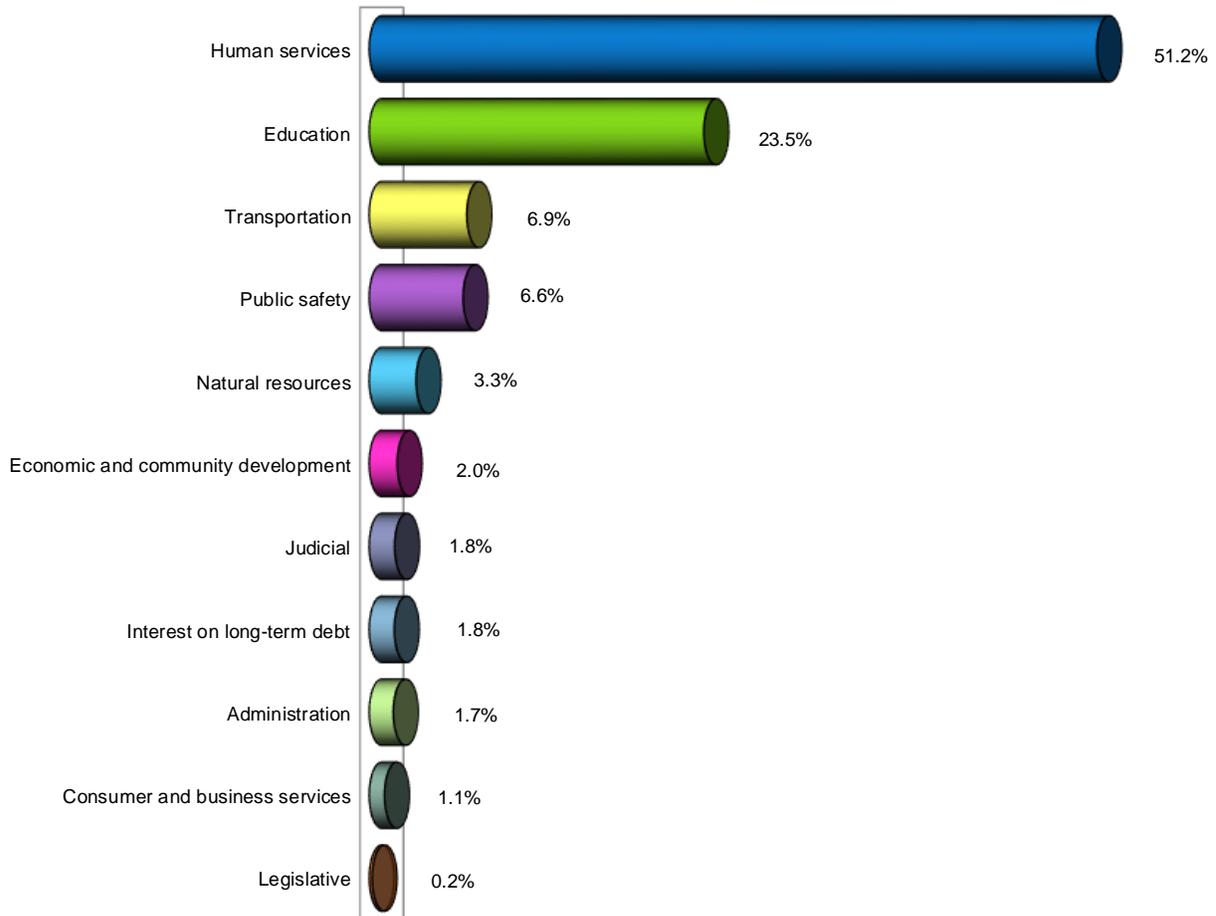


Figure 2 below shows governmental activity expenses for the State as a whole, by function. The cost of providing human services for Oregon citizens in need of assistance comprised 51.2 percent of total expenses. Elementary and secondary education accounted for 23.5 percent of the total.

Figure 2
State of Oregon’s Governmental Expenses by Function
For the Year Ended June 30, 2017



FINANCIAL ANALYSIS OF THE STATE’S FUNDS

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

Governmental funds. The focus of the State’s governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* financial resources. In governmental funds, such information may serve as a useful measure of a government’s net resources available for spending. At the end of fiscal year 2017, the State’s governmental funds reported combined ending fund balances of \$9.6 billion, up \$1.6 billion compared to the prior year.

Nonspendable fund balances of \$107.3 million, or 1.1 percent, included amounts that were either not in spendable form or were legally or contractually required to be maintained intact, while restricted fund balances of \$7.3 billion, or 75.7 percent, were restricted for specific purposes. These restrictions included, for example, vehicle-related taxes that must be used for transportation purposes; federal funding that must be spent in accordance with the underlying grants; and lottery revenues restricted by the Oregon Constitution for job

creation, economic development, financing public education, and restoring and protecting Oregon's parks and beaches.

Committed fund balances of \$1.1 billion comprised 11.9 percent of total fund balances. This category represents amounts committed to specific purposes, such as residential assistance and community protection programs, as the result of constraints imposed by legislation. These amounts may not be used for other purposes unless the legislation is modified or rescinded by passing additional legislation. The assigned fund balance category of \$60.9 million represents amounts constrained by the State's intent to use them for specific purposes. Intent is expressed by the Legislature via the budget process when there is no legislation other than the budget bill imposing the constraints. The unassigned fund balance category of \$1 billion represents (1) the residual fund balance applicable to the General Fund and (2) negative unassigned fund balance in governmental funds other than the General Fund, which is the result of the combination of nonspendable fund balance, restricted fund balance and committed fund balance exceeding that fund's total fund balance.

The General Fund, which is the operating fund of the State, ended fiscal year 2017 with a total fund balance of \$2.2 billion. This represents a \$548.1 million increase from the prior year's ending fund balance. Total revenues grew by 7.8 percent and total expenditures grew 4.8 percent. Significant revenue contributors included personal income taxes, which rose \$648.9 million, or 8.5 percent, and inheritance taxes, reported within other taxes, which rose by \$77.8 million, or 62.6 percent. This increase was partially offset by a decrease in corporate income tax revenues, which fell by \$95.7 million, or 15.1 percent. The increased personal income tax is the result of better collections and an expanding economy. The drop in corporate income taxes has been attributed primarily to refunds of prior year estimated tax payments and refunds resulting from the filing of amended tax returns. Spending for human services increased \$254.4 million, or 13.4 percent, due largely to expenditures within the Aging and People with Disabilities program at the Oregon Department of Human Services incurred for matching grant purposes.

Due to GASB Statement No. 54, the State reports the Oregon Rainy Day Fund as part of the General Fund. During the current fiscal year, the fund balance increased \$4.1 million to \$376.3 million, attributed entirely to investment returns. The ending fund balance of the Rainy Day Fund is classified as committed fund balance.

In the Health and Social Services Fund, total revenues decreased \$111.5 million, or 1.2 percent, due primarily to a decrease in covered Medicaid services, which resulted in lower federal grant revenues of \$106.7 million. Likewise, because of the decrease, the related Medicaid eligibility payments also decreased. These payments are reported as Human Services expenditures, which decreased \$70.6 million, or 0.8 percent from fiscal year 2016. Healthcare provider taxes decreased \$38.7 million, or 6.4 percent due to a reduction in the hospital assessment rate, which dropped from 5.8 percent to 5.3 percent, effective April 1, 2016. Tobacco settlement proceeds increased \$62 million, or 77.2 percent from the prior year due primarily to the release of money held in a disputed payment account related to a non-participating manufacturers adjustment for the years 2004-2015.

In the Public Transportation Fund, total revenues decreased \$4.7 million, or 0.3 percent, and is the result of a decrease in federal revenue of \$29.8 million, or 5.3 percent, which was due primarily to receiving less federal forest funds for distribution to Oregon counties compared to fiscal year 2016, and an offsetting increase in motor fuel taxes of \$26.6 million, or 2.3 percent. The reduction in federal forest funds for distribution to Oregon counties previously noted is the cause of the reduction in administration expenses of \$35.7 million or 86 percent. Further, the fund issued \$394.2 million in long-term debt during the year, along with receiving \$55.7 million in debt issuance premium, after issuing no debt in the prior year. Related to the increased revenues and other financing sources was a corresponding increase in transportation expenditures, which were up \$112 million, or 6.7 percent. This increase was related to spending on highway construction projects, primarily engineering and consulting fees, and payments to contractors. Collectively, these were the main causes of the fund's increase in fund balance of \$285.4 million from the prior year.

Ending fund balance in the Environmental Management Fund increased \$61.2 million, or 7.2 percent. The primary cause of this increase is the \$40.1 million issuances of long-term debt, along with the related \$4.1 million in debt issuance premium, performed by the Oregon Department of Environmental Quality, the Oregon Parks and Recreation Department, and the Oregon Water Resources Department. Further, revenues increased by \$21.8 million, or 4.4 percent, due in part to increased federal revenue for the Oregon Department of Forestry (ODF) resulting from assistance from the Federal Emergency Management Agency (FEMA) for the Stouts Creek Fire. Charges for services decreased \$4.4 million, or 10.3 percent, due to combination of energy supplier assessments charged by the Oregon Department of Energy, which generally are recognized in the first year of

the biennium and increase in cost sharing agreements between ODF and the U.S. Forest Service. Sales increased \$4.9 million, or 4.2 percent, due largely to an increase in timber harvested on state forest land.

Ending fund balance of the Educational Support Fund increased \$236.1 million, or 13.8 percent, primarily due to the issuances of long term debt of \$349.7 million by the Oregon Department of Education and the Oregon Higher Education Coordinating Commission. The transfers from other funds decreased \$1.2 billion, or 74.1 percent, due to the prior year closure of the University System Fund and the Educational Support Fund receiving the applicable fund balance.

The Common School Fund experienced a 10 percent increase in fund balance for fiscal year 2017. Many of the revenues and expenditures were comparable to the prior year with the exception of investment income. Due to improvements in market performance, Common School Fund investments produced \$191.1 million of income compared to loss of \$5.1 million in the prior year, an increase of \$196.1 million.

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

Housing and Community Services finances home ownership and multi-family units for elderly, disabled, and low to moderate-income persons through the issuance of bonds. For fiscal year 2017, the Housing and Community Services Fund reported an operating income of \$2.1 million; reduced mortgage loan balances resulted in a decrease of \$6.8 million, or 14.6 percent, in loan interest income; investment earnings decreased \$6.4 million from fiscal year 2016 due to change in fair value of investments. In addition, operating expenses declined by \$5.2 million, due primarily to a \$4.8 million reduction in bond and certificate of participation (COP) interest expense, a result of smaller outstanding bonds payable balances compared to the prior year and the refunding of higher interest rate bonds with bonds that have lower interest rates. The net effect was a \$2.3 million increase in net position for fiscal year 2017.

The Veterans' Loan Program's reported a net increase in net position of \$441 thousand, due to revenues exceeding expenses. The primary factor contributing to this change was the \$3.4 million increase to interest income on mortgages loans and contracts, which is due to the \$34.3 million increase in net loans receivable.

The net position of the Lottery Operations Fund decreased \$20.9 million, or 6.8 percent, in fiscal year 2017. This was primarily due to an increase in transfers to other funds of \$112.7 million, or 19.1 percent. Excluding transfers, income increased 2.4 percent, or \$15.7 million, from the previous year due to improved sales and reduced expenses. Product sales increased \$16.8 million with Video LotterySM generating \$37.6 million of the growth. During the year, new game sets and terminals were deployed to offer a wide variety of game choices that appeal to a diverse audience. This is the seventh consecutive year of gains in Video LotterySM revenue, as economic conditions have yielded strong growth and product offerings attract play. Sales for Scratch-itsSM in fiscal year 2017 closely mirrored sales in fiscal year 2016 except for January 2017, during which snow storms in Portland, Oregon caused a drop in sales in the largest market for Scratch-itsSM. Draw games reported a decrease of \$15.7 million, 7.1 percent lower than the prior year. Draw game decreases are attributable to the smaller jackpots during this fiscal year compared to the prior year. Operating expenses decreased 2.7 percent. The majority of the decrease is in prize expense and correlates with the reduction in sales for Scratch-itsSM and draw games.

In the Unemployment Compensation Fund, the net position increased by \$543.6 million (16.6 percent) from the prior year. This increase is primarily due to unemployment assessment and federal revenue continuing to exceed expenses related to unemployment claims, as has been the case in prior years. Revenue increased by \$22 million, due almost entirely to an increase in assessments of \$21.1 million. Oregon's economy is expanding, and as taxable wages grow, unemployment assessment revenue increases. Expenses have remained fairly flat compared to the prior year

In the fiscal year 2017, the other (nonmajor) proprietary funds realized increased operating revenues, primarily sales revenue in the Liquor Control Fund. Although operating expenses decreased by \$16.3 million, an operating loss of \$144.2 million was realized. Transfers from the General Fund to the State Hospital Fund for \$233.4 million helped nonmajor proprietary funds in total to ease the reduction in net position over fiscal year 2016.

At the end of fiscal year 2017, approximately 85.2 percent of the net position reported by the State's proprietary funds was classified as unrestricted and was available for spending on business-type activities. However,

restrictions significantly affected the availability of resources in the Housing and Community Services Fund with 92.8 percent of the fund's net position restricted for debt service.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The net position of the Pension and Other Employee Benefit Trust Fund, which accounts for resources held in trust for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the Public Employees Retirement System, increased by \$5.7 billion. The fund reported a net appreciation in the fair value of investments in the current year of \$7.9 billion, a positive change of \$8.4 billion from the prior year. The net position of all fiduciary funds is reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State budgets on a biennial basis rather than an annual basis. Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the budgetary statements represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budgeted expenditures represent the original appropriated budget modified by legally authorized legislative and executive changes, as well as Emergency Board actions taken during the year. For the 2015-17 biennium, final estimated revenues for the General Fund were unchanged from the original estimate. The General Fund's final budgeted expenditures increased by \$27.4 million, or 0.2 percent.

For fiscal year 2017, actual General Fund revenues and other financing sources exceeded actual expenditures and other financing uses by \$791.1 million, leaving an ending budget balance of \$1.5 billion. Actual revenues for the biennium were 102.2 percent of those budgeted, or \$17.9 billion, while actual cash expenditures were 98.3 percent of those budgeted, or \$17.7 billion. The remaining budget is expected to be used during the six-month lapse period from July 1 to December 31, 2017, to pay for obligations incurred prior to July 1, 2017.

To manage differences in the timing of cash flows, the State issued \$577.9 million of tax anticipation notes in October 2017. These notes will be repaid with income tax revenue in September 2018.

DEBT ADMINISTRATION

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

Debt outstanding for the years ended June 30, 2017 and 2016 is summarized in Table 3. In fiscal year 2017, the State issued general obligation bonds to finance or refinance capital construction projects at various public universities and community colleges through the Higher Education Coordinating Commission, seismic rehabilitation and other capital construction projects for public schools through the Oregon Business Development Department and Oregon Department of Education, along with a variety of other facility and modernization projects.

During fiscal year 2017, revenue bonds were issued for governmental activities and business-type activities. At the Oregon Department of Transportation, revenue bonds were issued to finance state and local highway, multi-modal, and light rail projects. At the Oregon Housing and Community Services Department, revenue bonds were issued to provide loans for first-time home buyers and affordable multi-family housing projects.

The State was involved in 10 separate debt refunding issuances in fiscal year 2017 and refunded \$814.1 million of previously existing debt with \$880.3 million of new debt. Additional information on the State's long-term debt may be found in Note 8 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2017 and 2016
(In Millions)

	2017	2016	2017 Over (Under) 2016	
			Amount	Percent
General obligation bonds	\$ 6,655.8	\$ 6,080.4	\$ 575.4	9.5%
Revenue bonds	4,960.0	4,657.0	303.0	6.5%
Certificates of participation	289.1	340.8	(51.7)	-15.2%
Total	\$ 11,904.9	\$ 11,078.1	\$ 826.7	7.5%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2017, was \$14.3 billion (net of accumulated depreciation) as summarized in Table 4. Capital assets include land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and other nondepreciable assets. The State's investment in capital assets for fiscal year 2017 increased \$374.8 million, or 2.7 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,961.0	\$ 1,949.6	\$ 9.4	\$ 9.4	\$ 1,970.4	\$ 1,959.0
Buildings, property, and equipment	2,185.7	1,979.9	612.7	598.4	2,798.4	2,578.3
Construction in progress	815.4	1,171.6	2.5	1.0	817.9	1,172.6
Infrastructure	8,683.8	8,185.6	2.9	3.0	8,686.7	8,188.6
Works of art and other nondepreciable assets	1.8	2.0	0.8	0.7	2.6	2.7
Total	\$ 13,647.7	\$ 13,288.8	\$ 628.3	\$ 612.4	\$ 14,276.0	\$ 13,901.2

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

- The State's outstanding construction commitments related to road and bridge construction totaled \$636.9 million at June 30, 2017.
- During fiscal year 2017 the Oregon Department of Transportation completed the State Radio Project which included moving \$229 million out of construction in progress into buildings, property, and equipment. The project was the culmination of a seven year project to enhance the communications system that first responders rely on statewide.
- Construction in progress increased by \$25.9 million at Oregon Youth Authority as they make improvements to MacLaren Youth Corrections Facility in preparation for the Hillcrest facility scheduled to close during fiscal year 2018. At that time all of the youth and staff will be moved to McLaren.
- As part of a video modernization program the Oregon State Lottery acquired \$45 million of equipment and computer software related to Video LotterySM and a new video gaming system, which acts as a host and backup system that communicates and stores transactions occurring on Video LotterySM terminals throughout the state.

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

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

Oregon's unemployment rate for October 2017 was 4.3 percent compared to 4.7 percent in October 2016. The U.S. unemployment rate for October 2017 was 4.1 percent. Since reaching a high point of 11.6 percent in May and June 2009, the rate has slowly declined over the past seven and a half years.

While Oregon's economic expansion continues, growth has slowed and stabilized. In recent years, the State has enjoyed robust, full-throttle rates of job gains in the 3-3.5 percent range, or nearly 5 thousand jobs per month. No longer is this the case. Oregon is expected to continue to see healthy job gains – a bit more than 3 thousand per month or 2 percent over the course of the next biennium – but the State is now past its peak growth rates for this expansion. Importantly, such gains remain strong enough to hold unemployment down and account for ongoing population growth.

Oregon's primary General Fund revenues continued to grow over the first few months of the 2017–19 biennium. Although this growth is healthy, exceeding what was seen in most states, revenue collections have come in somewhat lower than what was called for in the previous revenue forecast. Now, the overall revenue outlook remains virtually unchanged relative to the Close of Session revenue forecast that formed the basis for the 2017–19 budget.

The primary risk facing the near-term revenue forecast is the potential for tax legislation at the federal level. From a broader economic perspective, the most significant local impact of federal tax changes will be what happens to the amount of federal taxes paid by Oregon's households and businesses. However, in addition to what happens to the federal tax bill, many federal law changes stand to have a large impact on Oregon's own revenue streams.

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

The December 2017 forecast for General Fund revenues for the 2017-19 biennium is \$19.5 billion. This figure is \$21 million below the amount forecasted at the close of the 2017 legislative session. The projected General Fund ending balance for the 2017-19 biennium is \$272.1 million. The latest revenue forecast projects increases in General Fund revenues for the next two biennia, up 11.4 percent to \$21.8 billion in 2019-21 and 9.9 percent to \$23.9 billion in 2021-23.

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Basic Financial Statements

State of Oregon

Statement of Net Position
June 30, 2017
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,327,325	\$ 4,429,264	\$ 7,756,588	\$ 700,100
Cash and Cash Equivalents - Restricted	-	21,026	21,026	276,382
Investments	1,748,844	32,791	1,781,635	4,921,178
Investments - Restricted	-	37,951	37,951	-
Securities Lending Collateral	67,901	59,854	127,755	77,935
Accounts and Interest Receivable (net)	851,281	335,860	1,187,141	1,041,581
Taxes Receivable (net)	663,605	-	663,605	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	630,018
Internal Balances	226,749	(226,749)	-	-
Due from Component Units	108,338	6,262	114,600	-
Due from Other Governments	5	5,305	5,310	12,103
Due from Primary Government	-	-	-	116,820
Inventories	68,341	40,217	108,558	39,521
Prepaid Items	28,692	1,994	30,687	74,331
Foreclosed and Deeded Property	100	3,283	3,383	-
Other Assets	765	-	765	-
Total Current Assets	<u>7,091,946</u>	<u>4,747,057</u>	<u>11,839,003</u>	<u>7,889,968</u>
Noncurrent Assets:				
Cash and Cash Equivalents	-	89,966	89,966	-
Cash and Cash Equivalents - Restricted	3,124,219	112,230	3,236,449	133,262
Investments	152,247	121,192	273,440	953,755
Investments - Restricted	87,183	194,690	281,873	2,851,434
Custodial Assets	38,806	-	38,806	-
Taxes Receivable (net)	691,426	-	691,426	-
Interfund Loans	(19)	19	-	-
Advances to Component Units	1,147,647	97,307	1,244,954	-
Net Contracts, Notes, and Other Receivables	404,950	67,394	472,344	153,072
Loans Receivable (net)	653,521	1,548,804	2,202,325	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	581,144
Derivative Instrument Assets	-	1,145	1,145	-
Other Assets	-	-	-	16,100
Capital Assets:				
Land	1,961,021	9,424	1,970,445	279,375
Buildings, Property, and Equipment	4,026,752	844,833	4,871,585	8,342,454
Construction in Progress	815,356	2,539	817,895	482,773
Infrastructure	14,103,360	3,661	14,107,021	151,592
Works of Art and Other Nondepreciable Assets	1,753	759	2,512	81,648
Less Accumulated Depreciation and Amortization	(7,260,561)	(232,909)	(7,493,470)	(4,022,784)
Total Noncurrent Assets	<u>19,947,659</u>	<u>2,861,055</u>	<u>22,808,714</u>	<u>10,003,825</u>
Total Assets	<u>27,039,605</u>	<u>7,608,112</u>	<u>34,647,717</u>	<u>17,893,794</u>
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	-	1,864	1,864	9,846
Loss on Refunding	147,523	5,449	152,972	25,248
Related to Pensions	1,507,504	146,241	1,653,745	766,439
Total Deferred Outflows of Resources	<u>1,655,027</u>	<u>153,553</u>	<u>1,808,581</u>	<u>801,533</u>

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

State of Oregon

Statement of Net Position
June 30, 2017
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,179,369	98,062	1,277,431	565,027
Obligations Under Securities Lending	67,901	59,854	127,755	77,901
Due to Component Units	124,455	725	125,180	-
Due to Other Governments	240,634	4,113	244,746	30,917
Due to Primary Government	-	-	-	114,633
Unearned Revenue	75,046	2,628	77,673	660,251
Compensated Absences Payable	132,550	12,397	144,947	142,355
Reserve for Loss and Loss Adjustment Expense	-	-	-	277,303
Claims and Judgments Payable	132,656	8,700	141,356	26,956
Lottery Prize Awards Payable	-	32,729	32,729	-
Arbitrage Rebate Payable	192	-	192	-
Custodial Liabilities	384,072	19,911	403,983	51,363
Contracts, Mortgages, and Notes Payable	25,080	1,531	26,611	12,333
Licensing Agreements	-	1,740	1,740	-
Bonds/COPs Payable	454,370	45,655	500,025	5,526
Obligations Under Capital Lease	2,230	803	3,033	1,967
Pollution Remediation Obligation	22,665	-	22,665	-
Total Current Liabilities	<u>2,841,219</u>	<u>288,847</u>	<u>3,130,066</u>	<u>1,966,531</u>
Noncurrent Liabilities:				
Unearned Revenue	-	-	-	1,987
Obligations Under Life Income Agreements	-	-	-	103,494
Compensated Absences Payable	71,373	6,528	77,901	12,870
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,547,613
Claims and Judgments Payable	985,972	-	985,972	35,458
Lottery Prize Awards Payable	-	125,007	125,007	-
Arbitrage Rebate Payable	57	20,661	20,717	-
Custodial Liabilities	3,528	4,356	7,885	76,844
Contracts, Mortgages, and Notes Payable	312,595	31,093	343,688	246,883
Licensing Agreements	-	9,636	9,636	-
Net Pension Liability	2,828,613	276,649	3,105,262	1,524,046
Bonds/COPs Payable	10,016,466	1,388,426	11,404,892	1,094,117
Obligations Under Capital Lease	1,919	5,512	7,431	52,254
Advances from Primary Government	-	-	-	1,244,954
Pollution Remediation Obligation	25,701	-	25,701	-
Net OPEB Obligation	51,530	5,268	56,798	34,144
Derivative Instrument Liabilities	-	1,864	1,864	15,131
Total Noncurrent Liabilities	<u>14,297,753</u>	<u>1,875,000</u>	<u>16,172,753</u>	<u>6,989,794</u>
Total Liabilities	<u>17,138,972</u>	<u>2,163,847</u>	<u>19,302,819</u>	<u>8,956,326</u>
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	-	1,145	1,145	3,848
Gain on Refunding	95	-	95	2,540
Loan Origination	-	4,355	4,355	-
Related to Pensions	26,960	2,629	29,589	47,606
Total Deferred Inflows of Resources	<u>27,055</u>	<u>8,128</u>	<u>35,183</u>	<u>53,994</u>
NET POSITION				
Net Investment in Capital Assets	9,694,241	610,616	10,304,857	3,048,072
Restricted-Nonexpendable	14,384	-	14,384	1,565,559
Restricted for:				
Health and Social Services Programs	47,228	-	47,228	-
Transportation Programs	651,085	-	651,085	-
Natural Resource Programs	920,501	10	920,511	-
Education	1,523,502	-	1,523,502	2,078,849
Community Protection	87,929	-	87,929	-
Consumer Protection	117,113	-	117,113	-
Employment Services	252,095	-	252,095	-
Workers' Compensation	-	-	-	1,754,597
Residential Assistance	105,683	2,074	107,757	-
Debt Service	-	213,172	213,172	4,101
Capital Projects	67,426	516	67,943	92,891
Other Purposes	529,678	-	529,678	-
Unrestricted	(2,482,259)	4,763,302	2,281,043	1,140,937
Total Net Position	<u>\$ 11,528,605</u>	<u>\$ 5,589,690</u>	<u>\$ 17,118,295</u>	<u>\$ 9,685,007</u>

State of Oregon

Statement of Activities
For the Year Ended June 30, 2017
(In Thousands)

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Primary Government:					
Governmental Activities:					
Education	\$ 5,722,672	\$ 15,716	\$ 709,129	\$ -	\$ (4,997,827)
Human Services	12,446,233	688,009	8,572,033	-	(3,186,191)
Public Safety	1,604,349	131,406	179,346	6,669	(1,286,929)
Economic and Community Development	477,674	80,079	223,932	-	(173,662)
Natural Resources	800,960	369,685	389,278	3,155	(38,841)
Transportation	1,667,739	159,842	538,417	1,329	(968,152)
Consumer and Business Services	260,420	113,061	12,154	-	(135,206)
Administration	410,692	151,025	173,609	-	(86,059)
Legislative	49,497	1,199	173	-	(48,125)
Judicial	433,325	145,933	3,145	-	(284,247)
Interest on Long-term Debt	427,671	-	-	-	(427,671)
Total Governmental Activities	<u>24,301,233</u>	<u>1,855,956</u>	<u>10,801,215</u>	<u>11,153</u>	<u>(11,632,910)</u>
Business-type Activities:					
Housing and Community Services	42,246	44,498	332	-	2,584
Veterans' Loan	18,058	16,743	2,018	-	703
Lottery Operations	578,629	1,246,531	-	-	667,901
Unemployment Compensation	528,851	971,299	101,902	-	544,351
State Hospitals	408,488	94,681	-	-	(313,807)
Liquor Control	447,266	604,621	-	-	157,355
Other Business-type Activities	266,455	255,928	24,073	975	14,521
Total Business-type Activities	<u>2,289,995</u>	<u>3,234,300</u>	<u>128,325</u>	<u>975</u>	<u>1,073,606</u>
Total Primary Government	<u>\$ 26,591,227</u>	<u>\$ 5,090,256</u>	<u>\$ 10,929,540</u>	<u>\$ 12,128</u>	<u>\$ (10,559,303)</u>
Component Units:					
SAIF Corporation	\$ 569,357	\$ 548,425	\$ 285,082	\$ -	\$ 264,150
University of Oregon	953,519	588,784	868,343	41,759	545,366
Oregon State University	1,134,989	548,845	617,225	27,529	58,610
Portland State University	505,736	277,877	292,091	3,755	67,987
Other Component Units	3,325,688	2,636,274	904,561	33,905	249,052
Total Component Units	<u>\$ 6,489,289</u>	<u>\$ 4,600,205</u>	<u>\$ 2,967,302</u>	<u>\$ 106,948</u>	<u>\$ 1,185,165</u>

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

Statement of Activities
For the Year Ended June 30, 2017
(In Thousands)

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business- type Activities	Total	
Changes in Net Position:				
Net (Expense) Revenue	\$ (11,632,910)	\$ 1,073,606	\$ (10,559,303)	\$ 1,185,165
General Revenues:				
Taxes:				
Personal Income Taxes	8,379,255	-	8,379,255	-
Corporate Income Taxes	633,046	-	633,046	-
Tobacco Taxes	247,406	-	247,406	-
Healthcare Provider Taxes	568,742	-	568,742	-
Insurance Premium Taxes	68,481	-	68,481	-
Marijuana Taxes	77,573	-	77,573	-
Other Taxes	469,181	18,819	488,000	-
Restricted for Transportation Purposes:				
Motor Fuel and Other Vehicle Taxes	1,167,291	-	1,167,291	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	55,798	-	55,798	-
Employer-Employee Taxes	93,887	-	93,887	-
Total Taxes	<u>11,760,660</u>	<u>18,819</u>	<u>11,779,479</u>	<u>-</u>
Unrestricted Investment Earnings	27,786	-	27,786	-
Contributions to Permanent Funds	519	-	519	-
Transfers - Internal Activities	581,535	(581,535)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	<u>12,370,501</u>	<u>(562,716)</u>	<u>11,807,785</u>	<u>-</u>
Change in Net Position	<u>737,591</u>	<u>510,890</u>	<u>1,248,481</u>	<u>1,185,165</u>
Net Position - Beginning	10,677,962	5,067,782	15,745,743	8,499,850
Prior Period Adjustments	113,053	11,018	124,071	(10)
Net Position - Beginning - As Restated	<u>10,791,014</u>	<u>5,078,800</u>	<u>15,869,814</u>	<u>8,499,840</u>
Net Position - Ending	<u>\$ 11,528,605</u>	<u>\$ 5,589,690</u>	<u>\$ 17,118,295</u>	<u>\$ 9,685,007</u>

Balance Sheet
Governmental Funds
June 30, 2017
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	\$ 2,140,145	\$ 435,412	\$ 756,565
Investments	-	-	90,505
Custodial Assets	-	-	-
Securities Lending Collateral	16,563	3,481	7,777
Accounts and Interest Receivable (net)	10,090	367,591	67,190
Taxes Receivable (net)	1,099,492	167,695	64,476
Due from Other Funds	433,996	114,446	8,491
Due from Component Units	101	15,240	-
Due from Other Governments	-	-	5
Inventories	17,821	673	33,990
Prepaid Items	10,029	12,661	1,103
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	2,915	58,849	13,001
Loans Receivable (net)	-	11	22,319
Other Assets	-	-	-
Total Assets	\$ 3,731,152	\$ 1,176,060	\$ 1,065,423
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 396,556	\$ 271,631	\$ 118,390
Obligations Under Securities Lending	16,563	3,481	7,777
Due to Other Funds	236,579	228,325	14,299
Due to Component Units	8,423	46,021	1,823
Due to Other Governments	76,846	-	82,219
Unearned Revenue	-	-	22,574
Custodial Liabilities	9,985	50,875	542
Contracts, Mortgages, and Notes Payable	-	-	-
Advances from Other Funds	473	-	-
Total Liabilities	745,425	600,333	247,624
Deferred Inflows of Resources:			
Unavailable Revenue	834,938	59,881	15,232
Total Deferred Inflows of Resources	834,938	59,881	15,232
Fund Balances:			
Nonspendable	27,869	13,386	35,085
Restricted by:			
Federal Laws and Regulations	3,382	173,989	33,804
Oregon Constitution	609,171	2,179	270,735
Enabling Legislation	47,125	182,932	56,263
Debt Covenants	6,413	10,962	406,681
Donors and Other External Parties	-	5,067	-
Committed	406,978	139,539	-
Assigned	12,478	-	-
Unassigned	1,037,374	(12,208)	-
Total Fund Balances	2,150,789	515,846	802,567
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,731,152	\$ 1,176,060	\$ 1,065,423

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

State of Oregon

Environmental Management	Educational Support	Common School	Other	Total
\$ 495,776	\$ 621,015	\$ 58,800	\$ 1,422,903	\$ 5,930,616
1,190	83,097	1,516,309	219,048	1,910,150
55	-	25,331	13,420	38,806
3,844	4,813	17,450	10,028	63,956
50,656	87,528	46,058	159,272	788,384
-	387	-	22,981	1,355,031
16,360	86,545	32	98,589	758,459
-	81,654	-	11,343	108,338
-	-	-	-	5
9,609	-	-	5,060	67,153
651	-	-	2,408	26,853
-	-	300	-	300
-	1,147,647	-	-	1,147,647
73,134	32	5	257,009	404,945
424,591	-	-	206,601	653,521
-	-	-	765	765
\$ 1,075,865	\$ 2,112,716	\$ 1,664,286	\$ 2,429,426	\$ 13,254,928

\$ 24,528	\$ 75,793	\$ 67,334	\$ 79,104	\$ 1,033,335
3,844	4,813	17,450	10,028	63,956
11,870	1,264	282	43,271	535,891
710	56,575	-	10,904	124,455
39,382	26,528	-	15,658	240,634
11,249	-	-	3,353	37,175
2,166	-	286,199	16,130	365,897
-	-	-	3,000	3,000
1,244	-	-	-	1,718
94,993	164,973	371,266	181,447	2,406,060

73,134	411	5	257,311	1,240,911
73,134	411	5	257,311	1,240,911

10,007	-	-	20,959	107,305
659,040	3,146	-	167,324	1,040,685
9,537	199,293	954,225	180,028	2,225,169
90,588	46,631	338,790	428,403	1,190,731
85,342	1,657,895	-	586,947	2,754,240
5,135	4,106	-	44,587	58,897
38,873	32,807	-	526,671	1,144,868
9,216	3,454	-	35,749	60,897
-	-	-	-	1,025,166
907,739	1,947,333	1,293,015	1,990,668	9,607,957

\$ 1,075,865	\$ 2,112,716	\$ 1,664,286	\$ 2,429,426	\$ 13,254,928
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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017
(In Thousands)

Total fund balances of governmental funds \$ 9,607,957

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 1,950,704	
Buildings, property and equipment	3,410,169	
Construction in progress	808,120	
Infrastructure	14,102,593	
Works of Art and Other Nondepreciable Assets	1,537	
Accumulated depreciation and amortization	<u>(6,909,889)</u>	
Total capital assets		13,363,235

Capital assets retired from service but not immediately sold or otherwise disposed of are removed from capital assets and reclassified as foreclosed and deeded property. 100

Some of the State's governmental revenues will be collected after year-end but are not available soon enough to pay the current year liabilities. 1,240,911

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

Deferred outflows-loss on refunding	146,273
Deferred inflows-gain on refunding	(95)

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

Net pension liability	(2,579,052)
Deferred outflows-related to pensions	1,374,189
Deferred inflows-related to pensions	(24,589)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position. 362,507

Unamortized debt insurance costs are reported as prepaid items for governmental activities in the Statement of Net Position but are reported as expenditures in the funds. 3

Some liabilities are not due and payable in the current year and therefore are not reported in the funds. Those liabilities consist of:

Accounts and interest payable	(106,620)	
Compensated absences payable	(183,860)	
Claims and judgments payable	(873,861)	
Arbitrage rebate payable	(244)	
Contracts, mortgages and notes payable	(296,934)	
Bonds and COPs payable	(10,402,434)	
Obligations under capital leases	(1,284)	
Pollution remediation obligation	(48,366)	
Net OPEB Obligation	<u>(49,231)</u>	
Total long-term liabilities		<u>(11,962,834)</u>

Net position of governmental activities \$ 11,528,605

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

State of Oregon

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017
(In Thousands)

	General	Health and Social Services	Public Transportation	Environmental Management
REVENUES				
Personal Income Taxes	\$ 8,269,576	\$ -	\$ -	\$ -
Corporate Income Taxes	538,126	-	-	-
Tobacco Taxes	65,699	199,745	-	-
Healthcare Provider Taxes	-	568,742	-	-
Insurance Premium Taxes	68,481	-	-	-
Motor Fuel and Other Vehicle Taxes	-	-	1,168,637	-
Employer-Employee Taxes	-	-	-	-
Workers' Compensation Insurance Taxes	-	-	-	-
Marijuana Taxes	71,988	4,835	-	-
Other Taxes	326,482	-	2,123	25,660
Licenses and Fees	110,588	17,788	91,177	162,764
Federal	3,649	7,554,483	529,481	142,336
Rebates and Recoveries	1,086	533,055	4,337	583
Charges for Services	22,040	17,744	32,254	38,160
Fines, Forfeitures, and Penalties	17,155	549	5,124	1,160
Rents and Royalties	881	4	7,149	1,729
Investment Income	27,786	3,266	8,006	14,131
Sales	1,748	3,967	11,262	121,122
Assessments	-	-	-	-
Donations and Grants	2,751	1,096	8	5,001
Contributions to Permanent Funds	-	-	-	-
Tobacco Settlement Proceeds	-	142,200	-	-
Settlement Activities	-	-	-	-
Unclaimed and Escheat Property Revenue	-	-	-	-
Other	4,373	111,516	6,174	3,344
Total Revenues	9,532,410	9,158,989	1,865,732	515,990
EXPENDITURES				
Current:				
Education	4,872,609	-	-	-
Human Resources	2,151,104	9,243,900	-	-
Public Safety	1,147,001	-	-	-
Economic and Community Development	42,206	-	-	-
Natural Resources	169,329	-	-	527,679
Transportation	18,559	-	1,796,431	-
Consumer and Business Services	6,323	-	-	-
Administration	347,280	2	5,787	-
Legislative	43,635	-	-	-
Judicial	345,402	1,196	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	127,980	-	1	83
Interest	96,102	-	12	54
Other Debt Service	1,402	37	1,522	184
Total Expenditures	9,368,933	9,245,134	1,803,752	528,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	163,477	(86,146)	61,979	(12,011)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	1,391,263	229,080	61,291	70,877
Transfers to Other Funds	(1,159,578)	(168,174)	(288,944)	(46,516)
Insurance Recoveries	453	-	118	282
Leases Incurred	200	-	-	799
Long-term Debt Issued	101,049	9,710	394,220	40,149
Debt Issuance Premium	16,126	1,127	55,659	4,109
Refunding Debt Issued	-	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	349,513	71,743	222,344	69,701
Net Change in Fund Balances	512,990	(14,403)	284,323	57,690
Fund Balances - Beginning	1,602,633	527,071	517,157	846,558
Prior Period Adjustments	36,494	3,069	335	4,362
Fund Balances - Beginning - As Restated	1,639,127	530,140	517,493	850,919
Change in Inventories	(1,328)	109	752	(871)
Fund Balances - Ending	\$ 2,150,789	\$ 515,846	\$ 802,567	\$ 907,739

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

State of Oregon

Educational Support	Common School	Other	Total
\$ -	\$ -	\$ -	\$ 8,269,576
-	-	-	538,126
-	-	-	265,443
-	-	-	568,742
-	-	-	68,481
-	-	-	1,168,637
-	-	93,887	93,887
-	-	55,798	55,798
-	-	-	76,823
685	-	121,336	476,287
402	1,469	178,942	563,129
364,149	403	1,715,782	10,310,284
170	2	15,801	555,032
5,914	232	72,169	188,513
10	86	124,789	148,872
161	5,923	1,998	17,845
66,138	191,075	21,769	332,171
280	17	5,393	143,789
-	-	45,775	45,775
4,931	-	26,467	40,253
-	-	519	519
-	-	-	142,200
-	-	25,218	25,218
-	10,731	-	10,731
2,550	2,423	60,119	190,499
<u>445,390</u>	<u>212,359</u>	<u>2,565,761</u>	<u>24,296,631</u>
584,764	-	256,718	5,714,090
-	-	1,032,869	12,427,872
-	-	315,807	1,462,808
-	-	423,195	465,401
-	24,982	46,440	768,431
-	-	11,823	1,826,813
-	-	298,820	305,144
9,717	-	41,906	404,691
-	-	1,821	45,456
-	-	68,493	415,091
-	-	77,717	77,717
69,776	-	237,861	435,702
81,922	-	255,430	433,520
2,878	-	2,085	8,108
<u>749,056</u>	<u>24,982</u>	<u>3,070,985</u>	<u>24,790,844</u>
(303,666)	187,377	(505,224)	(494,214)
428,385	3,554	704,726	2,889,176
(301,827)	(75,246)	(245,053)	(2,285,337)
-	2,754	25	3,632
-	-	-	999
349,745	-	340,416	1,235,289
99,136	-	76,642	252,799
219,695	-	425,387	645,082
(255,376)	-	(455,459)	(710,834)
<u>539,758</u>	<u>(68,939)</u>	<u>846,685</u>	<u>2,030,804</u>
<u>236,092</u>	<u>118,438</u>	<u>341,461</u>	<u>1,536,591</u>
1,711,188	1,174,577	1,650,108	8,029,293
53	-	(858)	43,456
<u>1,711,241</u>	<u>1,174,577</u>	<u>1,649,251</u>	<u>8,072,749</u>
-	-	(43)	(1,382)
<u>\$ 1,947,333</u>	<u>\$ 1,293,015</u>	<u>\$ 1,990,668</u>	<u>\$ 9,607,957</u>

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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, 2017
(In Thousands)**

Net change in fund balances of total governmental funds \$ 1,536,591

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlay is reported as an expenditure in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Capital outlay	\$ 719,676	
Depreciation expense	<u>(405,352)</u>	
Excess of capital outlays over depreciation		314,324

The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net position. (10,391)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. (999)

A portion of the settlement activities were not recognized in the governmental funds because the activity was inconsistent with the current financial resources measurement focus and modified accrual basis of accounting. 2,468

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. (2,133,169)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,146,536

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these become a component of Bonds/COPs payable and are amortized in the Statement of Activities. 8,577

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.

Accounts and interest payable	2,720	
Compensated absences payable	(8,966)	
Claims and judgments payable	58,097	
Contracts, mortgages and notes payable	18,518	
Net pension liability	(302,216)	
Pollution remediation obligation	(29,304)	
Net OPEB obligation	<u>(1,450)</u>	
Total		(262,601)

Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds. 122

Some revenues will not be collected for several months after the State's fiscal year ends. Therefore, they are not considered "available" revenues in the governmental funds. 188,477

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. (1,382)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported within governmental activities. (50,963)

Change in net position of governmental activities \$ 737,591

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

**Statement of Net Position
Proprietary Funds
June 30, 2017
(In Thousands)**

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 9,916	\$ 86,895	\$ 341,026
Cash and Cash Equivalents - Restricted	6,298	3,108	-
Investments	-	10,709	11,258
Investments - Restricted	37,951	-	-
Securities Lending Collateral	357	1,017	55,132
Accounts and Interest Receivable (net)	4,139	1,208	20,586
Due from Other Funds	82	87	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	1,599
Prepaid Items	1	9	1,700
Foreclosed and Deeded Property	2,996	260	-
Total Current Assets	61,740	103,292	431,301
Noncurrent Assets:			
Cash and Cash Equivalents	-	-	89,966
Cash and Cash Equivalents - Restricted	53,150	52,094	-
Investments	-	-	121,192
Investments - Restricted	194,690	-	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	2,336	3,280
Loans Receivable (net)	804,072	295,522	-
Derivative Instrument Assets	900	245	-
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	236	9,005	225,835
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Other Nondepreciable Assets	-	627	-
Less Accumulated Depreciation and Amortization	(176)	(5,448)	(112,417)
Total Noncurrent Assets	1,052,870	354,379	327,856
Total Assets	1,114,610	457,671	759,157
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	1,864	-	-
Loss on Refunding	1,762	-	-
Related to Pensions	2,171	2,247	18,127
Total Deferred Outflows of Resources	5,797	2,247	18,127

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

State of Oregon

Business-type Activities - Enterprise Funds				
Unemployment Compensation	Other	Total		Governmental Activities Internal Service Funds
\$ 3,542,620	\$ 448,806	\$ 4,429,264	\$	516,946
163	11,457	21,026		-
-	10,824	32,791		-
-	-	37,951		-
12	3,336	59,854		3,945
262,982	46,517	335,431		62,896
429	10,401	11,000		18,870
-	6,262	6,262		-
5,305	-	5,305		-
-	38,618	40,217		1,188
-	286	1,994		1,836
-	27	3,283		-
<u>3,811,511</u>	<u>576,532</u>	<u>4,984,376</u>		<u>605,682</u>
-	-	89,966		-
2,634	4,353	112,230		3,981
-	-	121,192		-
-	-	194,690		78,124
-	19	19		1,418
-	97,307	97,307		-
61,549	229	67,394		5
-	449,211	1,548,804		-
-	-	1,145		-
-	9,424	9,424		10,317
-	609,758	844,833		616,583
-	2,539	2,539		7,236
-	3,661	3,661		767
-	132	759		215
-	(114,867)	(232,909)		(350,672)
<u>64,183</u>	<u>1,061,767</u>	<u>2,861,055</u>		<u>367,974</u>
<u>3,875,694</u>	<u>1,638,299</u>	<u>7,845,432</u>		<u>973,655</u>
-	-	1,864		-
-	3,687	5,449		1,251
-	123,696	146,241		133,315
-	127,383	153,553		134,565

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Statement of Net Position
Proprietary Funds
June 30, 2017
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	13,840	828	12,838
Obligations Under Securities Lending	357	1,017	55,132
Due to Other Funds	7	-	202,564
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	1,131	-	580
Compensated Absences Payable	176	240	2,663
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	32,729
Arbitrage Rebate Payable	-	-	-
Custodial Liabilities	-	3,108	239
Contracts, Mortgages, and Notes Payable	25	33	209
Licensing Agreements	-	-	1,740
Bonds/COPs Payable	17,365	8,200	-
Obligations Under Capital Lease	-	-	780
Total Current Liabilities	32,901	13,425	309,475
Noncurrent Liabilities:			
Compensated Absences Payable	95	129	1,434
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	125,007
Arbitrage Rebate Payable	-	20,661	-
Custodial Liabilities	-	-	-
Contracts, Mortgages, and Notes Payable	506	672	4,078
Licensing Agreements	-	-	9,636
Net Pension Liability	4,117	4,295	34,381
Bonds/COPs Payable	851,685	298,998	-
Obligations Under Capital Lease	-	-	5,512
Advances from Other Funds	-	-	-
Net OPEB Obligation	87	114	712
Derivative Instrument Liabilities	1,864	-	-
Total Noncurrent Liabilities	858,355	324,870	180,761
Total Liabilities	891,255	338,296	490,236
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	900	245	-
Loan Origination	4,355	-	-
Related to Pensions	39	41	327
Total Deferred Inflows of Resources	5,293	286	327
NET POSITION			
Net Investment in Capital Assets	60	4,183	95,749
Restricted for:			
Natural Resource Programs	-	-	-
Residential Assistance	2,074	-	-
Debt Service	207,706	-	-
Capital Projects	-	-	-
Unrestricted	14,018	117,153	190,972
Total Net Position	\$ 223,858	\$ 121,336	\$ 286,721

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

State of Oregon

Business-type Activities - Enterprise Funds			
Unemployment Compensation	Other	Total	Governmental Activities Internal Service Funds
31,556	38,918	97,979	39,414
12	3,336	59,854	3,945
13,404	22,594	238,568	13,523
-	725	725	-
4,093	20	4,113	-
-	917	2,628	37,870
-	9,317	12,397	13,041
-	8,700	8,700	48,127
-	-	32,729	-
-	-	-	5
163	16,401	19,911	18,432
-	1,263	1,531	5,617
-	-	1,740	-
-	20,090	45,655	5,308
-	23	803	1,948
<u>49,227</u>	<u>122,305</u>	<u>527,333</u>	<u>187,229</u>
-	4,870	6,528	7,022
-	-	-	196,640
-	-	125,007	-
-	-	20,661	-
2,634	1,723	4,356	3,271
-	25,836	31,093	32,124
-	-	9,636	-
-	233,855	276,649	249,562
-	237,742	1,388,426	63,094
-	-	5,512	917
-	-	-	19
-	4,353	5,268	2,299
-	-	1,864	-
<u>2,634</u>	<u>508,380</u>	<u>1,875,000</u>	<u>554,947</u>
<u>51,861</u>	<u>630,684</u>	<u>2,402,333</u>	<u>742,177</u>
-	-	1,145	-
-	-	4,355	-
-	2,222	2,629	2,371
<u>-</u>	<u>2,222</u>	<u>8,128</u>	<u>2,371</u>
-	510,623	610,616	214,429
-	10	10	-
-	-	2,074	-
-	5,466	213,172	-
-	516	516	-
<u>3,823,833</u>	<u>616,161</u>	<u>4,762,136</u>	<u>149,243</u>
<u>\$ 3,823,833</u>	<u>\$ 1,132,776</u>	<u>\$ 5,588,524</u>	<u>\$ 363,673</u>

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

	\$	1,166
Net position of business-type activities	\$	<u>5,589,690</u>

State of Oregon

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
OPERATING REVENUES:			
Assessments	\$ -	\$ -	\$ -
Licenses and Fees	-	96	-
Federal	-	-	-
Rebates and Recoveries	358	2	-
Charges for Services	4,142	2,289	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	441	-
Sales	-	-	1,246,292
Loan Interest Income	39,626	13,314	-
Other	-	602	593
Gain (Loss) on Foreclosed Property	374	7	-
Total Operating Revenues	44,500	16,751	1,246,886
OPERATING EXPENSES:			
Salaries and Wages	5,126	5,392	51,608
Services and Supplies	6,692	4,254	284,811
Cost of Goods Sold	-	-	-
Distributions to Other Governments	5	-	-
Special Payments	2,000	-	211,674
Bond and COP Interest	28,487	8,299	-
Depreciation and Amortization	8	115	29,734
Bad Debt Expense	34	-	-
Total Operating Expenses	42,352	18,061	577,827
Operating Income (Loss)	2,148	(1,310)	669,058
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	332	2,018	(482)
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	-	(13)
Insurance Recovery	-	-	15
Settlement Activities	-	-	-
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Other Interest Expense	(38)	(50)	(653)
Other Nonoperating Items	(2)	(8)	(370)
Total Nonoperating Revenues (Expenses)	292	1,959	(1,502)
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	2,441	650	667,556
Capital Contributions	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(188)	(209)	(703,063)
Change in Net Position	2,253	441	(35,507)
Net Position - Beginning	221,605	120,895	307,661
Prior Period Adjustments	-	-	14,567
Net Position - Beginning - As Restated	221,605	120,895	322,228
Net Position - Ending	\$ 223,858	\$ 121,336	\$ 286,721

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

State of Oregon

Business-type Activities - Enterprise Funds

Unemployment Compensation	Other	Total	Governmental Activities Internal Service Funds
\$ 958,590	\$ -	\$ 958,590	\$ -
-	8,127	8,223	-
26,358	20,326	46,684	-
-	40	401	13,513
-	267,562	273,992	1,214,790
898	438	1,336	1,022
-	126	566	46,009
-	625,549	1,871,841	3,435
-	22,052	74,992	-
11,810	31,317	44,323	1,405
-	-	381	-
<u>997,657</u>	<u>975,536</u>	<u>3,281,330</u>	<u>1,280,174</u>
-	322,350	384,476	338,361
-	237,311	533,068	924,461
-	324,872	324,872	652
-	70,794	70,799	-
529,603	139,530	882,806	6,934
-	8,550	45,336	2,460
-	15,828	45,685	30,161
-	523	557	-
<u>529,603</u>	<u>1,119,758</u>	<u>2,287,599</u>	<u>1,303,028</u>
<u>468,054</u>	<u>(144,221)</u>	<u>993,730</u>	<u>(22,854)</u>
75,544	3,747	81,159	7,094
-	18,819	18,819	-
-	(526)	(538)	(12,866)
-	32	47	458
-	-	-	68
-	-	-	31
-	(4)	(4)	(394)
-	(1,923)	(2,665)	(1,262)
-	(13)	(392)	(1,005)
<u>75,544</u>	<u>20,133</u>	<u>96,427</u>	<u>(7,875)</u>
543,599	(124,089)	1,090,157	(30,729)
-	4,283	4,283	54
-	365,079	365,079	4,792
-	(246,462)	(949,923)	(23,786)
<u>543,598</u>	<u>(1,188)</u>	<u>509,597</u>	<u>(49,670)</u>
<u>3,280,234</u>	<u>1,137,513</u>	<u>5,067,909</u>	<u>413,162</u>
-	(3,549)	11,018	180
<u>3,280,234</u>	<u>1,133,964</u>	<u>5,078,927</u>	<u>413,342</u>
<u>\$ 3,823,833</u>	<u>\$ 1,132,776</u>	<u>\$ 5,588,524</u>	<u>\$ 363,673</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with the business-type activities.

\$ 1,293

Change in net position of business-type activities

\$ 510,890

State of Oregon

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 4,164	\$ 1,223	\$ 1,244,133
Receipts from Other Funds for Services	-	1,676	-
Loan Principal Repayments	138,955	39,779	-
Loan Interest Received	38,804	11,078	-
Grant Receipts	-	-	-
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(4,707)	(4,810)	(33,208)
Payments to Suppliers	(4,651)	(2,514)	(298,502)
Payments to Other Funds for Services	-	(686)	-
Payments to Prize Winners	-	-	(218,026)
Claims Paid	-	-	-
Loans Made	(97,014)	(74,732)	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(792)	690	473
Net Cash Provided (Used) in Operating Activities	<u>74,759</u>	<u>(28,297)</u>	<u>694,870</u>
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	134,027	39,810	-
Principal Payments on Bonds/COPs	(242,255)	(36,450)	-
Principal Payments on Loans	(25)	(33)	(209)
Interest Payments on Bonds/COPs	(31,402)	(8,406)	-
Interest Payments on Loans	(38)	(50)	(318)
Bond/COP Issuance Costs	(775)	(1,042)	-
Taxes and Assessments Received	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(189)	(209)	(664,261)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(140,657)</u>	<u>(6,380)</u>	<u>(664,789)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPs	-	-	-
Principal Payments on Loans	-	-	(1,743)
Interest Payments on Bonds/COPs	-	-	-
Interest Payments on Loans	-	-	-
Acquisition of Capital Assets	(11)	(40)	(29,144)
Payments on Capital Leases	-	-	(765)
Proceeds from Disposition of Capital Assets	-	-	396
Insurance Recoveries for Capital Assets	-	-	15
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(11)</u>	<u>(40)</u>	<u>(31,241)</u>
Cash Flows from Investing Activities:			
Purchases of Investments	(368,837)	-	(2,479)
Proceeds from Sales and Maturities of Investments	411,676	-	12,202
Interest on Investments and Cash Balances	3,236	1,911	4,231
Interest Income from Securities Lending	3	11	524
Interest Expense from Securities Lending	(2)	(8)	(370)
Interest Expense	-	-	(14)
Loan Principal Repayments	-	-	-
Loan Interest Received	-	-	-
Loans Made	-	-	-
Net Cash Provided (Used) in Investing Activities	<u>46,076</u>	<u>1,914</u>	<u>14,095</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(19,833)</u>	<u>(32,803)</u>	<u>12,934</u>
Cash and Cash Equivalents - Beginning	89,197	174,900	418,058
Cash and Cash Equivalents - Ending	<u>\$ 69,364</u>	<u>\$ 142,097</u>	<u>\$ 430,992</u>

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

State of Oregon

Business-type Activities - Enterprise Funds				Governmental
Unemployment				Activities Internal
Compensation	Other	Total		Service Funds
\$ -	\$ 885,241	\$ 2,134,760	\$	50,263
-	85,884	87,560		1,563,095
-	-	178,734		-
-	-	49,882		-
25,007	-	25,007		-
956,233	-	956,233		-
-	(310,322)	(353,048)		(320,606)
-	(538,979)	(844,646)		(408,526)
-	(9,949)	(10,635)		(59,438)
-	-	(218,026)		-
(523,920)	(133,601)	(657,520)		(686,350)
-	-	(171,746)		-
-	(70,507)	(70,507)		-
13,387	2,967	16,725		(32,081)
470,707	(89,265)	1,122,773		106,357
-	98,375	272,212		-
-	(99,426)	(378,131)		-
-	(1,263)	(1,530)		(2,101)
-	(9,620)	(49,428)		-
-	(1,923)	(2,330)		(1,468)
-	(487)	(2,303)		-
-	18,811	18,811		-
-	32	32		-
-	345,349	345,349		3,459
-	(222,455)	(887,114)		(143,475)
-	127,394	(684,432)		(143,585)
-	-	-		(4,997)
-	-	(1,743)		(2,047)
-	-	-		(2,945)
-	-	-		(197)
-	(12,671)	(41,866)		(25,252)
-	(277)	(1,042)		(2,583)
-	18	414		1,141
-	-	15		458
-	665	665		-
-	(12,265)	(43,558)		(36,422)
-	-	(371,316)		(22,191)
-	-	423,878		9,062
75,544	4,077	88,999		8,212
-	19	557		7
-	(13)	(392)		(5)
-	-	(14)		-
-	80,781	80,781		100
-	22,640	22,640		31
-	(45,125)	(45,125)		-
75,544	62,379	200,008		(4,783)
546,251	88,243	594,792		(78,433)
2,999,165	376,374	4,057,694		599,360
\$ 3,545,416	\$ 464,617	\$ 4,652,485	\$	520,927

(continued on next page)

State of Oregon

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 2,148	\$ (1,310)	\$ 669,058
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	8	115	29,734
Amortization of Bond/COP Premium and Discount	(621)	(195)	-
Amortization of Other Bond/COP Related Costs	(516)	-	-
Bad Debt Expense	34	-	-
Interest Receipts Reported as Operating Revenue	-	-	-
Interest Payments Reported as Operating Expense	31,402	8,406	-
Bond/COP Issuance Costs Reported as Operating Expense	775	1,042	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	203	(34)	(2,226)
Due from Other Funds	(52)	18	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	(28)
Prepaid Items	28	6	(246)
Foreclosed and Deeded Property	770	165	-
Net Contracts, Notes, and Other Receivables	-	(922)	(13)
Loans Receivable (net)	43,146	(34,334)	-
Accounts and Interest Payable	(2,489)	99	(601)
Due to Other Funds	(14)	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	(135)	-	(211)
Matured Bonds/COPs and Coupons Payable	-	-	-
Compensated Absences Payable	19	(4)	226
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	(6,352)
Arbitrage Rebate Payable	-	(2,185)	-
Custodial Liabilities	-	259	170
Contracts, Mortgages, and Notes Payable	-	-	-
Net Pension Liability	2,537	2,757	22,975
Net OPEB Obligation	2	2	21
Net Changes in Deferred Outflows of Resources:			
Loss on Refunding	-	-	-
Difference Between Expected and Actual Economic Experience	(51)	(59)	(522)
Changes in Assumptions	(878)	(916)	(7,333)
Net Difference Between Projected and Actual Earnings on Investments	(813)	(849)	(6,792)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(65)	(70)	(587)
Contributions Subsequent to the Measurement Date	44	44	49
Net Changes in Deferred Inflows of Resources:			
Loan Origination	(379)	-	-
Net Difference Between Projected and Actual Earnings on Investments	(331)	(322)	(2,391)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(14)	(11)	(59)
Total Adjustments	72,610	(26,988)	25,811
Net Cash Provided (Used) by Operating Activities	\$ 74,759	\$ (28,297)	\$ 694,870
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ (2,761)	\$ 96	\$ (5,237)
Capital Assets Transferred from Governmental Funds	-	-	-
Capital Assets Transferred to Governmental Funds	-	-	-
Advanced Debt Refundings Deposited with Escrow Agent	-	-	-
Capital Assets Acquired Through Long-Term Contracts	-	-	18,600
Foreclosed Property	3,370	260	-
Loan Modifications	434	-	-
Noncash Assets Received Pursuant to Settlement Activities	-	-	-
Noncash Assets Exchanged for Other Liabilities	-	-	-

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

State of Oregon

Business-type Activities - Enterprise Funds				Governmental
Unemployment				Activities Internal
Compensation	Other	Total		Service Funds
\$ 468,054	\$ (144,221)	\$ 993,730	\$	(22,854)
-	15,828	45,685		30,161
-	(754)	(1,570)		(852)
-	-	(516)		-
-	523	557		-
-	(22,640)	(22,640)		-
-	9,620	49,428		2,945
-	487	2,303		-
(13,831)	11,247	(4,641)		(9,196)
2	8,198	8,166		(2,793)
-	-	-		150
964	-	964		-
-	(871)	(899)		(78)
-	2	(210)		(87)
-	-	936		-
(2,327)	-	(3,261)		(3)
-	4,616	13,428		-
7,605	(2,187)	2,428		6,773
10,336	(5,819)	4,503		9,703
-	329	329		-
(502)	(807)	(1,308)		-
-	(165)	(511)		36,993
-	(58)	(58)		-
-	1,022	1,263		1,204
-	(500)	(500)		10,487
-	-	(6,352)		-
-	-	(2,185)		-
405	8,660	9,494		7,850
-	11	11		3,033
-	148,245	176,513		162,070
-	158	183		134
-	58	58		404
-	(3,120)	(3,753)		(3,539)
-	(49,876)	(59,003)		(53,226)
-	(46,200)	(54,654)		(49,303)
-	(3,788)	(4,511)		(4,142)
-	1,360	1,496		(549)
-	-	(379)		-
-	(17,946)	(20,991)		(18,340)
-	(676)	(762)		(591)
2,653	54,957	129,043		129,210
\$ 470,707	\$ (89,265)	\$ 1,122,773	\$	106,357
\$ -	\$ (97)	(7,999)	\$	(1,240)
-	3,308	3,308		54
-	-	-		1,000
-	71,808	71,808		-
-	-	18,600		-
-	-	3,629		-
-	-	434		-
-	-	-		68
-	-	-		1,561

State of Oregon

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$ 3,208,583	\$ 50,160	\$ 6,169,070	\$ -
Investments:				
Fixed Income	14,968,540	836	34,019	-
Public Equity	30,225,870	92	-	-
Real Estate	8,718,684	-	-	-
Annuity Contracts	-	152	-	-
Private Equity	15,017,345	-	-	-
Alternative Equity	4,138,735	-	-	-
Opportunity Portfolio	1,587,754	-	-	-
Total Investments	<u>74,656,928</u>	<u>1,080</u>	<u>34,019</u>	<u>-</u>
Custodial Assets	-	6,116	-	1,669,096
Securities Lending Collateral	1,644,824	387	28,503	-
Receivables:				
Employer Contributions	68,168	-	-	-
Plan Member Contributions	13,815	-	-	-
Interest and Dividends	142,608	-	15,732	-
Member Loans	11,919	-	-	-
Investment Sales	1,664,616	-	905	-
Transitional Liability	537,321	-	-	-
Accounts	-	873	-	5,933
From Other Funds	11,004	21	-	-
From Other Governments	-	1,774	-	-
Loans	-	-	1,195	-
Net Contracts, Notes, and Other Receivables	-	-	-	83,417
Total Receivables	<u>2,449,451</u>	<u>2,668</u>	<u>17,832</u>	<u>89,349</u>
Prepaid Items	8,416	-	-	-
Receivership Assets	-	-	-	58,477
Capital Assets (net of \$23,356 accumulated depreciation):				
Land	944	-	-	-
Buildings, Property, and Equipment	28,752	-	-	-
Total Assets	<u>81,997,898</u>	<u>60,413</u>	<u>6,249,424</u>	<u>1,816,922</u>
LIABILITIES				
Accounts and Interest Payable	3,231,211	155	19,889	36
Obligations Under Securities Lending	1,645,322	387	28,503	-
Due to Other Funds	10,943	429	-	-
Due to Other Governments	-	-	-	9,059
Unearned Revenue	7,020	-	-	-
Custodial Liabilities	58,068	2,124	-	1,807,827
Contracts, Mortgages, and Notes Payable	-	1,165	-	-
Net OPEB Obligation	536	-	-	-
Total Liabilities	<u>4,953,099</u>	<u>4,260</u>	<u>48,392</u>	<u>1,816,922</u>
NET POSITION				
Restricted - Held in Trust for:				
Pension Benefits	74,738,613	-	-	-
Other Postemployment Benefits	536,076	-	-	-
Other Employee Benefits	1,770,110	-	-	-
External Investment Pool Participants	-	-	6,201,032	-
Individuals, Organizations, and Other Governments	-	56,152	-	-
Total Net Position	<u>\$ 77,044,799</u>	<u>\$ 56,152</u>	<u>\$ 6,201,032</u>	<u>\$ -</u>

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

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017
(In Thousands)**

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	\$ 1,083,851	\$ -	\$ -
Plan Members	740,157	-	-
Total Contributions	<u>1,824,008</u>	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	7,851,697	(67)	(4,416)
Interest, Dividends, and Other Investment Income	1,714,304	532	89,500
Total Investment Income	9,566,001	465	85,084
Less Investment Expense	714,723	1	4,343
Net Investment Income	<u>8,851,278</u>	464	80,741
Gifts, Grants, and Contracts	-	4	-
Income of Individuals in State Care	-	1	-
Veterans' Income	-	13,051	-
Unclaimed and Escheat Property Revenue	-	3,216	-
Other Income	5,773	3,815	-
Share Transactions:			
Participant Contributions	-	-	17,072,225
Participant Withdrawals	-	-	16,732,378
Net Share Transactions	-	-	<u>339,847</u>
Total Additions	<u>10,681,059</u>	<u>20,551</u>	<u>420,588</u>
DEDUCTIONS			
Benefits	4,855,807	-	-
Death Benefits	4,685	-	-
Contributions Refunded	15,962	-	-
Healthcare Premium Subsidies	35,515	-	-
Distribution to Other Governments	-	378	-
Special Payments to State Agencies	-	6	-
Distribution to Participants	-	-	80,469
Administrative Expenses	55,932	12,716	-
Payments in Accordance with Trust Agreements	-	3,244	-
Total Deductions	<u>4,967,900</u>	<u>16,343</u>	<u>80,469</u>
Change in Net Position Held in Trust For:			
Pension Benefits	5,416,682	-	-
Other Postemployment Benefits	84,154	-	-
Other Employee Benefits	212,323	-	-
External Investment Pool Participants	-	-	340,119
Individuals, Organizations, and Other Governments	-	4,208	-
Net Position - Beginning	71,331,639	51,958	5,860,913
Prior Period Adjustments	-	(14)	-
Net Position - Beginning - As Restated	<u>71,331,639</u>	<u>51,945</u>	<u>5,860,913</u>
Net Position - Ending	<u>\$77,044,799</u>	<u>\$ 56,152</u>	<u>\$6,201,032</u>

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

Statement of Net Position
Discretely Presented Component Units
June 30, 2017
(In Thousands)

	SAIF Corporation	University of Oregon
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 51,562	\$ 283,559
Cash and Cash Equivalents - Restricted	-	-
Investments	4,593,320	-
Securities Lending Collateral	62,085	1,877
Accounts and Interest Receivable (net)	412,314	53,079
Pledges, Contributions, and Grants Receivable (net)	-	505,762
Due from Other Governments	-	-
Due from Primary Government	289	8,851
Inventories	70	4,160
Prepaid Items	-	27,903
Total Current Assets	5,119,640	885,191
Noncurrent Assets:		
Cash and Cash Equivalents - Restricted	-	58,275
Investments	-	-
Investments - Restricted	-	1,098,946
Net Contracts, Notes, and Other Receivables	-	58,763
Pledges, Contributions, and Grants Receivable (net)	-	-
Other Assets	-	-
Capital Assets:		
Land	3,029	75,654
Buildings, Property, and Equipment	51,730	1,943,907
Construction in Progress	-	85,030
Infrastructure	-	52,234
Works of Art and Other Nondepreciable Assets	-	42,593
Less Accumulated Depreciation and Amortization	(24,236)	(753,276)
Total Noncurrent Assets	30,523	2,662,126
Total Assets	5,150,164	3,547,317
DEFERRED OUTFLOWS OF RESOURCES		
Hedging Derivatives	-	116
Loss on Refunding	-	-
Related to Pensions	46,663	154,273
Total Deferred Outflows of Resources	46,663	154,389

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

State of Oregon

Oregon State University	Portland State University	Other	Total
\$ 81,291	\$ 67,535	\$ 216,153	\$ 700,100
-	-	276,382	276,382
-	-	327,858	4,921,178
5,988	4,846	3,139	77,935
100,794	43,593	431,801	1,041,581
45,465	16,603	62,188	630,018
-	-	12,103	12,103
9,169	29,306	69,205	116,820
6,517	678	28,096	39,521
8,722	3,280	34,426	74,331
<u>257,946</u>	<u>165,841</u>	<u>1,461,350</u>	<u>7,889,968</u>
26,553	-	48,434	133,262
-	-	953,755	953,755
781,443	205,946	765,099	2,851,434
18,523	5,479	70,307	153,072
67,862	-	513,282	581,144
-	-	16,100	16,100
40,396	53,765	106,531	279,375
1,773,068	751,678	3,822,071	8,342,454
31,665	82,820	283,258	482,773
34,887	31,734	32,737	151,592
29,595	3,162	6,298	81,648
(776,658)	(398,800)	(2,069,814)	(4,022,784)
<u>2,027,334</u>	<u>735,784</u>	<u>4,548,058</u>	<u>10,003,825</u>
<u>2,285,280</u>	<u>901,625</u>	<u>6,009,408</u>	<u>17,893,794</u>
-	-	9,730	9,846
-	-	25,248	25,248
170,999	76,388	318,116	766,439
<u>170,999</u>	<u>76,388</u>	<u>353,094</u>	<u>801,533</u>

(continued on the next page)

Statement of Net Position
Discretely Presented Component Units
June 30, 2017
(In Thousands)
(continued from previous page)

	SAIF Corporation	University of Oregon
LIABILITIES		
Current Liabilities:		
Accounts and Interest Payable	147,024	65,467
Obligations Under Securities Lending	62,051	1,877
Due to Other Governments	1,179	-
Due to Primary Government	7,963	34,515
Unearned Revenue	237,753	59,764
Compensated Absences Payable	4,719	19,263
Reserve for Loss and Loss Adjustment Expense	277,303	-
Claims and Judgments Payable	-	-
Custodial Liabilities	16,542	20,714
Contracts, Mortgages, and Notes Payable	435	2,905
Bonds/COPs Payable	-	669
Obligations Under Capital Lease	-	1,066
Total Current Liabilities	754,969	206,240
Noncurrent Liabilities:		
Unearned Revenue	-	1,987
Obligations Under Life Income Agreements	-	53,174
Compensated Absences Payable	-	2,555
Reserve for Loss and Loss Adjustment Expense	2,547,613	-
Claims and Judgments Payable	-	-
Custodial Liabilities	-	-
Contracts, Mortgages, and Notes Payable	9,768	40,404
Net Pension Liability	93,594	286,241
Bonds/COPs Payable	-	128,489
Obligations Under Capital Lease	-	48,717
Advances from Primary Government	-	519,959
Net OPEB Obligation	4,872	6,472
Derivative Instrument Liabilities	-	-
Total Noncurrent Liabilities	2,655,847	1,087,998
Total Liabilities	3,410,817	1,294,238
DEFERRED INFLOWS OF RESOURCES		
Hedging Derivatives	-	-
Gain on Refunding	-	-
Related to Pensions	889	2,720
Total Deferred Inflows of Resources	889	2,720
Net Position		
Net Investment in Capital Assets	30,523	787,970
Restricted-Nonexpendable	-	816,399
Restricted for:		
Education	-	733,410
Workers' Compensation	1,754,597	-
Debt Service	-	-
Capital Projects	-	43,185
Unrestricted	-	23,784
Total Net Position	\$ 1,785,121	\$ 2,404,748

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

State of Oregon

Oregon State University	Portland State University	Other	Total
71,829	25,686	255,021	565,027
5,988	4,846	3,139	77,901
-	-	29,738	30,917
24,923	17,376	29,855	114,633
65,280	36,585	260,869	660,251
23,560	8,871	85,942	142,355
-	-	-	277,303
-	-	26,956	26,956
2,036	10,005	2,066	51,363
1,838	4,210	2,945	12,333
-	-	4,857	5,526
-	-	901	1,967
195,454	107,579	702,289	1,966,531
-	-	-	1,987
23,315	1,489	25,516	103,494
8,364	911	1,040	12,870
-	-	-	2,547,613
-	-	35,458	35,458
-	-	76,844	76,844
136,927	18,122	41,662	246,883
322,538	144,817	676,856	1,524,046
-	-	965,628	1,094,117
-	-	3,537	52,254
311,942	229,473	183,580	1,244,954
6,949	3,471	12,380	34,144
-	-	15,131	15,131
810,035	398,283	2,037,631	6,989,794
1,005,489	505,862	2,739,920	8,956,326
-	-	3,848	3,848
-	-	2,540	2,540
3,068	2,578	38,351	47,606
3,068	2,578	44,739	53,994
705,793	279,782	1,244,004	3,048,072
405,471	57,240	286,449	1,565,559
366,330	65,323	913,786	2,078,849
-	-	-	1,754,597
2,652	-	1,449	4,101
5,708	40,696	3,302	92,891
(38,232)	26,532	1,128,853	1,140,937
\$ 1,447,722	\$ 469,573	\$ 3,577,843	\$ 9,685,007

State of Oregon

**Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2017
(In Thousands)**

	SAIF Corporation	University of Oregon	Oregon State University
Operating Revenues:			
Federal Revenue	\$ -	\$ 86,575	\$ 184,785
Charges for Services	-	381,434	316,310
Rents and Royalties	-	-	-
Sales	-	206,187	221,076
Premiums Earned (net)	516,185	-	-
Gifts, Grants, and Contracts	-	293,458	107,636
Other Revenues	32,240	18,834	9,248
Total Operating Revenues	<u>548,425</u>	<u>986,488</u>	<u>839,055</u>
Operating Expenses:			
Salaries and Wages	-	601,446	735,851
Services and Supplies	-	205,602	303,740
Loss and Loss Adjustment Expense	286,329	-	-
Policyholders' Dividends	139,935	-	-
Underwriting Expenses	141,057	-	-
Mortgage Assistance Payments	-	-	-
Bond and COP Interest	-	-	-
Depreciation and Amortization	-	62,155	54,757
Special Payments	-	84,316	40,641
Other Expenses	2,036	-	-
Total Operating Expenses	<u>569,357</u>	<u>953,519</u>	<u>1,134,989</u>
Operating Income (Loss)	<u>(20,932)</u>	<u>32,969</u>	<u>(295,934)</u>
Nonoperating Revenues (Expenses):			
Investment Income	285,082	388,202	77,248
State Appropriations	-	68,532	204,379
Other Grants	-	31,576	43,177
Gain/(Loss) on Disposition of Assets	-	22	(673)
Other Interest Expense	-	(22,171)	(20,626)
Other	-	4,478	23,510
Total Nonoperating Revenues (Expenses)	<u>285,082</u>	<u>470,639</u>	<u>327,015</u>
Income (Loss) Before Capital Contributions	<u>264,150</u>	<u>503,608</u>	<u>31,081</u>
Capital Contributions	-	41,759	27,529
Change in Net Position	<u>264,150</u>	<u>545,366</u>	<u>58,610</u>
Net Position - Beginning	<u>1,520,970</u>	<u>1,859,382</u>	<u>1,389,112</u>
Prior Period Adjustments	-	-	-
Net Position - Beginning - As Restated	<u>1,520,970</u>	<u>1,859,382</u>	<u>1,389,112</u>
Net Position - Ending	<u><u>\$ 1,785,121</u></u>	<u><u>\$ 2,404,748</u></u>	<u><u>\$ 1,447,722</u></u>

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

State of Oregon

Portland State University	Other	Total	Adjustments to Recast	Statement of Activities
\$ 42,880	\$ 18,006	\$ 332,246	\$ (332,246)	\$ -
191,937	2,433,651	3,323,332	1,276,873	4,600,205
-	1,041	1,041	(1,041)	-
93,437	59,578	580,278	(580,278)	-
-	-	516,185	(516,185)	-
-	-	-	-	-
53,993	592,882	1,047,969	1,919,333	2,967,302
5,475	146,097	211,894	(211,894)	-
<u>387,722</u>	<u>3,251,255</u>	<u>6,012,945</u>	<u>1,554,562</u>	<u>7,567,507</u>
336,407	2,042,005	3,715,709	-	3,715,709
107,979	1,052,741	1,670,062	-	1,670,062
-	-	286,329	-	286,329
-	-	139,935	-	139,935
-	-	141,057	-	141,057
-	3,703	3,703	-	3,703
-	29,920	29,920	-	29,920
26,063	173,888	316,863	-	316,863
35,287	23,431	183,675	-	183,675
-	-	2,036	-	2,036
<u>505,736</u>	<u>3,325,688</u>	<u>6,489,289</u>	<u>-</u>	<u>6,489,289</u>
<u>(118,014)</u>	<u>(74,433)</u>	<u>(476,344)</u>	<u>1,554,562</u>	<u>1,078,218</u>
9,890	126,545	886,967	(886,967)	-
135,525	130,069	538,505	(538,505)	-
49,803	37,059	161,615	(161,615)	-
(1,176)	(2,117)	(3,944)	3,944	-
(11,672)	(6,775)	(61,244)	61,244	-
(124)	4,799	32,663	(32,663)	-
<u>182,246</u>	<u>289,580</u>	<u>1,554,562</u>	<u>(1,554,562)</u>	<u>-</u>
64,232	215,147	1,078,218	-	1,078,218
3,755	33,905	106,948	-	106,948
<u>67,987</u>	<u>249,052</u>	<u>1,185,165</u>	<u>-</u>	<u>1,185,165</u>
401,586	3,328,800	8,499,850	-	8,499,850
-	(10)	(10)	-	(10)
<u>401,586</u>	<u>3,328,790</u>	<u>8,499,840</u>	<u>-</u>	<u>8,499,840</u>
<u>\$ 469,573</u>	<u>\$ 3,577,843</u>	<u>\$ 9,685,007</u>	<u>\$ -</u>	<u>\$ 9,685,007</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, including all agencies, boards, commissions, and courts that are legally part of the State (primary government), and the State's component units. Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government.

Discretely Presented Component Units

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

SAIF Corporation (SAIF) is a public corporation created by an act of the Legislature. SAIF is authorized to write workers' compensation insurance coverage in Oregon and certain other jurisdictions as required by the Oregon Department of Consumer and Business Services and to service accounts in the assigned risk pool. SAIF is governed by a board of directors appointed by the Governor and is financed solely through policyholder premiums and investment income. The term of office for a board member is four years, but a member serves at the pleasure of the Governor. SAIF reports on a fiscal year ended December 31 and uses proprietary fund accounting principles. The December 31, 2016, financial information of SAIF is included in this report. Because SAIF has a fiscal year different from the State, balances outstanding between SAIF and the State do not agree. SAIF reports \$289 thousand as Due from Primary Government while the State reports a Due to Component Unit of \$8.6 million for SAIF. Additionally, SAIF reports a Due to Primary Government of \$8 million, but the State reports a Due from Component Unit for SAIF of \$8.1 million.

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

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

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

State of Oregon
Notes to the Financial Statements

The Oregon Affordable Housing Assistance Corporation (OAHAC) is an Oregon not-for-profit public benefit corporation. The director of the Oregon Housing and Community Services Department (OHCS) appoints two of the five OAHAC board members and approves the candidacy of the remaining at-large members. The at-large directors may be removed at any time by a vote of two-thirds or more of the directors then in office, and the government directors may be removed at any time by the director of OHCS. Because OAHAC has a fiscal year different from the State, balances outstanding between OAHAC and the State do not agree. OAHAC reports \$201 thousand as Due to Primary Government while the State does not report a Due from Component Unit for any balances related to OAHAC.

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons; to help stabilize housing markets in Oregon; to provide resources of affordable or subsidized housing; to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008 (EESA), as amended; and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. Currently, OAHAC administers Oregon's share of the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and its financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities*. The December 31, 2016, financial information of OAHAC is included in this report.

The State Fair Council is a newly formed independent public corporation, charged with creating a new, sustainable business model for the Oregon State Fair and Exposition Center that can capitalize on sponsorships, rapidly changing market conditions, and streamlined contracting and employment practices. The State Fair Council is a governmental entity performing governmental functions and exercising governmental powers. The Governor appoints members of the Council, and may remove them at will. It is financed primarily through fees for renting the fairground property and facilities and operating the annual Oregon State Fair. The December 31, 2016, financial information is included in this report.

SAIF, UO, OSU, and PSU are reported as major component units due to the significant transactions with the primary government. The remaining component units are reported as nonmajor. Readers may obtain complete financial statements for SAIF, UO, OSU, PSU, OHSU, WOU, SOU, EOU, OIT, the State Fair Council, and OAHAC from their respective administrative offices or from the Oregon Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

Related Organizations

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

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

B. Government-wide and Fund Financial Statements

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

State of Oregon
Notes to the Financial Statements

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

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

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

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

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

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

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

The State reports the following major governmental funds:

General Fund

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the General Fund also accounts for and reports the balances and activities of funds from which specific restricted or committed revenues comprise less than a substantial portion of the funds' "inflows." The State considers 30 percent as "substantial" for financial reporting purposes. Prior to the implementation of GASB Statement No. 54, the *Oregon Rainy Day Fund* was reported as an individual major special revenue fund but is now reported in the General Fund. The Rainy Day Fund relies on resources that are "transferred" from the General Fund in accordance with state law and which, along with investment income generated, can be appropriated by the Legislature only when certain specific criteria related to economic or revenue conditions have been met. The funding source for the Rainy Day Fund is not a specific restricted or committed revenue.

Special Revenue Funds

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

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

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

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

The *Educational Support Fund* accounts for programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood to postgraduate research, not including activities accounted for in the Common School Fund. Among the activities of this fund are capital project loans and grants provided to the State's eight public universities, all of which are reported as discretely presented component units of the State. The principal funding sources for these programs include federal grants, investment income and transfers from other funds.

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

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

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

The *Veterans' Loan Fund* accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.

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

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

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

Additionally, the State reports the following fund types:

State of Oregon
Notes to the Financial Statements

Governmental Fund Types (reported as nonmajor funds)

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

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

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

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

Proprietary Fund Types (reported as nonmajor funds)

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

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

Fiduciary Fund Types

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

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

The *Investment Trust Fund* accounts for the portion of cash and investment pools managed by the Oregon State Treasury belonging to entities other than the State. Oregon reports the State's portion of the pools within the funds of the State.

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

D. Deposits and Investments

Deposits

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

Investments – Excluding Oregon Public Employees Retirement Fund

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

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.

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Notes to the Financial Statements

- Investments in the OSTF with remaining maturities of up to 90 days are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet or statement of net position, but as investments in Note 2.

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

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price and generally values debt securities by using evaluated bid prices. The fair value of publicly traded real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services and generally reflects the last reported sales price. For investments that do not have an active market, such as private placements, real estate, or commingled investment vehicles, the value is stated at the net asset value (NAV) of units held, or its equivalent, as reported by the fund manager or general partner.

Investments – Oregon Public Employees Retirement Fund

Investments in private equities are recorded at fair value, as of June 30, 2017, as determined by Oregon Public Employees Retirement System (PERS) management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITs, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2017, as determined by PERS management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years and, between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the PERS Opportunity and Alternatives portfolios are recorded at fair value as of June 30, 2017, as determined by the respective general partner or account manager. (The Opportunity portfolio is an investment portfolio within the PERS Fund that utilizes investment approaches across a wide range of investment opportunities, while investments in the Alternatives portfolio represent alternative investment strategies, including infrastructure, natural resources, natural resource commodities, and hedge fund strategies.) Investments in these portfolios are reported at the net asset value as provided by the general partner. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

Due to the inherent uncertainty and the degree of judgment involved in determining certain private equity, Opportunity, Alternatives, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily

determinable market value for the investments existed, and the difference could be material. In addition, these investments are generally considered illiquid long-term investments, and the recorded fair values may differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

Derivatives

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

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

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

E. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

F. Intrafund Transactions

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

G. Inventories

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

H. Prepaid Items

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

I. Restricted Assets

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

J. Foreclosed and Deeded Properties

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

K. Receivership Assets

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

L. Capital Assets

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

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

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

M. Compensated Absences

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

N. Long-term Obligations

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

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Notes to the Financial Statements

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

O. Pensions

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

P. Fund Equity

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is labeled "Net Position" on the government-wide, proprietary fund, and fiduciary fund financial statements and "Fund Balance" on the governmental fund financial statements.

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

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

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

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

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

Unassigned fund balance is the residual amount in the General Fund not included in the previous four categories. Deficit fund balances in other governmental funds are reported as unassigned. Refer to Note 19 for additional information on fund equity.

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

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

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

Q. Changes in Accounting Principle

For the fiscal year ended June 30, 2017, the State implemented two new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* has been issued to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Refer to Note 15 for additional information.

GASB Statement No. 77, *Tax Abatement Disclosures* establishes the definition of a tax abatement for financial reporting purposes and requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Refer to Note 21 for additional information.

R. Pending Changes in Accounting Principle

Four new accounting standards are effective for the fiscal year ending June 30, 2018.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* has been issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* has been issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

GASB Statement No. 86, *Certain Debt Extinguishment Issues* has been issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

2. DEPOSITS AND INVESTMENTS

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

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The Deferred Compensation Fund, the Education Stability Fund, and Common School Fund may also invest in common stock.

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

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

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

<http://www.oregon.gov/treasury/Divisions/Investment/Pages/OITP.aspx>

The Treasurer maintains the Oregon Local Government Intermediate Fund (OLGIF), an investment pool available for use by local governments, and is reported in an investment trust fund. A separate financial report for the OLGIF is prepared by the Treasurer. Copies of the report may be obtained from the Oregon State Treasury, 350 Winter St NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at:

<http://www.oregon.gov/treasury/Divisions/Investment/Pages/OLGIF.aspx>

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

A. Custodial Credit Risk

Custodial Credit Risk for Deposits

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

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

ORS Chapter 295 provides the statutory authority for the Public Funds Collateralization Program (PFCP). The Treasury uses an internally-developed web application to administer the PFCP and facilitate depository, custodian, and public official compliance with ORS Chapter 295. Per the statute, depositories are required to report public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limits to the Treasury. The FDIC or NCUA assigns each bank or credit union a capitalization category quarterly: well-capitalized, adequately-capitalized, or under-capitalized. Depositories submit monthly or weekly reports to the Treasury depending on their capitalization category. Well-capitalized depositories report monthly; adequately and under-capitalized depositories report weekly. In addition to uninsured public fund balances, depositories are also required to report their net worth, leverage, and capital ratios. Based on this information, each depository's minimum collateral required to be pledged with the custodian as well as the maximum liability in the pool of all depositories are calculated for the next reporting period. The maximum liability is reported to the depository, and the Treasury.

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Notes to the Financial Statements

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

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

1. A depository may not accept public fund deposits from a single depositor in excess of the depository's net worth. If the depository has a drop in net worth that takes it out of compliance, the depository is required to post 100 percent collateral on any amount the depositor has in excess of the depository's net worth while working to eliminate that excess.
2. A depository may not hold a total public funds balance in excess of a percentage of the depository's net worth based on its capitalization category (100 percent for under-capitalized, 150 percent for adequately- capitalized, 200 percent for well-capitalized) unless approved for a period of up to 90 days by the Treasury. During this period, any public fund balances exceeding these limits must be collateralized at 100 percent.
3. A depository may not hold more than 30 percent of the aggregate public funds reported by all depositories in the pool unless the depository is well-capitalized and the excess is collateralized at 100 percent.

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

As of June 30, 2017, \$2 billion in other depository balances were exposed to custodial credit risk as the balances were uninsured and uncollateralized. In addition, \$850 thousand in depository balances were exposed to custodial credit risk as the balances were uninsured but collateralized with securities by the pledging financial institution.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of securities by a custodian or counterparty.

B. Investments – Primary Government (Excluding the OPERF)

Investments Managed by Treasury

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

Interest Rate Risk

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

Credit risk

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

Fair Value Measurement

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

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

State of Oregon
Notes to the Financial Statements

The credit rating for the investments at Treasury held within the governmental funds, excluding the Common School Fund, and using the segmented time distribution method at June 30, 2017 (in thousands):

Reporting Fund ¹	Investment Type	Credit Rating ²	Investment Maturities (in years)			Balance at June 30, 2017
			Less than 1	1 to 5	6 to 10	
Public Transportation	Asset-backed	AAA	\$ 7,731	\$ 3,003	\$ -	\$ 10,734
	U.S. Federal agency debt	AA	9,505	-	-	9,505
	U.S. Federal agency mortgages	AA	-	3,116	-	3,116
	Collateralized mortgage-backed securities	AAA	810	3,597	-	4,407
	Municipal bonds	AAA	-	1,990	-	1,990
		AA	-	16,779	-	16,779
	Total municipal bonds		-	18,768	-	18,768
	Corporate bonds	AA	5,017	3,003	-	8,021
		A	15,807	1,992	-	17,799
		BBB	13,117	5,040	-	18,157
Total corporate bonds		33,941	10,035	-	43,976	
Total Public Transportation		51,986	38,519	-	90,505	
Employment Services	U.S. Treasury securities ²	Exempt	2,991	6,155	4,926	14,071
	U.S. Federal agency debt	AA	12,997	13,089	-	26,086
	U.S. Federal agency mortgages	Not rated	701	1,515	-	2,216
	Collateralized mortgage-backed securities	AAA	326	-	-	326
	Asset-backed	AAA	11,214	8,475	-	19,689
	Municipal bonds	AAA	-	1,501	-	1,501
		AA	-	4,414	3,000	7,415
	Total municipal bonds		-	5,915	3,000	8,916
	Corporate bonds	AA	1,006	5,982	-	6,989
		A	22,275	11,747	-	34,022
		BBB	11,511	19,606	4,577	35,695
	Total corporate bonds		34,793	37,336	4,577	76,706
	Oregon Intermediate Term Pool ³	Not rated	-	18,381	-	18,381
Non-U.S. government debt	AAA	-	3,078	1,487	4,564	
Total Employment Services		63,022	93,943	13,990	170,956	
Environmental Management	Oregon Intermediate Term Pool ³	Not rated	-	1,190	-	1,190
Permanent	Oregon Intermediate Term Pool ³	Not rated	-	6,571	-	6,571
Residential Assistance	U.S. Federal agency debt	AA	4,600	-	-	4,600
	U.S. Treasury securities ²	Exempt	10,407	-	-	10,407
	Total Residential Assistance		15,007	-	-	15,007
Business Development	Oregon Intermediate Term Pool ³	Not rated	-	23,992	-	23,992
Total			\$ 130,015	\$ 164,215	\$ 13,990	\$ 308,220

¹ Refer to the separate Common School Fund schedule.

² Investments of \$24,478 of U.S. Treasury obligations are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

³ Refer to the separate Oregon Intermediate Term Pool schedule.

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Notes to the Financial Statements

Fair value measurement for the investments at Treasury held within the governmental funds, excluding the Common School Fund at June 30, 2017 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Total
Public Transportation	Asset-backed	\$ -	\$ 10,734	\$ -	\$ 10,734
	U.S. Federal agency debt	-	9,505	-	9,505
	U.S. Federal agency mortgages	-	3,116	-	3,116
	Collateralized mortgage-backed securities	-	4,407	-	4,407
	Municipal bonds	-	18,768	-	18,768
	Corporate bonds	-	43,976	-	43,976
	Total Public Transportation		-	90,505	-
Employment Services	U.S. Treasury securities	-	14,071	-	14,071
	U.S. Federal agency debt	-	26,086	-	26,086
	U.S. Federal agency mortgages	-	2,216	-	2,216
	Collateralized mortgage-backed securities	-	326	-	326
	Asset-backed	-	19,689	-	19,689
	Municipal bonds	-	8,916	-	8,916
	Corporate bonds	-	76,706	-	76,706
	Non-U.S. government debt	-	4,564	-	4,564
Total Employment Services		-	152,574	-	152,574
Residential Assistance	U.S. Federal agency debt	-	4,600	-	4,600
	U.S. Treasury securities	-	10,407	-	10,407
Total Residential Assistance		-	15,007	-	15,007
Total Debt Investments		\$ -	\$ 258,086	\$ -	258,086
Investments valued at Net Asset Value (NAV):					
Employment Services	Oregon Intermediate Term Pool				18,381
Environmental Management	Oregon Intermediate Term Pool				1,190
Permanent	Oregon Intermediate Term Pool				6,571
Business Development	Oregon Intermediate Term Pool				23,992
Total Investments valued at NAV					50,134
Total					\$ 308,220

Investments not valued at net asset value (NAV) have market valuations made by third-party vendors who use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. These investments are considered Level 2.

State of Oregon
Notes to the Financial Statements

The credit rating for the Common School Fund's investments held at Treasury and using the segmented time distribution method at June 30, 2017 (in thousands):

Investment Type	Credit Rating ¹	Investment Maturities (in years)				Balance at June 30, 2017
		Less than 1	1 to 5	6 to 10	More than 10 or none	
U.S. Treasury securities	Exempt	\$ -	\$ 7,149	\$ 13,439	\$ 23,168	\$ 43,756
U.S. Treasury TIPS	Exempt	-	4,085	3,999	1,024	9,108
U.S. Federal agency mortgages	AAA	240	-	-	-	240
U.S. Federal agency mortgages	Not rated	5,078	16	1,222	46,405	52,720
Total U.S. government debt		5,317	11,250	18,660	70,597	105,824
Non-U.S. government debt	A	-	-	1,913	1,652	3,565
	BBB	-	-	1,228	764	1,993
	BB	261	-	371	558	1,189
	B	-	909	162	466	1,538
	CCC	-	279	-	-	279
	Not rated	-	-	69	-	69
Total Non-U.S. government debt		261	1,189	3,742	3,442	8,633
Corporate bonds	AAA	-	-	1,595	265	1,861
	AA	250	-	1,192	32	1,473
	A	1,421	2,747	4,330	3,845	12,343
	BBB	1,955	4,303	9,106	6,950	22,313
	BB	70	815	1,328	3,965	6,179
	B	-	185	66	132	383
Total Corporate bonds		3,696	8,051	17,617	15,189	44,553
International debt securities	A	211	1,488	1,825	340	3,864
	BBB	50	1,007	2,249	1,328	4,634
	BB	-	-	1,254	560	1,815
	B	-	681	546	177	1,404
	CCC	-	234	-	-	234
Total International debt securities		261	3,410	5,874	2,405	11,951
Asset-backed securities	AAA	643	-	-	-	643
	AA	776	-	-	-	776
	A	1,873	-	-	-	1,873
	BBB	1,262	-	-	-	1,262
	BB	1,205	-	-	-	1,205
	B	133	-	-	-	133
	CCC	1,305	-	-	-	1,305
	CC	711	-	-	-	711
	C	924	-	-	-	924
	Not Rated	-	-	-	526	526
Total asset-backed securities		8,831	-	-	526	9,357
Collateralized mortgage obligations	AAA	5	-	-	-	5
	AA	316	-	-	-	316
	A	848	-	-	-	848
	BBB	2,631	-	-	-	2,631
	BB	454	-	112	-	567
	B	460	-	-	-	460
	CCC	154	-	-	-	154
Total collateralized mortgage obligations		4,868	-	112	-	4,980
Collateralized mortgage-backed securities	AAA	1,051	-	-	2,750	3,801
	AA	1,560	-	-	328	1,888
	A	1,867	-	-	-	1,867
	B	866	-	-	167	1,033
	CCC	915	229	-	266	1,409
	CC	136	-	-	-	136
	D	1,394	-	-	-	1,394
	Not rated	712	-	-	217	929
Total collateralized mortgage-backed securities		8,500	229	-	3,728	12,457
Municipal bonds	AAA	208	-	-	-	208
Domestic mutual funds - debt	Not rated	222,697	-	-	-	222,697
		\$ 254,640	\$ 24,129	\$ 46,005	\$ 95,887	420,661
Domestic equity securities	N/A					237,797
International equity securities	N/A					348,964
Mutual funds - equity	N/A					289,601
International real estate	N/A					1,577
Domestic real estate	N/A					12,765
International rights and warrants	N/A					34
Private equity holdings	N/A					199,370
Total						\$ 1,510,769

¹ Investments of \$43,756 in U.S. Treasury securities, \$9,108 in U.S. Treasury Inflation Protected Securities (TIPS), and \$1,579 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

State of Oregon
Notes to the Financial Statements

Fair value measurement for the investments at Treasury held by the Common School Fund at June 30, 2017 (in thousands):

Investment type	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ -	\$ 43,756	\$ -	\$ 43,756
U.S. Treasury TIPS	-	9,108	-	9,108
U.S. Federal agency mortgages	-	52,960	-	52,960
Non-U.S. government debt	-	8,633	-	8,633
Corporate bonds	-	44,553	-	44,553
International debt securities	-	11,951	-	11,951
Asset-backed securities	-	9,357	-	9,357
Collateralized mortgage obligations	-	4,980	-	4,980
Collateralized mortgage-backed securities	-	12,457	-	12,457
Municipal bonds	-	208	-	208
Domestic mutual funds - debt	-	222,697	-	222,697
Total Debt Investments	-	420,661	-	420,661
Domestic equity securities	237,797	-	-	237,797
International equity securities	348,964	-	-	348,964
Mutual funds - equity	-	289,601	-	289,601
International rights and warrants	34	-	-	34
Real estate investment trust	14,343	-	-	14,343
Private equity holdings	-	-	199,370	199,370
	601,138	289,601	199,370	1,090,109
Total	\$ 601,138	\$ 710,262	\$ 199,370	\$ 1,510,769

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

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

Funds priced using a net asset value (NAV) that is published daily and validated with a sufficient level of observable activity are categorized in Level 1. If observable activity is limited, yet supports that the NAV represents an exit value of the security at the measurement date, the securities are categorized in Level 2. Investments that are measured at NAV as a practical expedient, such as private equity, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Funds not meeting this criterion are categorized in Level 3.

Investments in real estate, which consist of investments in real estate investment trusts, are generally valued based on an active market price and are categorized in Level 1.

Private equity consists of 13 funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged-buyouts, venture capital, growth equity, fund of funds, co-investments and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These investments can never be redeemed with the fund. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 12-14 years.

State of Oregon
Notes to the Financial Statements

The Oregon Intermediate Term Pool (OITP) provides qualified participants with a vehicle to invest funds over a long-term investment horizon. The investment objective of OITP is to maximize total return (i.e., principal and income) within stipulated risk parameters.

The credit rating for the investments held within the OITP and using the average modified duration method at June 30, 2017 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2017	Average Modified Duration (in years)
U.S. Federal agency debt	AA	\$ 3,073	1.74
U.S. Federal agency commercial mortgage-backed securities	Not Rated	926	2.90
U.S. Federal agency residential mortgage-backed securities	Not Rated	11,900	3.15
U.S. Treasury debt	AAA	36,189	3.70
Non-U.S. government debt	AAA	1,024	4.21
Asset-backed securities	AAA	9,570	2.40
Corporate bonds	AAA	2,416	
	AA	1,889	
	A	4,545	
	BBB	15,297	
Total corporate bonds		<u>24,147</u>	3.51
Commercial mortgage-backed securities	AAA	6,466	2.77
Municipal bonds	AA	4,913	4.29
External investment pool ¹	Not Rated	13,335	0.47
Total		<u>\$ 111,543</u>	

¹ The Oregon Short Term Fund (OSTF) is not rated by the credit ratings agencies. The composite credit quality of the OSTF's holdings was AA at June 30, 2017.

Fair value measurement for the OITP at June 30, 2017 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Balance at June 30, 2017
U.S. Federal agency debt	\$ -	\$ 3,073	\$ -	\$ 3,073
U.S. Federal agency commercial mortgage-backed securities	-	926	-	926
U.S. Federal agency residential mortgage-backed securities	-	11,900	-	11,900
U.S. Treasury debt	-	36,189	-	36,189
Non-U.S. government debt	-	1,024	-	1,024
Asset-backed securities	-	9,570	-	9,570
Corporate bonds	-	24,147	-	24,147
Commercial mortgage-backed securities	-	6,466	-	6,466
Municipal bonds	-	4,913	-	4,913
Total	<u>\$ -</u>	<u>\$ 98,208</u>	<u>\$ -</u>	<u>\$ 98,208</u>

The Pool's investments, other than those with remaining maturities of fewer than 90 days, are valued using the latest bid prices or evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Investments with remaining maturities of fewer than 90 days are carried at amortized cost, which approximates fair value. All of the Pool's investments at June 30, 2017, are considered Level 2.

The Oregon Local Government Investment Fund (OLGIF) is an external commingled investment pool for local governments offered by the Treasury. The OLGIF provides qualified local government participants with a vehicle to invest assets over an intermediate time horizon (three to five years).

State of Oregon
Notes to the Financial Statements

The credit rating for the investments held within the OLGIF and using the average modified duration method at June 30, 2017 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2017	Average Modified Duration (in years)
U.S. Treasury securities	Exempt	\$ 128,016	2.35
Asset-backed securities	AAA	8,103	0.93
Corporate bonds	AAA	973	
	AA	4,534	
	A	21,970	
	BBB	27,960	
	BB	4,496	
Total corporate bonds		<u>59,933</u>	3.73
Commercial mortgage-backed securities	AAA	7,973	3.45
Municipal bonds	AAA	1,128	0.08
Total		<u>\$ 205,153</u>	

Fair value measurement for the OLGIF at June 30, 2017 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Balance at June 30, 2017
U.S. Treasury securities	\$ -	\$ 128,016	\$ -	\$ 128,016
Asset-backed securities	-	8,103	-	8,103
Corporate bonds	-	59,933	-	59,933
Commercial mortgage-backed securities	-	7,973	-	7,973
Municipal bonds	-	1,128	-	1,128
Total	<u>\$ -</u>	<u>\$ 205,153</u>	<u>\$ -</u>	<u>\$ 205,153</u>

The Fund's investments, other than those with remaining maturities of fewer than 90 days, are valued using the latest bid prices or evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Investments with remaining maturities of fewer than 90 days are carried at amortized cost, which approximates fair value. All of the Fund's investments at June 30, 2017, are considered Level 2.

State of Oregon
Notes to the Financial Statements

The credit rating for the investments at Treasury held by proprietary funds and using the segmented time distribution method at June 30, 2017 (in thousands):

Reporting Fund	Investment Type	Credit Rating ²	Investment Maturities (in years)				Balance at June 30, 2017	
			Less than 1	1 to 5	6 to 10	More than 10 or none		
Housing and Community Services ¹	U.S. Treasury securities	Exempt	\$ -	\$ -	\$ 911	\$ 541	\$ 1,452	
	U.S. Federal agency debt	AA	-	-	138	1,119	1,257	
Total Housing and Community Services			-	-	1,048	1,661	2,709	
Veterans' Loan	Oregon Intermediate Term Pool ³	Not rated	-	10,709	-	-	10,709	
Lottery Operations	U.S. Treasury strips	Exempt	9,860	36,207	38,457	42,210	126,735	
	U.S. Federal agency strips	Not rated	1,398	2,662	1,502	153	5,715	
Total Lottery Operations			11,258	38,870	39,959	42,363	132,450	
Special Public Works	Oregon Intermediate Term Pool ³	Not rated	-	10,824	-	-	10,824	
Central Services	U.S. Treasury securities	Exempt	-	5,275	1,970	-	7,245	
	U.S. Federal agency debt	AA	12,479	12,925	-	-	25,405	
	U.S. Federal agency mortgages	Not rated	1,930	608	-	-	2,538	
	Asset-backed securities	AAA	999	3,483	-	-	4,482	
	Corporate bonds	AAA	-	4,035	-	-	4,035	
		AA	1,006	3,553	-	-	4,559	
		A	11,886	4,081	-	-	15,967	
		BBB	2,259	5,030	4,040	-	11,329	
	Total corporate bonds			15,151	16,699	4,040	-	35,890
		Non-U.S. government debt	AAA	-	2,565	-	-	2,565
Total Central Services			30,559	41,554	6,010	-	78,124	
Total			\$ 41,817	\$ 101,957	\$ 47,018	\$ 44,024	\$ 234,816	

¹ \$229,931 in investments are held outside Treasury. Refer to the separate schedule.

² Investments of \$8,697 in U.S. Treasury obligations and \$126,735 in U.S. Treasury Strips are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

³ Refer to the separate Oregon Intermediate Term Pool schedule.

State of Oregon
Notes to the Financial Statements

The fair value measurement for the investments at Treasury held by proprietary funds at June 30, 2017 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Balance at June 30, 2017
Housing and Community Services	U.S. Treasury securities	\$ -	\$ 1,452	\$ -	\$ 1,452
	U.S. Federal agency debt	-	1,257	-	1,257
Total Housing and Community Services		<u>-</u>	<u>2,709</u>	<u>-</u>	<u>2,709</u>
Lottery Operations	U.S. Treasury strips	-	126,735	-	126,735
	U.S. Federal agency strips	-	5,715	-	5,715
Total Lottery Operations		<u>-</u>	<u>132,450</u>	<u>-</u>	<u>132,450</u>
Central Services	U.S. Treasury securities	-	7,245	-	7,245
	U.S. Federal agency debt	-	25,405	-	25,405
	U.S. Federal agency mortgages	-	2,538	-	2,538
	Asset-backed securities	-	4,482	-	4,482
	Corporate bonds	-	35,890	-	35,890
	Non-U.S. government debt	-	2,565	-	2,565
Total Central Services		<u>-</u>	<u>78,124</u>	<u>-</u>	<u>78,124</u>
Total Debt Investments		<u>\$ -</u>	<u>\$ 213,284</u>	<u>\$ -</u>	<u>213,284</u>
Investments valued at NAV					
Veterans' Loan	Oregon Intermediate Term Pool				10,709
Special Public Works	Oregon Intermediate Term Pool				10,824
Total Investments Valued at NAV					<u>21,533</u>
Total					<u>\$ 234,816</u>

Investments not valued at NAV have market valuations made by third-party vendors who use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. These investments are considered Level 2.

State of Oregon
Notes to the Financial Statements

Investments not Managed by Treasury

For investments held outside of the Treasury, statutes govern the placement of funds with outside parties as part of trust agreements or mandatory asset holdings by regulatory agencies. The credit rating and segmented time distribution for investments held outside Treasury at June 30, 2017 (in thousands):

Reporting Fund	Investment Type	Credit Rating ³	Investment Maturities (in years)				Balance at June 30, 2017	
			Less than 1	1 to 5	6 to 10	More than 10 or none		
Common School	U.S. Treasury strips ¹	Exempt	\$ 20	\$ -	\$ -	\$ -	\$ 20	
	U.S. Treasury securities ¹	Exempt	17	-	-	-	17	
	U.S. Federal agency mortgages ¹	AAA	-	-	-	493	493	
	Municipal bonds ¹	AAA	35	18	71	-	124	
	Corporate bonds ¹	AAA	4	-	15	-	19	
Total Common School			76	18	86	493	672	
Revenue Bond	GICs ⁴	N/A	-	-	2,523	-	2,523	
Housing and Community Services	U.S. Treasury securities	Exempt	25,677	1,393	82	-	27,152	
	U.S. Federal agency debt	AA+	5,464	3,635	10,595	27,000	46,694	
		Not rated	127,079	-	-	-	127,079	
	Total federal agency debt			132,544	3,635	10,595	27,000	173,773
	Municipal bonds	AAA	-	-	-	18,810	18,810	
		AA+	-	-	-	7,070	7,070	
	AA	-	-	1,210	2,300	3,510		
Total municipal bonds			-	-	1,210	28,180	29,390	
	Swaps	Not rated	(2)	-	-	(382)	(384)	
Total Housing and Community Services			158,219	5,028	11,886	54,798	229,931	
Private Purpose Trust	U.S. Treasury securities	Exempt	192	-	1	17	211	
	Domestic mutual funds - debt	Not rated	7	-	-	618	625	
Total Private Purpose Trust			199	-	1	635	836	
Agency	U.S. Treasury securities ²	Exempt	9,671	44,985	-	-	54,656	
	Municipal bonds ²	AAA	113	-	-	-	113	
Total Agency			9,784	44,985	-	-	54,769	
Total Debt Investments			\$ 168,278	\$ 50,032	\$ 14,496	\$ 55,926	288,732	
Educational Support	Alternative equities	N/A					83,097	
Common School	Mutual funds ¹	N/A					2,433	
	Domestic equity securities ¹	N/A					19,802	
	International equity securities ¹	N/A					969	
	Real estate	N/A					5,540	
Private Purpose Trust	Domestic equity securities	N/A					92	
	Annuity contracts	N/A					152	
Total							\$ 400,819	

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

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

³ Investments of \$82,037 in U.S. Treasury securities and \$20 in U.S. Treasury strips are explicitly guaranteed by the U.S. government and, therefore, exempt from credit risk disclosure requirements.

⁴ Guaranteed investment contracts.

State of Oregon
Notes to the Financial Statements

The fair value measurement for investments held outside Treasury at June 30, 2017 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Balance at June 30, 2017
Common School	U.S. Treasury strips	\$ 20	\$ -	\$ -	\$ 20
	U.S. Treasury securities	17	-	-	17
	U.S. Federal agency mortgages	-	493	-	493
	Municipal bonds	-	124	-	124
	Corporate bonds	-	19	-	19
	Mutual funds	2,433	-	-	2,433
	Domestic equity securities	19,798	4	-	19,802
	International equity securities	969	-	-	969
Total Common School		<u>23,237</u>	<u>640</u>	<u>-</u>	<u>23,877</u>
Housing and Community Services	U.S. Treasury obligations	-	27,152	-	27,152
	U.S. Federal agency debt	-	173,773	-	173,773
	Municipal bonds	-	29,390	-	29,390
	Swaps	-	(384)	-	(384)
	Total Housing and Community Services		<u>-</u>	<u>229,931</u>	<u>-</u>
Private Purpose Trust	U.S. Treasury obligations	-	211	-	211
	Domestic equity securities	92	-	-	92
	Total Private Purpose Trust	<u>92</u>	<u>211</u>	<u>-</u>	<u>303</u>
Agency	U.S. Treasury securities	-	54,656	-	54,656
	Municipal bonds	-	113	-	113
	Total Agency	<u>-</u>	<u>54,769</u>	<u>-</u>	<u>54,769</u>
Total Debt Investments		<u>\$ 23,330</u>	<u>\$ 285,551</u>	<u>\$ -</u>	<u>308,881</u>
Investments reported at NAV:					
Educational Support	Alternative equities				83,097
Revenue Bond	GICs ¹				2,523
Common School Fund	Real estate				5,540
Private Purpose Trust	Domestic mutual funds - debt				625
	Annuity contracts				152
Total					<u>\$ 400,819</u>

¹ GICs are exempt from fair value reporting under GASB 72.

Equity securities, including exchange-traded derivatives, are generally valued based on quoted prices from an active market and are therefore categorized in Level 1.

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

Funds priced using a net asset value (NAV) that is published daily and validated with a sufficient level of observable activity are categorized in Level 1. If observable activity is limited, yet supports that the NAV represents an exit value of the security at the measurement date, the securities are categorized in Level 2. Investments that are measured at NAV as a practical expedient, such as private and alternative equities, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Funds not meeting this criterion are categorized in Level 3. Alternative equities in the Educational Support fund are limited partnerships with a finite term, typically ten years or greater, at which time they are expected to be fully liquidated. The partnerships provide valuation in the form of NAV, normally adjusting audited December 31 statements to estimated NAV at June 30. However, there is no assurance at the time of liquidation that the NAV will match the actual liquidation amount of the partnerships.

State of Oregon
Notes to the Financial Statements

Real estate property investments held outside of Treasury are valued by appraisals using market sales approach and income approach.

Investments of the Oregon Short-Term Fund (OSTF)

The OSTF is a short-term investment vehicle. A number of local governments in Oregon as well as all state agencies participate in the OSTF. Because the OSTF acts as a demand deposit account, both the cash and investments within the OSTF are shown as cash and cash equivalents on the balance sheet and statement of net position. The external portion of the OSTF is reported within an investment trust fund. The OSTF staff manages interest rate risk by limiting the maturity of the investments. The portfolio rules require that at least 50 percent of the portfolio mature or reset within 93 days; not more than 25 percent of the portfolio may mature or reset in over a year; and no investments may mature or reset over three years from settlement date. For variable rate securities the next interest rate reset date is used instead of the maturity date. For variable rate securities in a fixed rate period that will switch to variable rate at a later date, the maturity is based on the final maturity of the security, not the next variable reset date. For fixed rate securities with a put option, the date upon which the put option is fully exercisable for at least 100 percent of the face value is used instead of the maturity date, and for variable rate securities with a put option, the earlier of the next variable reset date or the put date is used instead of maturity date. For asset-backed securities, the weighted average life will be used as the maturity date proxy.

State of Oregon
Notes to the Financial Statements

Interest rate and credit risk for the OSTF investments as of June 30, 2017 (in thousands):

Investment Type	Credit Rating	Investment Maturities			Balance at June 30, 2017
		Up to 93 Days	94 to 366 Days	One to Three Years	
U.S. Treasury notes	Exempt	\$ 1,486,335	\$ 880,588	\$ 104,524	\$ 2,471,447
U.S. Treasury bills	Exempt	69,924	94,514	-	164,438
U.S. Federal agency debt	AAA	340,990	134,914	34,892	510,796
U.S. Federal agency discount notes	Not rated ³	971,337	134,050	-	1,105,387
Corporate commercial paper	A-1+	70,916	94,549	-	165,465
	A-1	427,047	144,376	-	571,423
Corporate bonds	AAA	-	-	29,644	29,644
	AA	1,315,000	39,021	414,054	1,768,075
	A	3,289,303	536,304	988,164	4,813,771
	BBB ¹	90,317	51,687	-	142,004
Municipal commercial paper	A-1+	154,010	-	-	154,010
	A-1	14,964	-	-	14,964
Municipal bonds	AAA	-	18,968	21,966	40,934
	AA	42,211	5,933	-	48,144
Non-U.S. government commercial paper	A-1+	239,994	157,799	-	397,793
Non-U.S. government debt	AAA	39,996	33,900	22,463	96,359
	AA	155,212	29,580	59,871	244,663
Asset-backed securities	AAA	833,629	596,866	498,924	1,929,419
	AA	6,803	-	-	6,803
Negotiable certificates of deposit	AA	367,103	75,002	-	442,105
	A	70,005	40,007	-	110,012
Commingled Investment Pool	Not rated ⁴	-	-	199,900	199,900
Time certificates of deposit	Not rated ²	21,000	-	-	21,000
Total		\$ 10,006,096	\$ 3,068,058	\$ 2,374,402	\$ 15,448,556

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

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

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

⁴ The Oregon Local Government Intermediate Fund (OLGIF) is not rated by the credit ratings agencies. The composite credit rating of the OLGIF was AA at June 30, 2017.

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

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The fair value measurement for investments held in the OSTF at June 30, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Treasury notes	\$ -	\$ 2,471,447	\$ -	\$ 2,471,447
U.S. Treasury bills	-	104,497	-	104,497
U.S. Federal agency debt	-	510,796	-	510,796
U.S. Federal agency discount notes	-	211,923	-	211,923
Corporate commercial paper	-	545,403	-	545,403
Corporate bonds	-	6,753,494	-	6,753,494
Municipal commercial paper	-	87,350	-	87,350
Municipal bonds	-	89,078	-	89,078
Non-U.S. government commercial paper	-	357,801	-	357,801
Non-U.S. government debt	-	341,022	-	341,022
Asset-backed securities	-	1,936,222	-	1,936,222
Negotiable certificates of deposit	-	500,116	-	500,116
Total	\$ -	\$ 13,909,149	\$ -	\$ 13,909,149

The Fund's investments, other than those with remaining maturities of fewer than 90 days, are valued using the latest bid prices or evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Certain non-U.S. government commercial paper is reported at amortized cost as independent vendor pricing was not available. Investments with remaining maturities of fewer than 90 days are carried at amortized cost, which approximates fair value. All of the Fund's investments at June 30, 2017, are considered Level 2.

The OSTF's investment in the Oregon Local Government Intermediate Fund (OLGIF) is priced using a net asset value and the value of OLGIF's underlying investments are marked to market daily. The OSTF held approximately 95 percent of the outstanding units of OLGIF at June 30, 2017.

Interest Rate Sensitive Investments

As of June 30, 2017, the primary government held approximately \$102.3 million in debt instruments backed primarily by collateralized mortgage-backed securities and federal agency mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. In addition, the primary government held approximately \$2 billion of asset-backed securities collateralized primarily by automobile loans and equipment leases.

Concentration of Credit Risk

Investment policies for fixed income investments under the management of the Treasurer generally limit investments in a single issuer to 5 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, 2017, there was one issuer that exceeded 5 percent of the primary government's holdings (excluding the Oregon Public Employees Retirement Fund [OPERF]), \$1.2 billion (6.5 percent) in Federal Home Loan Bank (FHLB).

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. On June 30, 2017, 41.6 percent of OHCS's total investments are FHLB securities, 12.6 percent are Federal Home Loan Mortgage Corporation (FHLMC) securities, 8.8 percent are Federal National Mortgage Association (FNMA) securities, 7 percent are Connecticut Housing Finance Authority municipal bonds, and 6.5 percent are Federal Agriculture Mortgage Corporation (FMAC) securities.

The Oregon State Lottery's investments included \$5.7 million (4.3 percent) in the Resolution Funding Corporation, a U.S. government agency. The U.S. government does not explicitly guarantee these investments.

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However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

Within the major governmental funds, the Public Transportation Fund's investments included \$7 million (7.8 percent) in Berkshire Hathaway Finance, \$5 million (5.5 percent) in Citigroup, \$5 million (5.5 percent) in Barclay's Bank PLC, and \$5 million (5.5 percent) in FHLMC.

The aggregated nonmajor governmental funds' total investments included \$14.6 million (6.7 percent) in FHLMC and \$12.2 million (5.6 percent) in FNMA.

The Central Services Fund held \$19.6 million (25.1 percent) of its investments in FHLMC.

Foreign Currency Risk

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

Deposits and investments exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2017 (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars)						Total
	Deposits	International	International	International Real Estate	Rights and Warrants		
		Equity Securities	Debt Securities				
Argentine peso	\$ 42	\$ -	\$ 513	\$ -	\$ -	\$ -	\$ 555
Australian dollar	1	13,371	-	571	-	-	13,943
Brazilian real	1	-	-	-	-	-	1
British pound sterling	20	36,352	-	-	-	-	36,372
Canadian dollar	27	14,682	-	191	-	-	14,900
Chinese yuan	171	-	69	-	-	-	240
Danish krone	1	2,673	-	-	-	-	2,675
Euro	128	100,412	-	-	-	-	100,540
Hong Kong dollar	9	6,647	-	815	-	-	7,472
Israeli new shekel	-	154	-	-	34	-	188
Japanese yen	610	84,671	-	-	-	-	85,281
Mexican peso	563	-	3,565	-	-	-	4,128
Norwegian krone	-	2,154	-	-	-	-	2,154
New Zealand dollar	-	233	-	-	-	-	233
Singapore dollar	-	739	-	-	-	-	739
Swedish krona	1	13,064	-	-	-	-	13,065
Swiss franc	-	16,648	-	-	-	-	16,648
Total	\$ 1,574	\$ 291,800	\$ 4,147	\$ 1,577	\$ 34	\$ -	\$ 299,132

C. Investments – Primary Government – Oregon Public Employees Retirement Fund (OPERF)

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

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Notes to the Financial Statements

Investments in the OPERF as of June 30, 2017 (in thousands):

Investment Type	Fair Value
U.S. Treasury obligations	\$ 6,659,894
U.S. Treasury obligations - strips	41,010
U.S. Treasury obligations - TIPS	143,880
U.S. Federal agency mortgage securities	797,273
U.S. Federal agency mortgage TBAs	743,219
U.S. Federal agency debt	165,604
U.S. Federal agency strips	35,777
International debt securities	910,638
Non-government debt securities	182,476
Corporate bonds	1,979,161
Bank loans	1,249,321
Municipal bonds	28,202
Collateralized mortgage obligations	860,760
Asset-backed securities	357,512
Guaranteed investment contracts ¹	178,536
Mutual funds - domestic fixed income	598,796
Mutual funds - international fixed income	36,483
Total debt securities	14,968,540
Derivatives in asset positions	23,283
Domestic equity securities	13,267,869
International equity securities	11,679,900
Mutual funds - domestic equity	1,286,568
Mutual funds - global equity	2,101,106
Mutual funds - international equity	1,323,754
Mutual funds - target date	535,869
Oregon Savings Growth Plan - self directed	7,522
Real estate and real estate investment trusts	8,718,684
Private equity	15,017,345
Alternative equity	4,138,735
Opportunity portfolio	1,587,754
Total investments	\$ 74,656,928

¹ Guaranteed investment contracts are stated at contract value

Interest Rate Risk

Interest rate risk is managed within the OPERF using the effective duration methodology. Investment policies require that the fixed income manager positions will maintain a weighted average effective duration within a range of 20 percent of the benchmark's effective duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2017, the weighted average duration of the fixed income portfolio was 4.2 years and no individual fixed income investment manager portfolios were outside the policy guidelines.

At June 30, 2017, the OPERF held approximately \$1.7 billion in debt instruments backed by pooled mortgages, collateralized mortgage obligations, or fixed-rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages. Assets with these characteristics are susceptible to prepayment by the mortgage holders, which may result in a decrease in total interest realized. The value of these securities can be volatile as interest rates fluctuate. Additionally, the risk of default exists and collateral held may potentially be insufficient to cover the principal due. The OPERF also held approximately \$743.2 million in to-be-announced federal agency-issued mortgage pools. An additional \$357.5 million of debt instruments are asset-backed securities backed primarily by automobiles, consumer credit receivables, heavy equipment leases, and student loan receivables.

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Notes to the Financial Statements

Debt investments of the OPERF as of June 30, 2017 (in thousands):

Investment Type	Balance at June 30, 2017	Weighted Average Duration (in years)
U.S. Treasury obligations	\$ 6,659,894	6.91
U.S. Treasury obligations - strips	41,010	0.21
U.S. Treasury obligations - TIPS	143,880	5.17
U.S. Federal agency mortgage securities	797,273	3.82
U.S. Federal agency mortgage TBAs	743,219	4.26
U.S. Federal agency debt	165,604	0.72
U.S. Federal agency strips	35,777	1.85
International debt securities	895,644	2.77
Non-U.S. government debt securities	94,970	8.48
Corporate bonds	1,966,418	5.68
Municipal bonds	28,202	10.89
Collateralized mortgage obligations	860,760	1.87
Asset-backed securities	357,512	1.33
Bank loans	1,236,140	0.27
Mutual funds - domestic fixed income	598,796	4.62
Mutual funds - international fixed income	36,483	4.31
No effective duration:		
International debt securities	14,994	N/A
Non-U.S. government debt securities	87,506	N/A
Corporate bonds	12,742	N/A
Bank loans	13,181	N/A
Guaranteed investment contracts	178,536	N/A
Total debt securities	<u>14,968,540</u>	
Cash equivalent - Mutual Funds - STIF	1,595,814	24 days ¹
Cash Equivalent - Oregon Short Term Funds	827,875	173 Days ¹
Total subject to interest rate risk	<u><u>\$ 17,392,229</u></u>	

¹ Weighted average maturity

Credit Risk

Investment policy requires that no more than 30 percent of the OPERF fixed income manager positions be below investment grade. Securities with a quality rating below BBB- are considered below investment grade. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2017, the fair value of below grade investments, excluding unrated securities, is \$2.4 billion, or 30.7 percent, of total securities subject to credit risk and 16 percent of total debt securities. The weighted quality rating average is A. Unrated securities include \$161.9 million in bank loans, \$813.8 million in mutual funds and guaranteed investment contracts, and \$145.5 million in other debt securities.

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the OPERF will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. There is no formal policy regarding the holding of securities by a custodian or counterparty. As of June 30, 2017, no investments were exposed to custodial credit risk.

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Credit ratings for debt securities within the OPERF as of June 30, 2017 (in thousands):

Credit Rating	Balance at June 30, 2017
AAA	\$ 750,577
AA	174,139
A	582,067
BBB	1,382,286
BB	660,481
B	1,277,330
CCC	449,115
CC	5,263
C	1,507
D	6,670
Not rated	1,121,213
Not rated - U.S. Federal agency ¹	1,397,339
Total subject to credit risk	7,807,987
U.S. government guaranteed securities	7,160,553
Total	\$ 14,968,540

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

Concentrations of Credit Risk

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

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

At June 30, 2017, no single issuer debt investments exceeded the above guidelines, nor were there investments in any one issuer that represented 5 percent or more of total investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. Policy states that no more than 25 percent of the fixed income manager positions may be invested in non-dollar denominated securities. Policies for the non-fixed portion of the OPERF are silent regarding this risk. As of June 30, 2017, approximately 1.2 percent of the debt investment portfolio was invested in non-dollar denominated securities.

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The OPERF's exposure to foreign currency risk as of June 30, 2017 (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars)							Total
	Cash and Cash Equivalents	Debt Securities	Public Equity	Derivatives in Asset Positions	Real Estate	Alternative Equity		
Argentine peso	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20
Australian dollar	2,188	-	365,645	109	33,603	-	-	401,546
Brazilian real	3,902	373	183,129	-	918	-	-	188,323
British pound sterling	9,307	7,456	1,977,576	2,345	7,042	-	-	2,003,726
Canadian dollar	1,437	3,572	594,179	40	16,067	-	-	615,294
Chilean peso	376	-	12,618	-	-	-	-	12,994
Chinese yuan	5,541	755	36,761	-	-	-	-	43,056
Colombian peso	3	-	8,132	-	-	-	-	8,135
Czech koruna	125	-	10,649	-	-	-	-	10,773
Danish krone	350	3	190,877	-	-	-	-	191,230
Egyptian pound	-	-	12,760	-	-	-	-	12,761
Euro	11,314	51,315	2,082,201	1,973	28,830	432,797	-	2,608,431
Hong Kong dollar	6,501	-	755,628	-	28,643	-	-	790,772
Hungarian forint	84	-	14,328	-	-	-	-	14,412
Indian rupee	3,947	-	244,529	-	-	-	-	248,475
Indonesian rupiah	153	-	46,688	-	-	-	-	46,841
Israeli new shekel	265	-	85,300	-	1,809	-	-	87,374
Japanese yen	10,641	103,161	1,705,233	-	22,259	-	-	1,841,293
Kenya shilling	-	-	3,829	-	-	-	-	3,829
Malaysian ringgit	624	-	85,559	-	-	-	-	86,183
Mexican peso	2,702	13,161	61,621	-	12,132	-	-	89,616
Moroccan dirham	-	-	2,687	-	-	-	-	2,687
New Zealand dollar	520	-	22,739	356	156	-	-	23,771
Nigerian naira	-	-	5,007	-	-	-	-	5,007
Norwegian krone	548	-	85,508	13	-	-	-	86,069
Pakistani rupee	190	-	5,021	-	-	-	-	5,211
Peruvian nuevo sol	-	-	947	-	-	-	-	947
Philippine peso	15	-	17,725	-	-	-	-	17,740
Polish zloty	39	-	39,698	-	-	-	-	39,737
Qatar riyal	3	-	3,175	-	-	-	-	3,178
Singapore dollar	1,044	-	110,038	-	7,315	-	-	118,397
South African rand	302	-	204,336	-	124	-	-	204,762
South Korean won	658	-	569,937	4	-	-	-	570,599
Swedish krona	423	-	279,396	1,115	-	-	-	280,935
Swiss franc	1,095	-	629,039	1,688	-	-	-	631,821
Taiwan dollar	589	-	326,903	-	-	-	-	327,492
Thai baht	178	-	93,729	-	303	-	-	94,209
Tunisia dinar	-	-	1,218	-	-	-	-	1,218
Turkish lira	914	-	120,077	-	1,893	-	-	122,884
United Arab Emirates dirham	6	-	13,640	-	-	-	-	13,645
Total	\$ 66,005	\$ 179,796	\$ 11,008,062	\$ 7,643	\$ 161,093	\$ 432,797	\$ -	\$ 11,855,396

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Fair Value Measurement

Fair value measurement levels for investments in the OPERF as of June 30, 2017 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
Debt Securities:				
U.S. Treasury obligations	\$ -	\$ 6,659,894	\$ -	\$ 6,659,894
U.S. Treasury obligations - strips	-	41,010	-	41,010
U.S. Treasury obligations - TIPS	-	143,880	-	143,880
U.S. Federal Agency mortgage securities	-	797,273	-	797,273
U.S. Federal Agency mortgage TBAs	-	743,219	-	743,219
U.S. Federal Agency debt	-	165,604	-	165,604
U.S. Federal Agency strips	-	35,777	-	35,777
Non-U.S. government debt securities	-	182,476	-	182,476
Corporate bonds	-	2,425,832	31,604	2,457,436
Bank loans	-	1,336,860	165,672	1,502,532
Municipal bonds	-	28,202	-	28,202
Collateralized mortgage obligations	-	826,889	42,425	869,315
Asset-backed securities	-	528,100	8	528,108
Mutual funds - domestic fixed income	-	598,796	-	598,796
Mutual funds - international fixed income	-	36,483	-	36,483
Total debt securities¹	-	14,550,294	239,710	14,790,004
Public Equity:				
Domestic equity securities	13,213,163	-	54,706	13,267,869
International equity securities	11,637,683	454	41,763	11,679,900
Mutual funds - domestic equity	127,931	1,158,637	-	1,286,568
Mutual funds - international equity	1,059,064	264,689	-	1,323,754
Mutual funds - target date	-	535,869	-	535,869
Mutual funds - global equity	68,646	2,032,460	-	2,101,106
Oregon Savings Growth Plan - self directed	7,522	-	-	7,522
Total public equity	26,114,009	3,992,109	96,470	30,202,587
Real estate investment trusts	1,805,688	-	-	1,805,688
Private equity	-	-	15,840	15,840
Total investments by fair value level	\$ 27,919,697	\$ 18,542,403	\$ 352,020	46,814,120
Investments Measured at Net Asset Value (NAV):				
Real Estate:				
Real estate				6,438,799
Real estate open ended funds				474,197
Total real estate				6,912,996
Private equity				15,001,504
Alternative equity:				
Alternative real assets				2,544,295
Alternative diversifying strategies				1,594,441
Total alternative equity				4,138,735
Opportunity portfolio:				
Opportunity private investments				589,257
Opportunity open ended funds				998,497
Total opportunity portfolio				1,587,754
Total investments measured at NAV				27,640,989
Total investments measured at fair value				\$ 74,455,109

¹ Guaranteed Investment contracts of \$178,536 are excluded from the table as these are stated at contracted value.

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Investments Measured at Net Asset Value

Disclosures regarding redemption and investments valued at NAV per share (or its equivalent) including unfunded commitments at June 30, 2017 (in thousands):

	<u>Fair Value</u>	<u>Unfunded Commitments¹</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate	\$ 6,438,799	\$ 2,389,041	N/A	N/A
Real estate open ended funds	474,197	50,000	Quarterly	45-90 days
Private equity	15,001,504	8,350,864	N/A	N/A
Alternative equity:				
Alternative real assets	2,544,295	2,544,982	N/A	N/A
Alternative diversifying strategies	1,594,441	-	Monthly	30 - 75 days
Opportunity portfolio:				
Opportunity private investments	589,257	559,196	N/A	N/A
Opportunity open ended funds	998,497	269,649	Monthly/Quarterly	5 - 90 days
Total	<u>\$ 27,640,989</u>	<u>\$ 14,163,731</u>		

¹ Excluded unfunded commitments associated with investments included in the fair value hierarchy (Levels 1, 2, and 3) and new commitments not yet funded at June 30, 2017.

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

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

Funds priced using a net asset value (NAV) that is published daily and validated with a sufficient level of observable activity are categorized in Level 1. If observable activity is limited, yet supports that the NAV represents an exit value of the security at the measurement date, the securities are categorized in Level 2. Investments in nongovernmental entities that are measured at NAV as a practical expedient, such as most private equity, Alternative Equity, Opportunity Portfolio, and real estate investments, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Funds not meeting this criteria are categorized in Level 3.

Investments in real estate, other than real estate investment trusts which are generally valued based on an active market price and are categorized in Level 1, have been valued based on the NAV per share (or its equivalent), as provided by the general partner. This type includes 64 commingled real estate funds, structured as limited partnerships, where the funds have a finite term. Distributions from the funds will be received as the underlying investments of the funds are liquidated. Liquidation is expected to take place during the five year period following the termination of the investment period which extends to 2035. Investments in real estate also include 14 joint ventures where the investments are expected to be held for the long term and generate cash flow that will represent a significant component of the total return. Real estate also includes investments in three open ended funds that permit quarterly redemption of shares, subject to certain requirements being met.

Private equity consists of approximately 246 funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged-buyouts, venture capital, growth equity, fund-of-funds, co-investments, and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 12-14 years.

Alternative Equity investments seek to provide diversification and inflation hedging characteristics to the OPERF and include investments with a focus on infrastructure and natural resources. Alternative Equity consists of 38 investments in commingled funds organized as limited partnerships and limited liability companies. The fair values of the investments have been determined using a NAV per share (or its equivalent) of the investments. For alternative real assets, which include 35 of the 38 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 7 to 14 years. Alternative diversifying strategies permit periodic redemption of shares, subject to certain requirements being met, and consist of two funds investing in diversifying hedge fund strategies and one direct investment in a holding company.

The Opportunity Portfolio includes strategies that fall outside of other asset classes and include 16 funds investing in a broad range of performing and distressed debt and debt related securities as well as royalties and insurance-based investments. The fair values of the investments have been determined using a NAV per share (or its equivalent) of the investments. For 11 of the 16 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 6 to 10 years. The remaining five funds are open ended, permitting periodic redemption of shares.

D. Repurchase Agreements

Investments in repurchase agreements made with cash collateral securities lending transactions had the following fair values at June 30, 2017:

- \$53 million, or 16.5 percent of the Oregon Short-Term Investment Fund, the cash collateral pool for all agencies, excluding OPERF.
- \$1 billion, or 61.7 percent of the OPERF cash collateral pool.

E. Securities Lending

The State participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2017.

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

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

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2017, is effectively one day. On June 30, 2017, the State had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State.

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Securities lending balances on loan, collateral received, and investments of cash collateral as of June 30, 2017, of the primary government, including the OPERF (in thousands):

Investment Type	Cash and Securities Collateral Received	Securities on Loan at Fair Value	Investments of Cash Collateral at Fair Value
U.S. Treasury and agency securities	\$ 652,837	\$ 639,210	\$ 96,054
Domestic equity securities	1,310,422	1,279,805	1,129,628
International equity securities	627,088	592,199	236,132
Domestic fixed income securities	355,504	347,792	339,811
International fixed income securities	2,324	2,280	2,323
Total	\$ 2,948,175	\$ 2,861,284	\$ 1,803,947

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

The credit risk of OPERF securities lending invested cash collateral as of June 30, 2017 (in thousands):

Quality Rating	Fair Value
AAA	\$ 164,451
AA ¹	602,697
A	221,164
B	2,949
Total subject to credit risk	991,260
U.S. Government guaranteed repurchase agreements	652,000
Allocation from the Oregon Short-Term Fund	3,753
Payable	(1,996)
Total securities lending invested cash collateral	\$ 1,645,018

¹ Commercial paper ratings of A-1+/A-1/P-1 categorized as AA.

The interest rate risk of OPERF securities lending invested cash collateral as of June 30, 2017 (dollars in thousands):

Security Type	Fair Value	Effective Weighted Duration Rate (in days)¹
Asset-backed securities	\$ 97,399	13
Certificates of deposit	154,020	87
Commercial paper	235,137	88
Corporate bonds	71,703	48
Repurchase agreements	363,000	2
U.S. Government & Agencies	70,001	3
Total subject to interest rate risk	991,260	40
U.S. Government guaranteed repurchase agreements	652,000	
Allocation from the Oregon Short Term Fund	3,753	
Payable	(1,996)	
Total securities lending invested cash collateral	\$ 1,645,018	

¹ Weighted average days to maturity or next reset date.

F. Restricted Assets

Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2017, the primary government had restricted assets of \$3.3 billion in deposits and \$319.8 million in investments.

3. DERIVATIVES

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

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

Housing and Community Services Department

The Oregon Housing and Community Services Department (OHCS D) has entered into pay-fixed, receive-variable interest rate swaps to hedge against changes in variable rate interest and to lower borrowing costs compared to fixed rate bonds. OHCS D had eight swaps at the end of the fiscal year. The fair value of the swaps on June 30, 2017, totaled negative \$1.3 million and the notional amount totaled \$167.2 million. The fair value of hedging derivatives is a negative \$964 thousand. Hedging derivatives with positive fair values are shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred inflows of resources and derivative instrument assets. Hedging derivatives with negative fair values are shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows of resources and derivative instrument liabilities. During the fiscal year the fair value increased by \$5.9 million.

The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. This methodology is believed to be consistent with accepted practice in the market for interest rate swaps. The fair value is categorized as Level 2 within the fair value hierarchy described in Note 2.

The terms, fair values, counterparties, and credit ratings of OHCS D's outstanding swaps as of June 30, 2017 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Term Date	Counterparty	Counterparty Rating ²
Multifamily housing revenue bonds								
2004 B	\$ 13,085	12/16/04	3.89%	64% of 1 mo LIBOR ¹ + .27%	\$ (182)	7/1/46	Merrill Lynch Capital Services ³	Baa1 BBB+ A
Mortgage revenue bonds								
2008 C	24,785	2/26/08	3.75%	64% of 1 mo LIBOR + .30%	(303)	7/1/38	Bank of America, N.A. ³	A1 A+ A+
2008 F	22,700	5/13/08	3.74%	64% of 1 mo LIBOR + .31%	(520)	7/1/39	Bank of America, N.A. ³	A1 A+ A+
2008 I	27,150	8/26/08	3.72%	64% of 1 mo LIBOR + .31%	(860)	7/1/37	Bank of America, N.A. ³	A1 A+ A+
2016 B	13,140	1/1/19	1.71%	66.5% of 1 mo LIBOR + .08%	401	1/1/33	Royal Bank of Canada	Aa3 AA- AA
2016 C	15,000	1/1/19	2.00%	66.5% of 1 mo LIBOR + .15%	498	7/1/37	Royal Bank of Canada	Aa3 AA- AA
	<u>\$ 115,860</u>				<u>\$ (964)</u>			

¹ London Interbank Offered Rate

² Moody's / S&P / Fitch

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

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The multifamily housing revenue bonds (MF) 2004 B swap has a call option where OHCS D has the right to “call” (cancel) the swap in whole or in part semiannually on or after July 1, 2015. The mortgage revenue bonds (MRB) swaps include options giving OHCS D the right to call the swaps in whole or in part, depending on the exercise date, semiannually on or after July 1, 2013 (2008 F), January 1, 2015 (2008 C), January 1, 2016 (2008 I), and July 1, 2023 (2016 B and 2016 C). These options provide flexibility to manage the prepayments of loans and the related bonds.

Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCS D’s tax-exempt bonds are determined weekly by a remarketing agent. OHCS D is exposed to basis risk when the variable rates received, which are based on the one month London Interbank Offered Rate (LIBOR) rate, do not offset the variable rates paid on the bonds. As of June 30, 2017, the one-month LIBOR was 1.23 percent. OHCS D’s variable rates as of June 30, 2017, can be found in Note 8.

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

Rollover risk is the risk that occurs when the swap termination date does not extend to the maturity date of the associated debt. OHCS D is not exposed to rollover risk because the swap termination dates match the associated bond maturity dates.

Debt service requirements of the variable rate debt and net swap payments of OHCS D, using interest rates as of June 30, 2017 (in thousands):

Year Ending			Interest Rate		
June 30,	Principal	Interest	Swaps (Net)	Total	
2018	\$ 235	\$ 1,028	\$ 3,150	\$	4,413
2019	240	1,140	2,239		3,619
2020	260	1,138	2,491		3,888
2021	265	1,135	2,480		3,880
2022	1,965	1,128	2,465		5,559
2023-2027	12,940	5,326	11,519		29,785
2028-2032	38,275	4,199	8,865		51,339
2033-2037	46,075	2,105	4,743		52,923
2038-2042	15,580	407	1,102		17,089
2043-2047	3,145	78	228		3,452
Total	\$ 118,980	\$ 17,684	\$ 39,282	\$	175,946

OHCS D’s swaps, except for the MF 2004 B and the MRB 2007 E swaps, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (MRB) is not above either Baa1 (Moody’s) or BBB+ (S&P). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest \$10 thousand) must be posted. The minimum transfer amount is \$100 thousand or \$0 if neither rating agency rates the bonds. The total fair value on June 30, 2017, of the swaps that include these provisions is negative \$1.2 million. At June 30, 2017, the bonds subject to these provisions are rated Aa2 by Moody’s; the bonds are not rated by S&P.

Department of Veterans’ Affairs

The Veterans’ Loan Fund, a major enterprise fund managed by the Department of Veterans’ Affairs (DVA), has an interest rate swap in connection with its Loan Program General Obligation Veterans’ Welfare Bonds, 2015 Series P (Veterans’ Welfare Bonds Series 95). The swap and underlying floating-rate bonds together create “synthetic” fixed-rate debt. During fiscal year 2017, the DVA terminated the interest rate swap in connection

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with a portion of its Loan Program General Obligation Veterans' Welfare Bonds, Series 84 (the "Series 84 swap"). The Series 84 swap was terminated at par, in its entirety, effective June 1, 2017.

The fair value balance of the interest rate swap is reported on the proprietary funds statement of net position and the government-wide statement of net position under deferred inflows of resources and derivative instrument assets. The fair value is categorized as Level 2 within the fair value hierarchy described in Note 2.

Because of interest rate increases after the swap was executed, the fair value as of June 30, 2017, is positive. The fair value of the interest rate swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap by assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap.

The terms and objectives of DVA outstanding derivative instruments as of June 30, 2017 (dollars in thousands):

Type	Objective	Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 95 bonds, specifically related to changes in municipal tax-exempt interest rates	\$ 25,140	8/1/2016	12/1/2036	2.27%	66.3% of 1-month LIBOR + .09%	\$ 245

The Series 95 swap was structured with an option that gives the DVA the right to cancel or terminate the swap at par on any payment date, in whole or in part, commencing December 1, 2020. This option enhances asset/liability matching and provides flexibility to adjust the outstanding notional amount of the swap over time.

Credit risk is the risk that a counterparty will not fulfill its obligations. The DVA interest rate swap is with Royal Bank of Canada (counterparty), which is rated AA- and Aa3 by S&P and Moody's, respectively. If the counterparty's credit rating falls below certain levels, the counterparty is required to post collateral to the lower of the following ratings (in thousands):

S&P Rating	Moody's Rating	Threshold	Minimum Transfer Amount
AA- or higher	Aa3 or higher	Infinite	\$ 100
A+	A1	\$ 20,000	100
A	A2	10,000	100
A-	A3	5,000	100
BBB+ or below or not rated	Baa1 or below or not rated	-	100 ¹

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

Since the fair value of the swap as of June 30, 2017, is positive, but the threshold applicable to the ratings by S&P and Moody's has not been exceeded, the counterparty is not required to post collateral. The State may require collateralization or other credit enhancements to secure any or all swap payment obligations where Treasury determines such security is necessary to limit the credit risk or otherwise protect the interests of the State.

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

The DVA is exposed to basis risk because the variable rate bonds, which are hedged by the interest rate swap, are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The DVA becomes exposed to

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basis risk because the variable rate payments received by the DVA are based on a rate other than the interest rate paid on the VRDO bonds. At June 30, 2017, the interest rate on the variable rate hedged debt is 0.90 percent, while the 66.3 percent of one-month LIBOR plus 0.09 percent is 0.79 percent.

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

As interest rates fluctuate, variable rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to the DVA. Using interest rates as of June 30, 2017, the following table presents the debt service requirements of the variable rate debt (on the notional amount of the swap) and the net swap payments (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2018	\$ -	\$ 226	\$ 375	\$ 601
2019	-	226	375	601
2020	-	227	375	601
2021	-	226	375	601
2022	-	226	375	601
2023-2027	5,385	1,068	1,777	8,230
2028-2032	9,955	685	1,147	11,787
2033-2037	9,800	212	364	10,376
Total	\$ 25,140	\$ 3,096	\$ 5,163	\$ 33,399

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

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

¹ Minimum Transfer Amount shall be \$0 if, and for so long as, neither Moody's nor S&P rate the applicable department's debt.

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

Housing and Community Services Department

During the fiscal year the MRB 2007 E, MRB 2007 H, and part of the MRB 2008 C swaps were reclassified from hedging derivative instruments to investment derivative instruments when the associated bonds were called. A total of \$363 thousand was reclassified. The fair value of investment derivatives on June 30, 2017, totaled a negative \$384 and is included in Investments – Restricted on the proprietary statement of net position and the government-wide statement of net position. A total of a negative \$169 thousand from investment derivative instruments is included in investment income on the proprietary fund statement of revenues, expenses and changes in net position.

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The terms, fair values, counterparties, and credit ratings of OHCS D's outstanding swaps as of June 30, 2017 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Term Date	Counterparty	Counterparty Rating ²
Mortgage revenue bonds								
2007 E	\$ 23,005	7/31/07	4.39%	64% of 1 mo LIBOR ¹ + .29%	\$ (2)	7/1/38	JP Morgan Chase Bank, N.A.	Aa2 A+ AA-
2007 H	24,140	11/20/07	4.06%	64% of 1 mo LIBOR + .30%	(331)	7/1/38	Merrill Lynch Capital Services ³	Baa1 BBB+ A
2008 C	4,165	2/26/08	3.75%	64% of 1 mo LIBOR + .30%	(51)	7/1/38	Bank of America, N.A. ³	A1 A+ A+
	<u>\$ 51,310</u>				<u>\$ (384)</u>			

¹ London Interbank Offered Rate

² Moody's / S&P / Fitch

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

Common School Fund

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

The following table shows the foreign currency exchange contracts within the Common School Fund as of June 30, 2017 (in thousands):

Currency	Options	Currency Forward Contracts		Total Exposure
		Net Receivables	Net Payables	
Australian dollar	\$ -	\$ 138	\$ (47)	\$ 91
British pound sterling	-	56	(29)	27
Canadian dollar	-	368	(204)	164
Chinese yuan	-	-	(4)	(4)
Danish krone	-	115	(14)	101
Euro	-	77	(210)	(133)
Hong Kong dollar	-	(2)	10	8
Israeli new shekel	34	32	(41)	25
Japanese yen	-	(9)	312	303
Mexican peso	-	-	(25)	(25)
New Zealand dollar	-	67	(95)	(28)
Norwegian krone	-	11	(11)	-
Singapore dollar	-	2	(7)	(5)
Swedish krona	-	59	(188)	(130)
Swiss franc	-	52	-	52
Total	\$ 34	\$ 967	\$ (555)	\$ 445

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

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The fair value of derivative instruments within the CSF portfolio as of June 30, 2017 (in thousands):

Investment Derivatives	Net Appreciation in Fair Value ¹	Classification	Fair Value	Notional Value²
Foreign exchange forwards	\$ 739	Long term instruments	\$ 412	\$ 123,767
Rights	32	Common stock	-	48
Warrants	27	Common stock	34	16
Total	\$ 799		\$ 445	\$ 123,830

¹ Excludes futures margin payments

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

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

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

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

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The following schedule presents the related net appreciation/(depreciation) in fair value amounts and the notional amounts of derivative instruments outstanding as of June 30, 2017 (in thousands):

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value of Investments^{1, 4}	Classification	Fair Value²	Notional Value³
Credit Default Swaps Bought	\$ (533)	Public Equity	\$ 119	\$ 16,488
Credit Default Swaps Written	1,023	Public Equity	(2,845)	74,049
Fixed Income Futures Long	(23,874)	Public Equity	-	2,371,913
Fixed Income Futures Short	25,723	Public Equity	-	(569,829)
Fixed Income Options Bought	(763)	Public Equity	663	28,910
Fixed Income Options Written	1,867	Public Equity	(274)	(292,902)
Foreign Currency Options Bought	(1,192)	Public Equity	532	121,513
Foreign Currency Options Written	801	Public Equity	(592)	(92,918)
Futures Options Bought	(4,912)	Public Equity	647	2,633
Futures Options Written	4,505	Public Equity	(168)	(1,436)
Foreign Exchange Forwards	(19,423)	Receivables/Payables	(13,897)	3,155,032
Index Futures Long	251,286	Public Equity	-	9,457
Index Futures Short	(30,546)	Public Equity	-	(2,718)
Pay Fixed Interest Rate Swaps	23,912	Public Equity	3,939	513,070
Receive Fixed Interest Rate Swaps	(4,160)	Public Equity	(207)	182,842
Rights	2,227	Public Equity	1,190	2,555
Total Return Swaps Bond	(20,399)	Public Equity	2,690	159,148
Total Return Swaps Equity	6,091	Public Equity	(44)	(52,590)
Warrants	(633)	Public Equity	2,275	8,826
Total	\$ 211,001		\$ (5,971)	\$ 5,634,044

¹ Negative values (in brackets) refer to losses

² Negative values refer to liabilities

³ Notional may be a dollar amount or size of underlying for futures, rights, warrants, and options. Negative values refer to short positions

⁴ Excludes futures margin payments

The following table shows the fair value measurement for investment derivative instruments as of June 30, 2017 (in thousands):

Investment Derivative Instruments¹	Level 1	Level 2	Level 3	Total
Credit Default Swaps	\$ -	\$ 768	\$ -	\$ 768
Foreign Exchange Forwards	-	10,762	-	10,762
Forwards	-	120	7,411	7,532
Interest Rate Swaps	-	6,250	-	6,250
Options	647	1,195	-	1,842
Rights and Warrants	1,196	-	2,269	3,465
Total Return Swaps	-	3,426	-	3,426
Total Assets	1,844	22,521	9,680	34,045
Credit Default Swaps	-	(3,495)	-	(3,495)
Foreign Exchange Forwards	-	(24,659)	-	(24,659)
Interest Rate Swaps	-	(2,518)	-	(2,518)
Options	-	(1,033)	-	(1,033)
Total Return Swaps	-	(780)	-	(780)
Total Liabilities	-	(32,485)	-	(32,485)
Total	\$ 1,844	\$ (9,963)	\$ 9,680	\$ 1,561

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

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

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

A swap is an agreement that obligates two parties to exchange a series of cash flows or the net value of cash flows at specified intervals based upon, or calculated by, reference to changes in specified prices or rates for a specified amount of an underlying asset. Swaps are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. OPERF held various types of swaps including credit default, interest rate, and total return swaps. The payment flows are usually netted against each other, with the difference being paid by one party or another. In addition, collateral may be pledged or received by OPERF in accordance with the terms of the respective swap agreements to provide value and recourse to OPERF or its counterparties. Swaps are subject to general market risk, liquidity risk, credit risk, interest rate risk, and the risk that the counterparty may fail to perform.

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

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

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Counterparty Credit Risk

The following schedule presents a summary of counterparty credit rating relating to derivative instruments as of June 30, 2017:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Citibank N.A.	27.87%	A+	A+	A1
Morgan Stanley Co. Incorporated	9.48%	BBB+	A	A3
Barclays Bank CME	7.64%	A-	A	A1
Morgan Stanley and Co. Incorporated	6.95%	BBB+	A	A3
Bank of America, N.A.	5.96%	A+	A+	A1
JP Morgan Chase Bank N.A.	5.37%	A+	AA-	Aa3
State Street Bank and Trust Company	5.37%	AA-	AA	Aa3
UBS AG	4.43%	A+	A+	A1
Credit Suisse International	4.11%	A	A	A1
Standard Chartered Bank	3.89%	A	A+	A1
Royal Bank of Scotland PLC	3.63%	BBB+	BBB+	A3
Citigroup	2.58%	BBB+	A	Baa1
Morgan Stanley ICE	1.94%	BBB+	A	A3
Barclays Bank PLC Wholesale	1.54%	A-	A	A1
Morgan Stanley LCH	1.42%	BBB+	A	A3
JP Morgan CME	1.34%	A-	A+	A3
Royal Bank of Canada	1.06%	AA-	AA	A1
Bank of Montreal	0.94%	A+	AA-	A1
Brown Brothers Harriman & Co	0.78%	NR	A+	NR
Morgan Stanley	0.68%	BBB+	A	A3
Morgan Stanley CME	0.64%	BBB+	A	A3
BNP Paribas SA	0.59%	A	A+	A1
Deutsche Bank AG	0.51%	A-	A-	Baa2
Australia and New Zealand Banking Group	0.42%	AA-	AA-	Aa3
Bank of New York	0.26%	A	AA-	A1
Goldman Sachs International	0.21%	A+	A	A1
Morgan Stanley and Co. International PLC	0.21%	BBB+	A	A3
JP Morgan Chase Bank	0.16%	A+	AA-	Aa3
Barclays De Zoete Wedd Holdings Ltd	0.02%	A-	A	A1
Total	100.00%			

State of Oregon
Notes to the Financial Statements

Interest Rate Risk

As of June 30, 2017, OPERF is exposed to interest rate risk on its various swap arrangements and options.

The following schedule presents a segmented time schedule of those instruments as of June 30, 2017 (in thousands):

Investment Type	Fair Value	Investment Maturity (in years)			
		Less Than 1	1 - 5	6 -10	More than 10
Credit Default Swaps Bought	\$ 119	\$ -	\$ -	\$ -	\$ 119
Credit Default Swaps Written	(2,845)	9	533	48	(3,435)
Fixed Income Options Bought	663	-	663	-	-
Fixed Income Options Written	(274)	(274)	-	-	-
Pay Fixed Interest Rate Swaps	3,939	-	115	3,824	-
Receive Fixed Interest Rate Swaps	(207)	-	(576)	370	-
Total Return Swaps Bond	2,690	2,690	-	-	-
Total Return Swaps Equity	(44)	(44)	-	-	-
Total	\$ 4,041	\$ 2,382	\$ 734	\$ 4,242	\$ (3,317)

The following schedule presents derivative instruments that were highly sensitive to interest rate changes as of June 30, 2017 (in thousands):

Investment Type	Reference Rate	Fair Value	Notional Value
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.8970%	\$ 179	\$ 52,000
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.9000%	447	93,124
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.5800%	1,316	24,200
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.2665%	2,265	53,120
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.0300%	(141)	26,190
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.4600%	126	2,004
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.2590%	(91)	16,480
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.4880%	(109)	4,520
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.2470%	(93)	6,020
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8170%	(476)	10,200
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8885%	(727)	14,340
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.6715%	257	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.6570%	264	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Japanese LIBOR, Pay Fixed 0.0990%	-	69,511
Pay Fixed Interest Rate Swaps	Receive Variable 3-month Swedish LIBOR, Pay Variable 3-month Swedish LIBOR	-	16,091
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.2865%	(48)	18,240
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 1.5600%	91	16,590
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.8000%	258	47,030
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.1240%	110	8,410
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.1170%	101	7,369
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.1210%	111	8,370
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.1215%	98	7,395
Pay Fixed Interest Rate Swaps	Receive Variable 1-month Mexican TIIE, Pay Fixed 7.0900%	-	1,306
Subtotal - Pay Fixed Interest Rate Swaps		3,939	513,070
Receive Fixed Interest Rate Swaps	Receive Fixed 1.1850%, Pay Variable 3-month LIBOR	(616)	24,250
Receive Fixed Interest Rate Swaps	Receive Fixed 2.7200%, Pay Variable 3-month LIBOR	50	11,680
Receive Fixed Interest Rate Swaps	Receive Fixed 2.6275%, Pay Variable 3-month LIBOR	203	5,850
Receive Fixed Interest Rate Swaps	Receive Fixed 2.4970%, Pay Variable 3-month LIBOR	117	5,380
Receive Fixed Interest Rate Swaps	Receive Fixed 2.9360%, Pay Variable 3-month New Zealand BBR	188	40,154
Receive Fixed Interest Rate Swaps	Receive Fixed 0.3413%, Pay Variable 3-month Swedish STIBOR	(27)	16,091
Receive Fixed Interest Rate Swaps	Receive Fixed 1.5800%, Pay Variable 3-month LIBOR	(83)	69,375
Receive Fixed Interest Rate Swaps	Receive Fixed 0.1455%, Pay Variable 6-month EURIBOR	(39)	6,478
Receive Fixed Interest Rate Swaps	Receive Fixed 6.7700%, Pay Variable 1-month Mexican TIIE	-	3,584
Subtotal - Receive Fixed Interest Rate Swaps		(207)	182,842
Total Interest Rate Swaps		\$ 3,732	\$ 695,911

State of Oregon
Notes to the Financial Statements

Foreign Currency Risk

OPRF is exposed to foreign currency risk on its derivative instruments. The following schedule presents a summary of derivative instruments subject to foreign currency risk as of June 30, 2017 (in thousands):

Currency Name	Currency Forward Contracts		Options/Rights/	Swaps	Total Exposure
	Net Receivables	Net Payables	Warrants		
Australian dollar	\$ 3,411	\$ (2,964)	\$ 19	\$ -	\$ 466
Brazilian real	57	(43)	-	-	15
British pound sterling	560	(2,435)	2,237	-	361
Canadian dollar	1,783	(3,486)	25	-	(1,677)
Chinese yuan	657	(776)	-	-	(119)
Chinese yuan - offshore	8	(55)	-	-	(46)
Danish krone	19	(577)	-	-	(557)
Euro	5,569	(7,935)	1,183	858	(325)
Hong Kong dollar	(9)	67	-	(44)	14
Hungarian forint	138	-	-	-	138
Indian rupee	95	-	-	-	95
Japanese yen	(4,575)	4,154	-	-	(421)
Malaysian ringgit	(38)	-	-	-	(38)
Mexican peso	248	-	-	-	248
Israeli new shekel	224	(403)	-	-	(178)
New Taiwan dollar	(128)	145	-	-	17
New Zealand dollar	453	(3,770)	(168)	188	(3,297)
Norwegian krone	47	(603)	13	-	(544)
Russian ruble	(396)	(243)	-	-	(638)
Singapore dollar	34	(23)	-	-	11
South African rand	400	-	-	-	400
South Korean won	-	241	4	-	245
Swedish krona	1,375	(3,556)	-	845	(1,335)
Swiss franc	338	(2,340)	-	921	(1,081)
Turkish lira	489	(58)	-	-	431
Total Subject to					
Foreign Currency Risk	\$ 10,762	\$ (24,659)	\$ 3,311	\$ 2,768	\$ (7,817)

4. RECEIVABLES AND PAYABLES

A. Taxes Receivable

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

Taxes receivables reported for governmental activities at June 30, 2017 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Other	Total
Governmental activities						
Personal income taxes	\$ 1,051,976	\$ -	\$ -	\$ -	\$ -	\$ 1,051,976
Corporate income taxes	129,217	-	-	-	-	129,217
Inheritance taxes	16,523	-	-	-	-	16,523
Cigarette taxes	3,044	15,229	-	-	-	18,273
Marijuana taxes	-	8,554	-	-	-	8,554
Healthcare provider taxes	-	145,855	-	-	-	145,855
Motor fuel taxes	-	-	48,017	-	-	48,017
Weight mile taxes	-	-	19,434	-	-	19,434
Employer-employee taxes	-	-	-	-	10,307	10,307
Other	7,937	246	1,622	504	13,044	23,354
Gross receivables	1,208,698	169,883	69,074	504	23,352	1,471,510
Allowance for doubtful accounts	(109,206)	(2,188)	(4,598)	(118)	(371)	(116,480)
Total receivables, net	\$ 1,099,492	\$ 167,695	\$ 64,476	\$ 387	\$ 22,981	\$ 1,355,031

B. Loans Receivable

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

Loans receivables reported for governmental activities at June 30, 2017 (in thousands):

	Health and Social Services	Public Transportation	Environmental Management	Other	Total
Governmental activities					
Clean water state revolving fund	\$ -	\$ -	\$ 425,235	\$ -	\$ 425,235
Oregon transportation infrastructure bank	-	22,757	-	-	22,757
Private forests program	-	-	961	-	961
Disabled and senior property tax assistance program	-	-	-	104,244	104,244
Business development	-	-	-	21,701	21,701
Multi-family housing units	-	-	-	69,760	69,760
Foreclosure prevention	-	-	-	26,087	26,087
Other	11	-	-	3,017	3,028
Gross receivables	11	22,757	426,196	224,809	673,772
Allowance for doubtful accounts	-	(438)	(1,606)	(18,209)	(20,252)
Total receivables, net	\$ 11	\$ 22,319	\$ 424,591	\$ 206,601	\$ 653,521

State of Oregon
Notes to the Financial Statements

Loans receivables reported for business-type activities at June 30, 2017 (in thousands):

	Housing and Community Services	Veterans' Loans	Other	Total
Business-type activities				
Single-family mortgage program	\$ 595,113	\$ -	\$ -	\$ 595,113
Elderly and disabled housing units	91,319	-	-	91,319
Multi-family housing units	117,640	-	-	117,640
Veterans' home loans	-	296,115	-	296,115
Small energy loan program	-	-	59,205	59,205
Business development	-	-	21,112	21,112
Special public works	-	-	145,266	145,266
Wastewater financing	-	-	83,940	83,940
Safe drinking water	-	-	145,897	145,897
Oregon ports/brownfields	-	-	14,319	14,319
Gross receivables	804,072	296,115	469,739	1,569,926
Allowance for doubtful accounts	-	(594)	(20,528)	(21,121)
Total receivables, net	\$ 804,072	\$ 295,522	\$ 449,211	\$ 1,548,804

C. Receivables Other Than Taxes and Loans

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

Receivables reported for governmental activities at June 30, 2017 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Other	Total	Internal Service
Governmental activities									
General accounts	\$ 10,117	\$ 66,360	\$ 6,290	\$ 20,361	\$ 788	\$ 3,777	\$ 90,678	\$ 198,370	\$ 63,619
Due from federal government	293	313,112	60,615	46,945	59,789	-	68,160	548,914	-
Interest	70	-	305	883	26,951	1,954	71,385	101,548	321
Broker receivable	-	-	-	-	-	40,327	-	40,327	-
Contracts	-	8,352	205	11,397	-	-	-	19,954	-
Mortgages	-	7,901	-	-	-	-	-	7,901	-
Benefit recoveries	-	34,249	-	-	-	-	-	34,249	-
Medicaid drug rebate	-	24,128	-	-	-	-	-	24,128	-
Forest fire claims	-	-	-	42,816	-	-	-	42,816	-
Fines, forfeitures, and penalties	26,191	-	-	-	-	-	46,064	72,254	-
Court fines and fees	-	-	-	-	-	-	1,090,486	1,090,486	-
Child support recoveries	-	-	-	-	-	-	322,705	322,705	-
Workers' compensation assessment	-	-	-	-	-	-	43,931	43,931	-
Other	9,096	-	14,399	7,108	32	5	7,885	38,525	84
Gross receivables	45,766	454,102	81,814	129,511	87,560	46,062	1,741,295	2,586,110	64,024
Allowance for doubtful accounts	(32,761)	(27,661)	(1,623)	(5,721)	-	-	(1,325,014)	(1,392,780)	(1,122)
Total receivables, net	\$ 13,005	\$ 426,441	\$ 80,191	\$ 123,789	\$ 87,560	\$ 46,062	\$ 416,281	\$ 1,193,329	\$ 62,902

State of Oregon
Notes to the Financial Statements

Receivables reported for business-type activities at June 30, 2017 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	Other	Total
Business-type activities						
General accounts	\$ 410	\$ 40	\$ 20,637	\$ 273,384	\$ 38,246	\$ 332,716
Due from federal government	-	-	-	2,218	3,888	6,106
Interest	3,729	1,168	-	698	8,504	14,098
Contracts	-	-	3,280	-	-	3,280
Benefit recoveries	-	-	-	68,568	-	68,568
Fines, forfeitures, and penalties	-	-	-	1,411	-	1,411
Other	-	2,336	-	-	471	2,807
Gross receivables	4,139	3,543	23,918	346,278	51,108	428,986
Allowance for doubtful accounts	-	-	(52)	(21,747)	(4,362)	(26,161)
Total receivables, net	\$ 4,139	\$ 3,543	\$ 23,866	\$ 324,531	\$ 46,746	\$ 402,825

Receivables reported for fiduciary funds at June 30, 2017 (in thousands):

	Agency
Fiduciary fund activities	
Restitution	\$ 556,667
Gross receivables	556,667
Allowance for doubtful accounts	(473,251)
Total receivables, net	\$ 83,417

D. Payables

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

Payables reported for governmental activities at June 30, 2017 (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Other	Total	Internal Service
Governmental activities									
General accounts	\$ 396,556	\$ 271,631	\$ 118,390	\$ 24,528	\$ 75,793	\$ 4,340	\$ 79,104	\$ 970,341	\$ 38,958
Interest	-	-	-	-	-	-	-	-	456
Broker payable	-	-	-	-	-	62,994	-	62,994	-
Pension-related debt	-	-	-	-	-	-	-	-	17,630
Notes	-	-	-	-	-	-	3,000	3,000	19,744
Contracts - retainage	-	-	-	-	-	-	-	-	367
Total payables	\$ 396,556	\$ 271,631	\$ 118,390	\$ 24,528	\$ 75,793	\$ 67,334	\$ 82,104	\$ 1,036,335	\$ 77,155

State of Oregon
Notes to the Financial Statements

Payables reported for business-type activities at June 30, 2017 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	Other	Total
Business-type activities						
General accounts	\$ 808	\$ 160	\$ 12,838	\$ 31,556	\$ 35,668	\$ 81,031
Interest	13,031	667	-	-	3,250	16,948
Pension-related debt	531	706	4,288	-	27,082	32,606
Contracts	-	-	-	-	17	17
Total payables	\$ 14,371	\$ 1,533	\$ 17,125	\$ 31,556	\$ 66,017	\$ 130,603

Payables reported for fiduciary funds at June 30, 2017 (in thousands):

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
Fiduciary fund activities				
General accounts	\$ 8,585	\$ 155	\$ 106	\$ 36
Benefits payable	376,226	-	-	-
Broker payable	2,758,849	-	19,783	-
Investment fees	85,734	-	-	-
Compensated absences payable	1,816	-	-	-
Mortgages	-	1,165	-	-
Total payables	\$ 3,231,211	\$ 1,320	\$ 19,889	\$ 36

5. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and fees for services of MUSL. For fiscal years ended June 30, 2017 and 2016, the Oregon Lottery's share of MUSL's fees were \$55.3 thousand and \$32.8 thousand, respectively.

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

State of Oregon
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Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. government securities. The following schedule presents the summarized financial activity of MUSL as of June 30, 2017 and 2016 (in thousands):

	<u>2017</u>	<u>2016</u>
Assets	\$ 561,369	\$ 566,836
Liabilities	\$ 556,225	\$ 559,894
Net assets ¹ - unrestricted	5,144	6,942
Total liabilities and net assets¹	\$ 561,369	\$ 566,836
Revenue	\$ 4,345	\$ 4,617
Expenses	6,143	6,135
Excess expenses over revenues	\$ (1,798)	\$ (1,518)

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

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

6. CAPITAL ASSETS

A. Primary Government

Capital Assets Activity

Capital asset activity for the primary government for the year ended June 30, 2017 (in thousands):

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,949,628	\$ 19,268	\$ 7,874	\$ 1,961,021
Construction in progress	1,171,622	415,211	771,477	815,356
Works of art and other nondepreciable assets	2,036	-	283	1,753
Total capital assets not being depreciated	<u>3,123,286</u>	<u>434,478</u>	<u>779,634</u>	<u>2,778,130</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	3,774,310	412,991	160,549	4,026,752
Infrastructure	13,374,736	785,792	57,168	14,103,360
Total capital assets being depreciated	<u>17,149,046</u>	<u>1,198,783</u>	<u>217,717</u>	<u>18,130,112</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	1,794,368	147,945	101,301	1,841,012
Infrastructure	5,189,149	287,569	57,168	5,419,549
Total accumulated depreciation	<u>6,983,517</u>	<u>435,514</u>	<u>158,469</u>	<u>7,260,561</u>
Total capital assets being depreciated, net	<u>10,165,530</u>	<u>763,270</u>	<u>59,249</u>	<u>10,869,551</u>
Total capital assets, net	<u>\$ 13,288,816</u>	<u>\$ 1,197,748</u>	<u>\$ 838,883</u>	<u>\$ 13,647,680</u>

State of Oregon
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,424	\$ -	\$ -	\$ 9,424
Construction in progress	961	4,309	2,731	2,539
Works of art and other nondepreciable assets	687	119	47	759
Total capital assets not being depreciated	<u>11,072</u>	<u>4,428</u>	<u>2,778</u>	<u>12,722</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	816,764	63,343	35,273	844,833
Infrastructure	3,661	-	-	3,661
Total capital assets being depreciated	<u>820,425</u>	<u>63,343</u>	<u>35,273</u>	<u>848,494</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	218,383	45,588	31,869	232,103
Infrastructure	709	97	-	806
Total accumulated depreciation	<u>219,092</u>	<u>45,685</u>	<u>31,869</u>	<u>232,909</u>
Total capital assets being depreciated, net	<u>601,332</u>	<u>17,658</u>	<u>3,405</u>	<u>615,585</u>
Total capital assets, net	<u>\$ 612,404</u>	<u>\$ 22,086</u>	<u>\$ 6,182</u>	<u>\$ 628,307</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 958	\$ -	\$ 14	\$ 944
Total capital assets not being depreciated	<u>958</u>	<u>-</u>	<u>14</u>	<u>944</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	52,344	236	473	52,108
Total capital assets being depreciated	<u>52,344</u>	<u>236</u>	<u>473</u>	<u>52,108</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	21,081	2,683	408	23,356
Total accumulated depreciation	<u>21,081</u>	<u>2,683</u>	<u>408</u>	<u>23,356</u>
Total capital assets being depreciated, net	<u>31,263</u>	<u>(2,447)</u>	<u>64</u>	<u>28,752</u>
Total capital assets, net	<u>\$ 32,221</u>	<u>\$ (2,447)</u>	<u>\$ 78</u>	<u>\$ 29,696</u>

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Depreciation Expense

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

Governmental activities	Amount
Education	\$ 770
Human services	16,051
Public safety	39,156
Economic and community development	861
Natural resources	17,813
Transportation	312,282
Consumer and business services	1,476
Administration	8,202
Legislative	547
Judicial	8,194
Subtotal	405,352
Internal service funds	30,161
Total depreciation expense	\$ 435,514

Business-type activities	Amount
Housing and Community Services	\$ 8
Veterans' Loan	115
Lottery Operations	29,734
Other business-type activities	15,828
Total depreciation expense	\$ 45,685

Fiduciary fund activities	Amount
Pension and Other Employee Benefit Trust	\$ 2,683
Total depreciation expense	\$ 2,683

Construction Commitments

The State has active construction projects, which will be funded through either general fund appropriations, federal grants, lottery resources, or other funding sources as noted in the schedule below. The State's construction commitments with contractors as of June 30, 2017 (in thousands):

Project	Spent-to-Date	Remaining Commitment	Remaining Commitment Source of Funds			
			General	Federal	Lottery	Other
Road and bridge construction	\$ 485,999	\$ 636,895	\$ -	\$ 426,508	\$ -	\$ 210,387
Building improvement and maintenance	17,157	18,945	-	3,692	-	15,253
Courthouse building improvements	19,963	879	-	-	-	879
Correctional facility construction and upgrades	32,664	10,383	1,995	-	-	8,388
Natural resources facilities	5,220	3,077	-	830	1,781	466
Military facilities	10,572	19,861	2	19,859	-	-
Rural airports	623	532	-	258	-	274
Capital building seismic upgrade	845	3,115	-	-	-	3,115
Total construction commitments	\$ 573,044	\$ 693,686	\$ 1,997	\$ 451,147	\$ 1,781	\$ 238,761

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets include highway maintenance equipment displayed at various district and regional offices; printing equipment displayed at the Salem print plant; historic documents displayed at the Oregon State Archives; a museum of military artifacts at Camp Withycombe in Clackamas, Oregon; a collection of historic buildings, furniture, paintings, and ancestral artifacts displayed at various state parks; a collection of wildlife

State of Oregon
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mounts displayed at various Department of Fish and Wildlife locations; and a collection of photographs portraying various Oregon locales displayed at the Oregon Liquor Control Commission headquarters. These assets have not been capitalized because they meet the conditions to qualify as collections that are not subject to capitalization. These conditions are:

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

Insurance Recoveries

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

Governmental activities	Amount
Public safety	\$ 477
Natural resources	3,038
Transportation	118
Subtotal	3,632
Internal service funds	458
Total insurance recoveries	\$ 4,090
Business-type activities	
Lottery operations	\$ 15
Other	32
Total insurance recoveries	\$ 47

Idle Impaired Capital Assets

At fiscal year-end, the Department of Corrections' Deer Ridge Correctional Institution, a minimum security facility with a carrying value of \$31.9 million, and the Oregon State Penitentiary minimum security facility with a carrying value of \$1 million were temporarily idle due to budget constraints and a delay in the implementation of Ballot Measure 57, the Mandatory Prison Sentences for Three or More Felonies Act.

B. Discretely Presented Component Units

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

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Notes to the Financial Statements

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

	Beginning Balance	Increases	Decreases	Ending Balance
University of Oregon				
<i>Capital assets not being depreciated:</i>				
Land	\$ 73,292	\$ 3,150	\$ 788	\$ 75,654
Construction in progress	131,929	120,137	167,036	85,030
Works of art and other nondepreciable assets	41,372	1,247	26	42,593
Total capital assets not being depreciated	<u>246,593</u>	<u>124,534</u>	<u>167,850</u>	<u>203,277</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	1,769,944	177,863	3,900	1,943,907
Infrastructure	50,896	1,338	-	52,234
Total capital assets being depreciated	<u>1,820,840</u>	<u>179,201</u>	<u>3,900</u>	<u>1,996,141</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	667,620	60,112	3,755	723,977
Infrastructure	27,256	2,043	-	29,299
Total accumulated depreciation	<u>694,876</u>	<u>62,155</u>	<u>3,755</u>	<u>753,276</u>
Total capital assets being depreciated, net	<u>1,125,964</u>	<u>117,046</u>	<u>145</u>	<u>1,242,865</u>
Total capital assets, net	<u><u>\$ 1,372,557</u></u>	<u><u>\$ 241,580</u></u>	<u><u>\$ 167,995</u></u>	<u><u>\$ 1,446,142</u></u>
	Beginning Balance	Increases	Decreases	Ending Balance
Oregon State University				
<i>Capital assets not being depreciated:</i>				
Land	\$ 38,254	\$ 2,142	\$ -	\$ 40,396
Construction in progress	104,625	82,901	155,861	31,665
Works of art and other nondepreciable assets	29,258	337	-	29,595
Total capital assets not being depreciated	<u>172,137</u>	<u>85,380</u>	<u>155,861</u>	<u>101,656</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	1,605,293	181,243	13,468	1,773,068
Infrastructure	33,323	1,564	-	34,887
Total capital assets being depreciated	<u>1,638,616</u>	<u>182,807</u>	<u>13,468</u>	<u>1,807,955</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	715,331	53,756	12,942	756,145
Infrastructure	18,980	1,533	-	20,513
Total accumulated depreciation	<u>734,311</u>	<u>55,289</u>	<u>12,942</u>	<u>776,658</u>
Total capital assets being depreciated, net	<u>904,305</u>	<u>127,518</u>	<u>526</u>	<u>1,031,297</u>
Total capital assets, net	<u><u>\$ 1,076,442</u></u>	<u><u>\$ 212,898</u></u>	<u><u>\$ 156,387</u></u>	<u><u>\$ 1,132,953</u></u>

State of Oregon
Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Portland State University				
<i>Capital assets not being depreciated:</i>				
Land	\$ 53,765	\$ -	\$ -	\$ 53,765
Construction in progress	30,141	53,134	455	82,820
Works of art and other nondepreciable assets	3,117	45	-	3,162
Total capital assets not being depreciated	<u>87,023</u>	<u>53,179</u>	<u>455</u>	<u>139,747</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	749,340	8,695	6,357	751,678
Infrastructure	31,734	-	-	31,734
Total capital assets being depreciated	<u>781,074</u>	<u>8,695</u>	<u>6,357</u>	<u>783,412</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	365,789	24,919	5,057	385,651
Infrastructure	11,762	1,387	-	13,149
Total accumulated depreciation	<u>377,551</u>	<u>26,306</u>	<u>5,057</u>	<u>398,800</u>
Total capital assets being depreciated, net	<u>403,523</u>	<u>(17,611)</u>	<u>1,300</u>	<u>384,612</u>
Total capital assets, net	<u>\$ 490,546</u>	<u>\$ 35,568</u>	<u>\$ 1,755</u>	<u>\$ 524,359</u>

7. LEASES

A. Operating Leases

The State has entered into various non-cancelable rental agreements that are accounted for as operating leases because the agreements do not meet the criteria to be classified as capital leases. Operating lease payments are chargeable as rent expense and reported in services and supplies. Rental costs for operating leases for the year ended June 30, 2017, were \$97.4 million for the primary government.

Future minimum rental payments for operating leases in effect as of June 30, 2017 (in thousands):

Year Ending June 30,	Amount
2018	\$ 98,674
2019	85,713
2020	68,263
2021	60,350
2022	52,856
2023-2027	202,446
2028-2032	111,177
2033-2037	27,785
2038-2042	275
2043-2047	22
Total future minimum rental payments	<u>\$ 707,561</u>

B. Capital Leases

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

State of Oregon
Notes to the Financial Statements

Carrying value of assets subject to an outstanding capital lease or lease purchase contract as of June 30, 2017 (in thousands):

Asset Class	Governmental Activities	Business-type Activities
Buildings, property, and equipment	\$ 16,514	\$ 8,034
Less accumulated depreciation	(12,177)	(868)
Total carrying value	\$ 4,337	\$ 7,166

Future minimum lease payments for capital leases and the related net present value as of June 30, 2017 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities
2018	\$ 2,563	\$ 1,240
2019	1,348	1,240
2020	341	1,240
2021	313	1,240
2022	95	1,240
2023-2027	-	1,737
Total future minimum lease payments	4,659	7,937
Less amounts representing interest	(511)	(1,622)
Present value of minimum lease payments	\$ 4,148	\$ 6,315

C. Lease Receivables

The State receives rental income from land, property, and equipment leased to non-state entities. For the year ended June 30, 2017, the State received rental income of \$3.4 million on leased assets with a cost of \$14.9 million, and a carrying value of \$12.7 million, net of \$2.3 million in accumulated depreciation. Certain leased assets are reported as investments in the governmental funds balance sheet and the governmental activities portion of the government-wide statement of net position.

Future minimum lease revenues for non-cancelable operating leases as of June 30, 2017 (in thousands):

Year Ending June 30,	Amount
2018	\$ 3,372
2019	3,083
2020	2,174
2021	1,466
2022	1,106
2023-2027	4,274
2028-2032	3,372
2033-2037	2,408
2038-2042	325
Total future minimum lease revenues	\$ 21,580

8. SHORT AND LONG-TERM DEBT

A. Short-Term Debt

During the year, the Oregon Military Department (OMD) and the Oregon Department of Forestry (ODF) received loans from the Oregon Short-Term Fund (OSTF). The OMD needed funds to cover cash flow needs at the end of the biennium, and the ODF needed funds to cover large fire costs that were paid by the department upfront and then reimbursed at a later date by external parties. Tax Anticipation Notes (TANS) were issued in July 2016 to cover seasonal cash needs within the 2017 fiscal year.

Short-term debt activity for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Military treasury loan	\$ -	\$ 3,000	\$ -	\$ 3,000
Forestry treasury loan	-	45,000	45,000	-
Tax anticipation notes	600,000	592,835	1,192,835	-
Total short-term debt activity	\$ 600,000	\$ 640,835	\$ 1,237,835	\$ 3,000

B. General Obligation Bonds

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

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Obligations issued for highway construction pursuant to Article XI, Section 7, are fully self-supporting. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Issuance of general obligation bonds to finance higher education building projects is authorized in Article XI-F (1) and these bonds are repaid with university resources. Article XI-G authorizes financing of higher education facilities and institution activities. Debt service requirements for these higher education obligations are financed through an appropriation from the General Fund. Article XI-H authorizes the financing of pollution abatement and control facilities, as well as pollution control and disposal activities. Facilities acquired under the pollution control program are required to conservatively appear to be at least 70 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 Oregon Health and Science University. Article XI-M provides authorization to finance seismic rehabilitation projects for public education buildings and XI-N for emergency service buildings. Article XI-O provides authorization to finance pension liabilities through the issuance of general obligation bonds. Article XI-P authorizes the State to issue general obligation bonds to provide funds to be advanced by grant or loan to school districts to finance the capital costs of the school districts. Article XI-Q provides authorization to finance real or personal property projects to be owned or operated by the State.

The Oregon Constitution also authorizes general obligation debt to be used for business-type activities. Article XI-A authorizes the creation of the Oregon War Veterans' Fund to finance farm and home loans for eligible veterans. Financing of multi-family housing for the elderly and disabled persons is authorized in Article XI-I (2). Article XI-J provides authorization to finance loans for the development of small-scale local energy projects. The preceding bonds of business-type activities are fully self-supporting.

State of Oregon
Notes to the Financial Statements

Debt service requirements for general obligation bonds as of June 30, 2017 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal ¹	Interest	Principal ²	Interest
2018	\$ 275,035	\$ 288,516	\$ 26,255	\$ 16,790
2019	307,680	271,123	27,015	15,854
2020	331,125	256,761	26,420	14,917
2021	352,430	238,287	30,050	13,923
2022	353,410	220,597	25,815	12,824
2023-2027	2,018,118	804,473	114,465	49,981
2028-2032	855,277	384,794	106,625	30,804
2033-2037	727,370	190,691	79,380	18,111
2038-2042	355,650	48,066	67,355	8,019
2043-2047	37,150	1,637	18,625	1,302
2048-2052	-	-	210	7
Total	\$ 5,613,246	\$ 2,704,946	\$ 522,215	\$ 182,534

¹ Includes \$1.7 billion in pension bond debt.

² Includes a total of \$129.3 million of bonds with variable interest rates adjusted daily or weekly based on the rates determined by the remarketing agent, not to exceed 12 percent. The interest rates at the end of the fiscal year were 0.89 percent for \$61.3 million of these bonds, and 0.90 percent for \$68 million.

C. Revenue Bonds

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

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

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

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

State of Oregon
Notes to the Financial Statements

Debt service requirements for revenue bonds as of June 30, 2017 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal ¹	Interest	Principal ²	Interest
2018	\$ 138,400	\$ 162,233	\$ 19,400	\$ 24,121
2019	150,645	157,794	29,205	24,977
2020	152,250	151,491	29,245	24,312
2021	158,698	144,807	30,992	23,567
2022	168,673	137,487	32,292	22,741
2023-2027	953,362	557,150	175,963	98,325
2028-2032	921,765	315,209	201,870	69,451
2033-2037	745,090	92,168	166,185	43,611
2038-2042	265,455	8,152	125,125	23,047
2043-2047	26,510	118	70,170	6,647
2048-2052	-	-	4,590	419
2053-2057	-	-	255	6
Total	\$ 3,680,849	\$ 1,726,609	\$ 885,291	\$ 361,225

¹ Includes a total of \$365.8 million of bonds with variable interest rates adjusted monthly based on the London Interbank Offered Rate (LIBOR). The rate at the end of the fiscal year was 1.03 percent for \$265.7 million, and 1.07 percent for \$100.1 million.

² Includes bonds with variable interest rates adjusted weekly based on the rates determined by the remarketing agent, not to exceed 12 percent. The interest rates at the end of the fiscal year were 0.92 percent for \$16.1 million of these bonds, 0.93 percent for \$102.4 million, 0.96 percent for \$13.1 million, and 0.97 percent for \$81.1 million.

D. Certificates of Participation

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

Debt service requirements for certificates of participation as of June 30, 2017 (in thousands):

Year ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 40,935	\$ 14,208
2019	29,960	12,493
2020	22,365	11,228
2021	15,145	10,380
2022	15,740	9,628
2023-2027	60,350	37,498
2028-2032	57,460	21,907
2033-2037	39,780	4,590
Total	\$ 281,735	\$ 121,932

State of Oregon
Notes to the Financial Statements

E. Changes in Long-Term Debt

Changes in long-term debt for governmental activities for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds/certificates payable:					
General obligation bonds	\$ 5,132,079	\$ 974,572	\$ 493,405	\$ 5,613,246	\$ 275,035
Revenue bonds	3,345,980	905,799	570,930	3,680,849	138,400
Certificates of participation	331,055	-	49,320	281,735	40,935
Adjusted by amounts:					
For issuance discounts	(2,192)	-	(341)	(1,852)	-
For issuance premiums	704,154	252,799	80,100	876,852	-
Accreted interest	27,195	2,705	9,894	20,006	-
Total bonds/certificates payable	\$ 9,538,271	\$ 2,135,874	\$ 1,203,308	\$ 10,470,836	\$ 454,370

Changes in long-term debt for business-type activities for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds/certificates payable:					
General obligation bonds	\$ 545,080	\$ 104,630	\$ 127,495	\$ 522,215	\$ 26,255
Revenue bonds	974,170	156,721	245,600	885,291	19,400
Certificates of participation	-	-	-	-	-
Adjusted by amounts:					
For issuance discounts	(298)	-	(120)	(177)	-
For issuance premiums	20,253	10,861	4,361	26,752	-
Accreted interest	-	-	-	-	-
Total bonds/certificates payable	\$ 1,539,205	\$ 272,212	\$ 377,336	\$ 1,434,081	\$ 45,655

Changes in long-term debt for fiduciary fund activities for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Bonds/certificates payable:					
General obligation bonds	\$ 615	\$ -	\$ 615	\$ -	\$ -
Adjusted by amounts:					
For issuance premiums	52	-	52	-	-
Total bonds/certificates payable	\$ 667	\$ -	\$ 667	\$ -	\$ -

State of Oregon
Notes to the Financial Statements

F. Demand Bonds

Oregon Department of Veterans' Affairs

Included in long-term debt are the following State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, along with selected terms of their standby bond purchase agreements (SBPAs) at June 30, 2017 (dollars in thousands):

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
84	\$ 28,960	Bank of Tokyo-Mitsubishi UFJ, Ltd	9/27/2019	0.3300%	J.P. Morgan Securities, Inc.	0.05%
86	31,320	U.S. Bank National Association	5/18/2018 ¹	0.3000%	J.P. Morgan Securities, Inc.	0.07%
88B	30,000	U.S. Bank National Association	5/18/2018 ¹	0.3000%	J.P. Morgan Securities, Inc.	0.07%
90B	13,885	Bank of Tokyo-Mitsubishi UFJ, Ltd	9/27/2019	0.3300%	J.P. Morgan Securities, Inc.	0.07%
95	25,140	U.S. Bank National Association	5/18/2018 ¹	0.3000%	U.S. Bank National Association	0.05%

¹ On October 11, 2017, an extension of a SBPA with U.S. Bank National Association was executed. The expiration of the extension is April 9, 2021

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

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

In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPA for Series 84 and 90B (Series 84 & 90B SBPA), the Bank of Tokyo-Mitsubishi UFJ, Ltd. will commit to purchase any series 84 or 90B unremarketed bonds, subject to certain conditions set forth in the SBPA. Under the amended and restated SBPA for Series 86, and 88B (Series 86 & 88B SBPA) and the SBPA for Series 95 (Series 95 SBPA), U.S. Bank National Association will commit to purchase any Series 86, 88B or 95 unremarketed bonds, subject to certain conditions set forth in the SBPAs.

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

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 84 and 90B SBPA for fiscal year 2017. Therefore, no tender advances or draws were outstanding as of June 30, 2017.

If a tender advance did occur under the Series 86 and 88B SBPA or the Series 95 SBPA, it would accrue interest at the bank's base rate (either the prime lending rate plus 1 percent, the federal funds rate plus 2 percent, the Securities Industry and Financial Markets Association (SIFMA) rate plus 1 percent or 7 percent for the time period 31 days after the purchase date and thereafter, whichever is higher) for the time period up to 30 days; at the bank's base rate plus 1 percent for the time period covering 31 days up to 90 days; and at the bank's base rate plus 1.5 percent for the time period thereafter. If the tender advance is in default, interest would accrue at the bank's base rate plus 3 percent. Interest on tender advances must generally be repaid before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be

State of Oregon
Notes to the Financial Statements

paid off on the earliest to occur of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate; or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advance must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 86 and 88B SBPA or the Series 95 SBPA, a default would have occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 86 and 88B SBPA or the Series 95 SBPA for fiscal year 2017. Therefore, no tender advances or draws were outstanding as of June 30, 2017.

Oregon Housing and Community Services Department

Included in Oregon Housing and Community Services Department's (OHCS) long-term debt is \$212.7 million in variable rate demand bonds. OHCS's variable rate demand bonds are remarketed weekly by a remarketing agent. Bondholders may elect to tender their bonds by providing written notice to the remarketing agent as specified in the official statement for the series. On the date that bonds are tendered, the remarketing agent will use its best effort to sell the bonds or may purchase the bonds for its own account.

OHCS has entered into standby bond purchase agreements (SBPAs) to provide liquidity in the event that the remarketing agent is unable to sell the tendered bonds and does not choose to buy the bonds for its own account. The SBPAs require the liquidity provider to provide funds for the purchase of the tendered bonds. On the purchase date, the bonds become known as liquidity provider bonds or bank bonds and bear interest at the bank rate in accordance with the SBPAs. The maximum rate is 12 percent. The bonds remain bank bonds until they are sold by the remarketing agent or the remarketing agent purchases them for its own account. If the bonds are not remarketed or purchased by the remarketing agent for its own account, mandatory redemption in ten equal installments are to be paid on the first business day of January and July, commencing on the first such date to occur after the bonds become liquidity provider bonds (State Street Bank and Trust Company) or at least 90 days after the related purchase date (Bank of America, N.A. and JPMorgan Chase Bank, N.A.). There were no bank bonds on June 30, 2017.

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

Series	Outstanding Amount	Liquidity Provider	Expiration Date	Commitment Fee	Remarketing Agent	Remarketing Fee
MF 2004 B	\$ 13,085	Bank of America, N.A.	8/18/2020	0.5000%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.08%
MRB 2006 G	16,105	State Street Bank and Trust Company	9/1/2020	0.5500%	CitiGroup Global Markets, Inc.	0.07%
MRB 2008 C	24,785	JPMorgan Chase Bank, N.A.	12/31/2017	0.4930%	J.P. Morgan Securities, LLC	0.07%
MRB 2008 F	25,510	JPMorgan Chase Bank, N.A.	12/31/2017	0.4930%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2008 I	27,460	JPMorgan Chase Bank, N.A.	12/31/2017	0.4930%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2015 C	33,600	State Street Bank and Trust Company	9/1/2020	0.5500%	J.P. Morgan Securities, LLC	0.07%
MRB 2016 B	13,140	State Street Bank and Trust Company	9/1/2020	0.5500%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2016 C	15,000	State Street Bank and Trust Company	9/1/2020	0.5500%	Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2017 C	44,000	State Street Bank and Trust Company	9/1/2020	0.4500%	J.P. Morgan Securities, LLC	0.07%

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.

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Notes to the Financial Statements

No-commitment debt outstanding as of June 30, 2017 (in thousands):

Primary Government	<u>Amount</u>
Oregon Business Development Department	\$ 200,411
Oregon Facilities Authority	2,338,162
Housing and Community Services Department	<u>291,159</u>
Total no-commitment debt	<u><u>\$ 2,829,732</u></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 the new debt is placed in an irrevocable trust to provide for all future debt service payments on the old debt. The amount of these issuances has provided funds to pay the interest and principal when due on the refunded debt to and including the dates irrevocably fixed for redemption. The trust account assets and liabilities for the defeased debt are not included in the accompanying financial statements.

Current/advance refunding issues that occurred between July 1, 2016, and June 30, 2017:

On December 7, 2016, the Oregon Department of Veterans' Affairs issued \$39.8 million of general obligation bonds, of which \$22.3 million was used to refund previously issued general obligation bonds. The current refunding of these bonds decreases the total debt service over the next 7 years by approximately \$2.5 million and results in an economic gain of approximately \$671 thousand.

On January 23, 2017, the Oregon Department of Environmental Quality issued \$3.2 million in Series 2017 Refunding Bond with an average interest rate of 2.3 percent. This bond refunded \$3.2 million of 2005 Series A XI-Q outstanding general obligation bonds with an average interest rate of 4 percent. The current refunding was undertaken to reduce the total debt service payments over the next 4 years by \$83 thousand and resulted in an economic gain of \$82 thousand.

On February 21, 2017, the Oregon Department of Energy issued \$64.8 million in 2017 Series E and F XI-J General Obligation Bonds with an average interest rate of 3.9 percent. These bonds refunded \$67.1 million of various series outstanding general obligation bonds with an average interest rate of 4.6 percent. The current and advanced refundings were undertaken to reduce the total debt service payments over the next 14 years by \$6.7 million and resulted in an economic gain of \$5.7 million.

On April 5, 2017, the Oregon Department of Administrative Services on behalf of various agencies issued \$63.8 million in 2017 Series C Lottery Revenue Bonds with an average interest rate of 5 percent. These bonds refunded \$66.8 million of various series outstanding lottery revenue bonds with an average interest rate of 5.1 percent. The advanced refunding was undertaken to reduce the total debt service payments over the next 15 years by \$6.1 million and resulted in an economic gain of \$4.6 million.

On May 1, 2017, the Oregon Department of Transportation issued \$265.7 million in 2017 S-1 Bonds with an average interest rate of 4 percent. These bonds refunded \$265.5 million of 2013 Series B outstanding revenue bonds with an average interest rate of 4 percent. The current refunding was undertaken to reduce the total debt service payments over the next 26 years by \$160 thousand. There was no economic gain or loss on this refunding.

On May 3, 2017, the Oregon Department of Administrative Services on behalf of Oregon Higher Education Coordinating Commission issued \$123 million in 2017 Series I General Obligation Bonds with an average interest rate of 4.6 percent. These bonds refunded \$136.1 million of various series outstanding general obligation bonds with an average interest rate of 4.6 percent. The current and advanced refundings were undertaken to reduce the total debt service payments over the next 21 years by \$21.8 million and resulted in an economic gain of \$16.5 million.

On May 3, 2017, the Oregon Department of Administrative Services on behalf of Oregon Higher Education Coordinating Commission issued \$26.2 million in 2017 Series J General Obligation Bonds with an average interest rate of 4.3 percent. These bonds refunded \$27.6 million of 2009 Series C outstanding general obligation bonds with an average interest rate of 4.2 percent. The advanced

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refunding was undertaken to reduce the total debt service payments over the next 17 years by \$2.2 million and resulted in an economic gain of \$1.7 million.

On May 3, 2017, the Oregon Department of Administrative Services on behalf of Oregon Higher Education Coordinating Commission issued \$71.5 million in 2017 Series L General Obligation Bonds with an average interest rate of 5 percent. These bonds refunded \$78.1 million of various series outstanding general obligation bonds with an average interest rate of 4.8 percent. The current and advanced refundings were undertaken to reduce the total debt service payments over the next 23 years by \$9.6 million and resulted in an economic gain of \$7.3 million.

On May 25, 2017, the Oregon Housing and Community Services Department issued \$130.6 million in 2017 Series A, B, and C Revenue Bonds with an average interest rate of 2.4 percent. The bonds were issued to refund \$51.4 million of various series outstanding revenue bonds with an average interest rate of 4.3 percent. The current refunding was undertaken to reduce the total debt service payments over the next 21 years by \$18.7 million and resulted in an economic gain of \$11.7 million.

On June 8, 2017, the Oregon Department of Transportation issued \$91.7 million in 2017 Series B Revenue Bonds with an average interest rate of 5 percent. These bonds refunded \$96 million of various Series outstanding revenue bonds with an average interest rate of 4.8 percent. The advanced refunding was undertaken to reduce the total debt service payments over the next 13 years by \$5.5 million and resulted in an economic gain of \$4.5 million.

I. Defeased Debt

The State has defeased certain general obligation and revenue bonds, as well as certificates of participation, by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the liability for defeased debt is not included in the State's financial statements. On June 30, 2017, \$1.9 billion of debt outstanding is considered defeased.

9. OTHER LONG-TERM LIABILITIES

A. Primary Government

Changes in other long-term liabilities for governmental activities for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 193,608	\$ 10,593	\$ 278	\$ 203,923	\$ 132,550
Claims and judgments payable	1,166,239	716,716	764,326	1,118,628	132,656
Arbitrage rebate payable	366	180	297	249	192
Custodial liabilities	335,033	11,864,597	11,812,030	387,600	384,072
Contracts, mortgages, and notes payable	353,620	10,068	26,012	337,675	25,080
Obligations under capital lease	5,779	999	2,630	4,148	2,230
Pollution remediation obligation	19,061	31,459	2,155	48,366	22,665
Net OPEB obligation	49,945	1,584	-	51,530	-
Total other long-term liabilities	\$ 2,123,652	\$ 12,636,196	\$ 12,607,729	\$ 2,152,119	\$ 699,445

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

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postemployment benefits offered through the Public Employees Benefit Board, and is liquidated by each governmental fund, excluding the debt service funds.

Changes in other long-term liabilities for business-type activities for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 17,662	\$ 1,285	\$ 23	\$ 18,925	\$ 12,397
Claims and judgments payable	9,200	133,101	133,601	8,700	8,700
Lottery prize awards payable	178,654	217,974	238,893	157,735	32,729
Arbitrage rebate payable	22,846	-	2,185	20,661	-
Custodial liabilities	14,328	2,486,386	2,476,447	24,267	19,911
Contracts, mortgages, and notes payable ¹	34,143	26	1,545	32,624	1,531
Licensing agreements ¹	757	12,363	1,743	11,377	1,740
Obligations under capital lease	297	6,737	718	6,315	803
Net OPEB obligation	5,084	184	1	5,268	-
Derivative instruments liability	7,670	-	5,806	1,864	-
Total other long-term liabilities	\$ 290,641	\$ 2,858,055	\$ 2,860,960	\$ 287,735	\$ 77,810

¹ The beginning balance for licensing agreements has been moved from contracts, mortgages, and notes payable to report licensing agreements separately.

Changes in other long-term liabilities for fiduciary fund activities for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Custodial liabilities	\$ 1,666,727	\$ 10,239,480	\$ 10,038,188	\$ 1,868,019	\$ 1,782,266
Contracts, mortgages, and notes payable	1,375	153	363	1,165	62
Net OPEB obligation	585	-	49	536	-
Total other long-term liabilities	\$ 1,668,687	\$ 10,239,633	\$ 10,038,601	\$ 1,869,719	\$ 1,782,328

B. Discretely Presented Component Units

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
University of Oregon					
Higher Education Coordinating Commission Loans	\$ 507,839	\$ -	\$ 6,002	\$ 501,837	\$ 18,420
Oregon Department of Energy Loans (SELP)	40,190	-	1,767	38,423	1,882
Advances from primary government	\$ 548,029	\$ -	\$ 7,769	540,260	20,302
Other current liabilities owed to primary government				14,214	14,214
Total				\$ 554,474	\$ 34,516
Oregon State University					
Higher Education Coordinating Commission Loans	\$ 335,922	\$ 264	\$ 20,382	\$ 315,804	\$ 15,828
Oregon Department of Energy Loans (SELP)	13,512	-	751	12,761	795
Advances from primary government	\$ 349,434	\$ 264	\$ 21,133	328,565	16,623
Other current liabilities owed to primary government				8,300	8,300
Total				\$ 336,865	\$ 24,923
Portland State University					
Higher Education Coordinating Commission Loans	\$ 217,647	\$ 152	\$ 11,834	\$ 205,965	\$ 10,444
Oregon Department of Energy Loans (SELP)	38,669	-	2,264	36,405	2,454
Advances from primary government	\$ 256,316	\$ 152	\$ 14,098	242,370	12,898
Other current liabilities owed to primary government				4,477	4,477
Total				\$ 246,847	\$ 17,375

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

10. POLLUTION REMEDIATION OBLIGATION

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

The State recognizes a pollution remediation obligation when it can reasonably estimate the range of expected cash outlays. At June 30, 2017, the State recognized an estimated liability of \$48.4 million for pollution remediation activities. The liability, which is reported in the government-wide statement of net position, was recorded at the current value of the costs the State expects to incur to perform the work.

For many projects, the State can reasonably estimate the range of expected outlays early in the process, using the State's remediation history for similar sites as the basis for the calculations. In other cases, the estimated liability is based on the amount specified in a contract for remediation services or the estimate of the cleanup costs provided by an environmental consulting firm. Expected recoveries from responsible parties or potentially responsible parties and insurance recoveries are included in the estimates and reduce the State's expense. No material expected recoveries were included in the measurement of the State's pollution remediation obligation at June 30, 2017.

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

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

As of June 30, 2017, the State is involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of contamination in the Portland Harbor Superfund site. There are over 200 parties, private and public, that may eventually bear a share of the costs. The Environmental Protection Agency issued a Record of Decision estimating the cleanup to cost \$1.1 billion and take approximately 13 years to complete. It is too early to estimate the State's share of the cleanup costs. The Portland Harbor Superfund site is discussed in more detail in Note 24.

11. PLEDGED REVENUES

A. Unobligated Net Lottery Proceeds

The State has pledged future unobligated net lottery proceeds to repay \$1.2 billion of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for revenues used for payment of prizes and expenses of the Lottery. Proceeds from lottery revenue bonds provide financing for economic development within the State, as well as for the improvement and expansion of state parks and school facilities. The bonds are payable solely from the pledged revenues and are payable through 2037. Total principal and interest remaining to be paid on the bonds is \$1.7 billion. In fiscal year 2018, principal and interest payments on the bonds are expected to require approximately 20.8 percent of unobligated net lottery proceeds. Principal and interest paid for the current year and total unobligated net lottery proceeds recognized were \$117.4 million and \$701.2 million, respectively.

B. Highway User Taxes and Vehicle Registration Fees

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers, and statutory transfers to counties, to repay \$2.5 billion of highway user tax revenue bonds. Proceeds from the bonds provide financing for the construction, reconstruction, improvement, repair, maintenance and operation, and use of public highways, roads, streets, and roadside rest areas for the State. The bonds are payable solely from the pledged revenues and are payable through November 2042. Total principal and interest remaining to be paid on the bonds is \$3.8 billion. Fiscal year 2018 principal and interest payments on the bonds are expected to require approximately 28.6 percent of pledged revenues. Principal and interest paid for the current year and total pledged revenues recognized were \$175.1 million and \$620.9 million, respectively.

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12. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2017 (in thousands):

Due to Other Funds	Due from Other Funds					
	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School
General	\$ -	\$ 105,462	\$ 6	\$ 2,721	\$ 49,371	\$ 8
Health and Social Services	165,917	-	-	194	37,030	-
Public Transportation	225	-	-	12,828	-	-
Environmental Management	2,190	21	4,145	-	-	25
Educational Support	146	-	-	-	-	-
Common School	-	-	-	282	-	-
Nonmajor Governmental Funds	16,696	7,788	4,340	322	144	-
Housing and Community Services	-	-	-	-	-	-
Lottery Operations	202,409	-	-	-	-	-
Unemployment Compensation	12,063	-	-	-	-	-
Nonmajor Enterprise Funds	20,868	1,174	-	14	-	-
Internal Service Funds	13,482	-	-	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-	-
Private Purpose Trust	-	-	-	-	-	-
Total	\$ 433,996	\$ 114,446	\$ 8,491	\$ 16,360	\$ 86,545	\$ 32

Advances from Other Funds	Advances to Other Funds			Total
	Common School	Nonmajor Enterprise Funds	Internal Service Funds	
General	\$ -	\$ -	\$ 473	\$ 473
Environmental Management	300	-	944	1,244
Internal Service Funds	-	19	-	19
Total	\$ 300	\$ 19	\$ 1,418	\$ 1,737

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

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Due from Other Funds (continued)

Nonmajor Governmental Funds		Housing and Community Services	Veterans' Loan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Pension and Other Employee Benefit Trust	Private Purpose Trust	Total
\$	62,166	\$ -	\$ -	\$ -	\$ 3,148	\$ 13,696	\$ -	\$ -	\$ 236,579
	14,687	-	-	-	7,253	3,245	-	-	228,325
	1,153	-	-	-	-	93	-	-	14,299
	5,487	-	-	-	-	3	-	-	11,870
	924	-	-	-	-	195	-	-	1,264
	-	-	-	-	-	-	-	-	282
	12,601	82	-	-	-	1,298	-	-	43,271
	7	-	-	-	-	-	-	-	7
	156	-	-	-	-	-	-	-	202,564
	1,319	-	-	-	-	-	-	21	13,404
	49	-	87	-	-	341	61	-	22,594
	40	-	-	-	-	-	-	-	13,523
	-	-	-	-	-	-	10,943	-	10,943
	-	-	-	429	-	-	-	-	429
\$	98,589	\$ 82	\$ 87	\$ 429	\$ 10,401	\$ 18,870	\$ 11,004	\$ 21	\$ 799,354

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Interfund transfers reported in the fund financial statements as of June 30, 2017 (in thousands):

Transfers to Other Funds	Transfers from Other Funds				
	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support
General	\$ -	\$ 181,618	\$ 1,864	\$ 31,641	\$ 366,862
Health and Social Services	68,531	-	-	728	54,160
Public Transportation	8,133	5	-	31,354	-
Environmental Management	13,686	274	386	-	39
Educational Support	298,279	157	-	4	-
Common School	70,334	-	-	4,577	-
Nonmajor Governmental Funds	59,853	37,394	59,042	1,102	4,717
Housing and Community Services	-	-	-	-	-
Veterans' Loan	-	-	-	-	-
Lottery Operations	701,228	-	-	-	-
Nonmajor Enterprise Funds	167,089	9,629	-	632	-
Internal Service Funds	4,129	3	-	840	2,607
Total	\$ 1,391,263	\$ 229,080	\$ 61,291	\$ 70,877	\$ 428,385

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

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Transfers from Other Funds (continued)

Common School	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
\$ 57	\$ 278,281	\$ 298,916	\$ 340	\$ 1,159,578
-	32,089	12,560	105	168,174
-	249,137	-	316	288,944
3,496	27,445	72	1,118	46,516
-	2,793	-	594	301,827
-	335	-	-	75,246
-	82,755	132	56	245,053
-	188	-	-	188
-	209	-	-	209
-	1,836	-	-	703,063
-	13,450	53,399	2,263	246,462
-	16,207	-	-	23,786
\$ 3,554	\$ 704,726	\$ 365,079	\$ 4,792	\$ 3,259,046

13. SEGMENT INFORMATION

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

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

Summary financial information for the Special Public Works Fund, the Water/Wastewater Financing Fund and OHCS's various bond funds for the year ended June 30, 2017 (in thousands):

Condensed statement of net position	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Assets:				
Interfund receivables	\$ -	\$ -	\$ 96	\$ -
Other current assets	101,849	36,656	31,337	6,357
Noncurrent assets	146,425	86,143	682,152	99,514
Total assets	248,275	122,799	713,585	105,871
Deferred outflows of resources	764	343	2,834	-
Liabilities:				
Interfund payables	1	1	3	-
Other current liabilities	4,634	1,488	18,045	4,101
Noncurrent liabilities	47,668	16,759	608,089	97,387
Total liabilities	52,303	18,248	626,137	101,488
Deferred inflows of resources	14	6	2,837	373
Net position:				
Restricted-Expendable	1,498	893	87,444	4,010
Unrestricted	195,225	103,996	-	-
Total net position	\$ 196,723	\$ 104,889	\$ 87,444	\$ 4,010

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Condensed statement of revenues, expenses, and changes in net position	Water/ Special Public Works Fund Wastewater Financing Fund Mortgage Revenue Bonds Housing Revenue Bonds			
	Fund	Fund	Bonds	Bonds
Operating activities:				
Loan interest income	\$ 5,686	\$ 3,255	\$ 22,273	\$ 4,512
Other operating revenue	482	1	1,165	11
Operating expenses	(6,122)	(4,134)	(21,648)	(4,092)
Operating income (loss)	46	(879)	1,790	430
Total nonoperating revenues (expenses)	1,085	289	-	-
Transfers from other funds	58	5,514	1,047	-
Transfers to other funds	(6,924)	(825)	(2,376)	-
Change in net position	(5,735)	4,100	461	430
Beginning net position	202,458	100,789	86,983	3,580
Ending net position	\$ 196,723	\$ 104,889	\$ 87,444	\$ 4,010

Condensed statement of cash flows	Water/ Special Public Works Fund Wastewater Financing Fund Mortgage Revenue Bonds Housing Revenue Bonds			
	Fund	Fund	Bonds	Bonds
Net cash provided (used) by:				
Operating activities	\$ (4,494)	\$ (3,933)	\$ 10,782	\$ 27,300
Noncapital financing activities	5,608	(1,138)	(71,637)	(32,408)
Investing activities	4,337	9,557	44,714	(754)
Net increase (decrease)	5,451	4,486	(16,141)	(5,861)
Beginning cash and cash equivalents	83,115	32,276	43,998	7,947
Ending cash and cash equivalents	\$ 88,566	\$ 36,762	\$ 27,857	\$ 2,085

Condensed statement of net position	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
	Bonds	Fund
Assets:		
Interfund receivables	\$ -	\$ 2
Other current assets	8,283	6,797
Noncurrent assets	134,044	116,474
Total assets	142,327	123,273
Deferred outflows of resources	747	540
Liabilities:		
Interfund payables	-	15
Other current liabilities	5,539	3,538
Noncurrent liabilities	105,713	43,493
Total liabilities	111,252	47,046
Deferred inflows of resources	1,342	710
Net position:		
Net investment in capital assets	-	8
Restricted-Expendable	30,479	67,303
Unrestricted	-	8,746
Total net position	\$ 30,479	\$ 76,057

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Condensed statement of revenues, expenses, and changes in net position	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Operating activities:		
Loan interest income	\$ 7,405	\$ 5,426
Other operating revenue	32	298
Operating expenses	(5,580)	(3,984)
Operating income (loss)	1,858	1,740
Total nonoperating revenues (expenses)	-	(8)
Transfers from other funds	246	-
Transfers to other funds	(1,500)	(48)
Change in net position	604	1,684
Beginning net position	29,875	74,373
Ending net position	\$ 30,479	\$ 76,057

Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:		
Operating activities	\$ 28,294	\$ 11,570
Noncapital financing activities	(30,474)	(8,627)
Investing activities	980	403
Net increase (decrease)	(1,200)	3,346
Beginning cash and cash equivalents	2,043	25,289
Ending cash and cash equivalents	\$ 843	\$ 28,635

14. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions

Public Employees Retirement Plan

The Public Employees Retirement System (PERS) administers a cost-sharing, multiple-employer plan for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional, but irrevocable if elected. As of June 30, 2017, there were 904 participating employers.

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

In 1995 the Oregon Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. The legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. Both Tier One and Tier Two are defined benefit plans. As of June 30, 2017, there were 24,528 active plan members, 125,344 inactive plan members or

their beneficiaries currently receiving benefits, and 14,037 inactive plan members entitled to but not yet receiving benefits, for a total of 163,909 Tier One members. As of June 30, 2017, there were 37,097 active plan members, 12,234 inactive plan members or their beneficiaries currently receiving benefits, and 15,692 inactive plan members entitled to but not yet receiving benefits, for a total of 65,023 Tier Two members in the System. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

In 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program (IAP). The IAP is a defined contribution plan. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2017, there were 111,680 active plan members 3,437 inactive plan members or their beneficiaries currently receiving benefits, 4,215 inactive plan members entitled to but not yet receiving benefits, and 11,765 inactive plan members not eligible for refund or retirement, for a total of 131,097 OPSRP Pension Program members.

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

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

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

B. Benefits Provided

Tier One and Tier Two

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

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided certain criteria exist. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit. Monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA in fiscal year 2015 was capped at 1.5 percent for all benefit recipients.

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OPSRP

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

OPSRP IAP

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

C. Funding

Primary Government

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

The PERS employer contribution rates for state agencies for the biennium beginning July 1, 2015, and ending June 30, 2017, expressed as a percentage of covered payroll:

Tier One - Tier Two		OPSRP Employer Rates	
<u>General Service</u>	<u>Police and Fire</u>	<u>General Service</u>	<u>Police and Fire</u>
12.31%	15.63%	6.51%	10.62%

State agencies' employer contributions to PERS for fiscal years ended June 30, 2017, totaled approximately \$187.5 million. Member contributions paid by the State on behalf of employees for the year ended June 30, 2017, were \$95.2 million. The actual contribution equaled the contractually required contribution for the fiscal year. In fiscal year 2004, the State issued \$2 billion in pension obligation bonds to reduce the PERS pension liability. State agencies pay an additional assessment to cover the annual debt service requirements attributable to the pension bonds.

Discretely Presented Component Units

The SAIF Corporation's employer contributions to PERS for the fiscal year ended December 31, 2016, was approximately \$7.3 million.

The respective employer contributions to PERS for the fiscal year ended June 30, 2017, for University of Oregon, Oregon State University, and Portland State University are approximately, \$19.9 million, \$19.6 million, and \$9.3 million.

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D. Net Pension Liability

At June 30, 2017, the State reported a liability of \$3.1 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The State's portion of the net pension liability was based on a projection of the State's long-term share of contributions of all participating employers, actuarially determined. Certain component units are considered by the pension plan to be part of the State. The State determined those component units' proportionate share of the net pension liability and allocated it to them. At the June 30, 2016, measurement date (MD), the State's proportion, excluding those component units, was 20.7 percent. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

For the year ended June 30, 2017, the State recognized pension expenses of \$556.5 million. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 102,736	\$ -
Changes in assumptions	662,278	-
Net difference between projected and actual earnings on investments	613,470	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,738	29,589
Total (prior to post-MD contributions)	1,466,221	29,589
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	1,436,632
Contributions subsequent to the MD	187,524	N/A
Net deferred outflow/(inflow) of resources		\$ 1,624,156

The \$187.5 million reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2018.

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

Fiscal Year	Amount
2018	\$ 261,680
2019	261,680
2020	487,072
2021	371,781
2022	54,419
	\$ 1,436,632

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

Deferred Outflows/(Inflows)	Business-type Activities						Total Primary Government
	Governmental Activities	Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Outflows:							
Difference between expected and actual economic experience	\$ 93,583	\$ 136	\$ 142	\$ 1,137	\$ 7,737	\$ 9,153	\$ 102,736
Changes in assumptions	603,275	878	916	7,333	49,876	59,003	662,278
Net difference between projected and actual earnings on investments	558,815	813	849	6,792	46,200	54,654	613,470
Changes in proportion and differences between employer contributions and proportionate share of contributions	80,663	105	110	879	5,980	7,074	87,738
Contributions subsequent to the MD	171,167	238	230	1,985	13,904	16,357	187,524
Total deferred outflows related to pensions	\$ 1,507,504	\$ 2,171	\$ 2,247	\$ 18,127	\$ 123,696	\$ 146,241	\$ 1,653,745
Deferred Inflows:							
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 26,960	\$ 39	\$ 41	\$ 327	\$ 2,222	\$ 2,629	\$ 29,589
Total deferred inflows related to pensions	\$ 26,960	\$ 39	\$ 41	\$ 327	\$ 2,222	\$ 2,629	\$ 29,589

Actuarial Assumptions

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

Valuation date	December 31, 2014
Experience Study Report	2014, published September 2015
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75 percent)
Long-term expected rate of return ¹	7.50 percent (reduced from 7.75 percent)
Discount rate	7.50 percent (reduced from 7.75 percent)
Projected salary increases	3.50 percent (reduced from 3.75 percent)
Cost of living adjustments (COLA)	Blend of 2 percent COLA and graded COLA (1.25 percent / 0.15 percent) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 sex distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70 percent for males and 95 percent for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>

¹ At its September 25, 2015, meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.

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

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

Asset Class	Target	Compound Annual Return (Geometric)
Core fixed income	8.00%	4.00%
Short-term bonds	8.00%	3.61%
Bank/leveraged loans	3.00%	5.42%
High yield bonds	1.00%	6.20%
Large/mid cap US equities	15.75%	6.70%
Small cap US equities	1.31%	6.99%
Micro cap US equities	1.31%	7.01%
Developed foreign equities	13.13%	6.73%
Emerging market equities	4.12%	7.25%
Non-US small cap equities	1.88%	7.22%
Private equity	17.50%	7.97%
Real estate (property)	10.00%	5.84%
Real estate (REITS)	2.50%	6.69%
Hedge fund of funds - diversified	2.50%	4.64%
Hedge fund - event driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed inflation - mean		2.50%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.5 percent) or one percent higher (8.5 percent) than the current rate (in millions):

Net Pension Liability	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Defined Benefit Pension Plan	\$ 5,014.0	\$ 3,105.3	\$ 1,510.0

Changes in Plan Provisions

As reflected in the December 31, 2014, actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as

current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions passed by the 2013 Oregon Legislature, which increased the benefits projected to be paid by employers compared to those previously developed and consequently increased plan liabilities. The employers' projected long-term contribution effort reflects the estimated impact of the *Moro Decision*. Following the completion of the December 31, 2014, actuarial valuation, the PERS Board adopted several assumption changes, including lowering the investment return assumptions from 7.75 percent to 7.5 percent.

Pension Plan Fiduciary Net Position

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

E. Separately Financed Specific Liability

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP, effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate, which was 7.5 percent in fiscal year 2017. The pre-SLGRP pooled liability, which has been referred to as pension-related debt in this report, attributable to the State is being amortized over the period ending December 31, 2027. The outstanding pension-related debt balance as of June 30, 2017, for the State, as the primary government, is \$338.6 million, and is reported in the accompanying financial statements as part of the contracts, mortgages, and notes payable balances.

15. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Public Employees Retirement System

Plan Descriptions

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

The RHIA is a cost-sharing multiple-employer OPEB plan in which 904 employers participate. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan. The number of RHIA plan members receiving benefits was 44,769 as of June 30, 2017.

Established under ORS 238.415, the RHIPA is considered a single-employer OPEB plan for financial reporting purposes, although certain discretely presented component units and related organizations, which are described in Note 1, do participate in the plan. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. PERS members are qualified to receive the RHIPA subsidy if they have eight or more years of qualifying service in PERS at the time of retirement or receive a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from

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PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan. The number of RHIPA plan members receiving benefits was 1,252 as of June 30, 2017.

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

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

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

Summary of Significant Accounting Policies

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

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

Funding

Both of the OPEB plans administered by PERS are funded through actuarially determined employer contributions. For the biennium ending June 30, 2017, state agencies contribute 0.08 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIA benefits. In addition, state agencies contribute 0.45 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions were approximately \$11.2 million, \$10.6 million, and \$11.7 million for years ended June 30, 2017, 2016, and 2015, respectively. The actual contribution equaled the annual required contribution in each fiscal year. (Refer to Note 14 for details concerning Tier One, Tier Two, and OPSRP membership in PERS.)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2016	\$ 465.0	\$ 463.7	\$ (1.3)	100.3%	\$ 4,516.7	0.0%

For the biennium ending June 30, 2017, state agencies contribute 0.09 percent of PERS-covered payroll for Tier One and Tier Two plan members to fund the normal cost portion of RHIPA benefits. In addition, state agencies contribute 0.35 percent of all PERS-covered payroll to amortize the unfunded actuarial accrued liability over a fixed period with new unfunded actuarial accrued liabilities amortized over 20 years. The required employer contributions of the State, as the primary government, were approximately \$9 million, \$8.5 million, and \$5.1 million for the years ended June 30, 2017, 2016, and 2015, respectively. The actual contribution equaled the annual required contribution in each fiscal year. As noted previously, because certain discretely presented component units and related organizations contribute to the RHIPA plan, the contributions identified in the combining statement of changes in fiduciary net position exceed the State's required employer contributions.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2016	\$ 19.1	\$ 67.9	\$ 48.8	28.1%	\$ 1,276.0	3.8%

Actuarial Methods and Assumptions

The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 2016, using the entry age normal cost method. Significant assumptions used in the actuarial valuation include a 7.2 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.5 percent, for both the RHIA and RHIPA plans. As a subcomponent of the payroll growth rate, both plans assume an increase in the consumer price index of 2.5 percent. The RHIPA plan uses a healthcare cost inflation adjustment graded from 7.5 percent in 2017 to 4.2 percent in 2093. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. The unfunded actuarial accrued liability is being amortized as a level percentage of combined valuation payroll over a closed period of 10 years. The actuarial value of plan assets for both the RHIA and the RHIPA is equal to the assets' fair market value on the valuation date. Restricted net position held in trust for other postemployment benefits for RHIA and RHIPA at June 30, 2017, was \$511.8 million and \$24.3 million, respectively.

B. Public Employees Benefit Board

Plan Description

The State participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes gives the Board the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is considered a single-employer plan for financial reporting purposes, although certain discretely presented component units and related organizations, which are described in Note 1, do participate in the PEBB plan. As a result, the State reports only a portion of the overall net OPEB obligation under the primary government section of the Statement of Net Position. As of June 30, 2017, PEBB Plan members consisted of 50,354 active employees and 793 retired employees and beneficiaries receiving benefits. PEBB does not issue a separate, publicly available financial report.

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

Summary of Significant Accounting Policies

The PEBB plan's implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The overall net OPEB obligation for the year ended June 30, 2017, is \$77.6 million. The primary government's share is \$57.3 million and the collective discretely presented components' unit share is \$20.3 million. The net OPEB obligation is allocated to the participating funds and entities based on their proportionate share of annual health insurance premium costs. The portion of the net OPEB obligation related to governmental activities is reported in the internal service funds combining statement of net position and the government-wide statement of net position; the portion related to business-type activities is reported in the proprietary funds statement of net position and the government-wide statement of net position. The portion related to fiduciary activities is reported in the statement of fiduciary net position.

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Funding

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy, on a pay-as-you-go basis. Administrative costs of the PEBB Plan are financed by up to 2 percent of employer and plan member contributions. For the year ended June 30, 2017, retired plan members contributed \$11.2 million through their required contributions. The average monthly contribution was \$1,179. Active employees do not contribute to the plan.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2015	\$ -	\$ 73.4	\$ 73.4	-	\$ 3,037.0	2.4%

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

Actuarial Methods and Assumptions

The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2015, using the entry age normal cost method. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. Significant assumptions used in the actuarial valuation include a 3.5 percent per annum rate of return on the investment of present and future assets and projected payroll growth of 3.5 percent. The plan uses a medical healthcare cost inflation adjustment of 6.1 percent in fiscal year 2017, 5.6 percent in fiscal year 2018, 6.5 percent in 2019, 6.5 percent in 2020, an average of 5.7 percent between fiscal years 2021 and 2044, and the rate grades down from 5.7 percent to 5 percent between fiscal years 2045 and 2065. The dental healthcare cost inflation adjustment was 5 percent for fiscal year 2017 and all subsequent fiscal years. The plan's inflation assumption is 2.5 percent. The unfunded actuarial accrued liability is being amortized using the level dollar methodology over an open 1-year period.

For fiscal years ended June 30, 2017, 2016, and 2015, the components of the PEBB Plan's annual OPEB cost, the amounts actually contributed, and changes to the net OPEB obligation (in millions):

	June 30, 2017	June 30, 2016	June 30, 2015
Annual required contribution	\$ 81.9	\$ 80.0	\$ 13.3
Interest on net OPEB obligation	2.6	2.9	2.8
ARC adjustment	(77.8)	(86.5)	(5.3)
Annual OPEB cost (expense)	6.8	(3.6)	10.8
Contributions made	(4.3)	(4.9)	(6.1)
Increase/(decrease) in net OPEB obligation	2.5	(8.5)	4.7
Net OPEB obligation - beginning of year	75.1	83.6	78.9
Net OPEB obligation - end of year	<u>\$ 77.6</u>	<u>\$ 75.1</u>	<u>\$ 83.6</u>
Percent of annual OPEB cost contributed	63.6%	(133.6%)	56.5%

C. Using Actuarial Valuations

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the

pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

16. DEFERRED COMPENSATION PLANS

The Oregon Savings Growth Plan (OSGP) is a deferred compensation plan available to eligible state employees. Employee contributions are deposited into the Deferred Compensation Fund established by Oregon Revised Statute 243.411. To participate, an employee enters into an individual agreement with the State to defer current earnings to be paid at a future date. The Public Employees Retirement System (PERS) administers the plan. As trustee of the assets, PERS contracts with Voya Financial to maintain OSGP participant records. The Oregon State Treasury, as custodian of the assets, contracts with State Street Bank and Trust Company to provide financial services. PERS may assess a charge to participants not to exceed 2 percent on amounts deferred, both contributions and investment earnings, to cover costs incurred for administering the program. Actual charges to participants, including investment charges, for the year ended June 30, 2017, averaged 0.2 percent of amounts deferred.

Participants direct the selection of investment options and bear any market risk. Although the State has no liability for losses under the OSGP, the State does have the prudent investor responsibility of due care. Activity of the OSGP is reported under the Deferred Compensation Plan in the fiduciary funds combining financial statements. As of June 30, 2017, the fair value of the investments was \$1.7 billion.

17. RISK FINANCING

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

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

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

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

All State agencies, commissions, and boards participate in the self-insured property and liability program. Risk Management allocates the cost of claims and claims administration by charging an assessment to each State entity, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and division expenses, less any available fund balance from the prior biennium.

Risk Management purchases workers' compensation insurance for the State from SAIF Corporation, a discretely presented component unit, utilizing retrospective paid loss plans. These plans are ten years in length and have cash flow and investment earnings advantages. The accumulated claim loss liability for the plans was approximately \$98.6 million as of June 30, 2017. Independent actuaries determine biennial loss forecasts.

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

Changes in the balance of aggregate claims liabilities for the property, liability, inmate injury, and workers' compensation insurance program for the years ended June 30, 2017, and 2016 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2017	\$ 170,562	\$ 66,414	\$ (48,866)	\$ 188,110
2016	175,649	56,871	(61,958)	170,562

The June 30, 2017, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Central Services.

B. State Healthcare Plans

Chapter 243 of the Oregon Revised Statutes authorized the Public Employees' Benefit Board (PEBB) to establish and maintain medical, dental, and vision insurance plans for the benefit of PEBB members. Currently the State provides these benefits through four self-insurance plans and one fully insured plan with a risk sharing arrangement.

PEBB is responsible for controlling expenditures, stabilizing benefit premium rates, and minimizing the risk of loss. Funds set aside in a stabilization fund may be used to offset any actual premium deficiencies in the self-funded plans. The reserve is considered adequate to cover catastrophic losses due to large claims in the self-insured plans, as well as unexpected increases in trend, utilization, or other potential fluctuations. PEBB has not purchased stop-loss coverage on any of the self-insured plans. For the fully insured plan with a risk sharing arrangement, if claims exceed or are below the expected level by 2 percent or more, then PEBB shares 90 percent of the difference with the provider.

Contracted actuaries and consultants estimate the claims liability. IBNR expenses are estimated by using claims lag triangles from the plans to develop completion factors. For the most recent months, incurred claims are estimated based upon reviewing the most recent claims experience per employee and adjusting for trend and seasonality to the projection month. Since most of the claims will be paid out within the year, the estimated amounts are not discounted. Specific adjustments for subrogation or other anticipated recoveries are not included. Overall, these adjustments are not expected to be significant.

Settlements exceeded coverage for one of the statewide plans in 2016, but the amount of claims for the other plans did not exceed the self-insured coverage for the past three years.

For the fully insured plan with risk sharing arrangement, the State has recognized a liability of \$1.5 million as of June 30, 2017, due to PEBB's expectation that it will reimburse the provider, based upon a projected expected claims level.

Changes in the balance of aggregate claims liabilities for the healthcare plans for the years ended June 30, 2017 and 2016 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2017	\$ 63,718	\$ 630,423	\$ (637,484)	\$ 56,657
2016	63,863	595,588	(595,733)	63,718

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The June 30, 2017, balance of claims liabilities is included in claims and judgments payable on the combining statement of net position of internal service funds under Health Services.

C. Supplemental Workers' Compensation Insurance

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

The Department of Consumer and Business Services determines the funding of supplemental workers' compensation insurance programs through cash flow projections based on historical data and economic forecasts. Employer work hour assessments, contributions by employees, workers' compensation insurance premium assessments, and investment and interest earnings pay for the programs. Long-term liabilities were actuarially computed as of June 30, 2017, using a 4 percent discount rate.

Changes in the balance of aggregate claims liabilities for supplemental workers' compensation insurance for the years ended June 30, 2017 and 2016 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2017	\$ 931,958	\$ 19,879	\$ (77,976)	\$ 873,861
2016	906,460	105,709	(80,210)	931,958

The June 30, 2017, balance of claims liabilities is included in claims and judgments payable on the government-wide statement of net position under governmental activities.

D. Standard Retiree Health Insurance Account

Chapter 238 of the Oregon Revised Statutes authorizes the Public Employees Retirement System (PERS) to contract with health insurance carriers to provide health care insurance for eligible retired members of PERS. The Standard Retiree Health Insurance Account (SRHIA) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been IBNR. The estimated claims liability is calculated by contracted health insurance consultants using a variety of mathematical and statistical techniques and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of \$8.7 million is carried at its face amount, and no interest discount is assumed.

Changes in the balance of aggregate claims liabilities for the SRHIA for the years ended June 30, 2017 and 2016 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2017	\$ 9,200	\$ 133,101	\$ (133,601)	\$ 8,700
2016	14,798	179,015	(184,613)	9,200

The June 30, 2017, balance of claims liabilities for SRHIA is included in claims and judgments payable on the statement of net position of proprietary funds under Other.

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E. SAIF Corporation Workers' Compensation Insurance

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

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

The reserve for loss and LAE decreased \$83.7 million in calendar year 2016, which was net of favorable development of \$268.5 million. Loss reserves decreased \$94.3 million. The loss reserves for the 2016 accident year were offset by favorable loss reserve development in prior accident years. The favorable development was attributed primarily to permanent total disability and permanent partial disability medical loss reserves. The key drivers were a decrease in ultimate counts and the continuing downward trend in medical severity. The observed medical escalation rate for 2016 was well below the assumption. Indemnity loss reserves experienced favorable development driven by actual costs for permanent total disability being lower than expected for recent years and the reduction in ultimate projected counts for fatal. LAE reserves increased \$10.6 million. The favorable development was largely attributed to the overall reduction in reserves.

SAIF discounts the indemnity reserve for known unpaid fatal and permanent total disability losses on a tabular basis, using a discount rate of 3.5 percent. SAIF does not discount any IBNR reserves, medical unpaid losses, or unpaid LAE. The gross reserve subject to tabular discounting for calendar year 2016 was \$267.5 million. The related discount was \$96.2 million as of December 31, 2016.

Anticipated salvage and subrogation of \$32.9 million was included as a reduction of the reserve for loss and LAE at December 31, 2016.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. As of December 31, 2016, SAIF had provided reserves of \$17 million for loss and LAE related to asbestos claims.

Changes in the balance of the liability for loss and LAE related to workers compensation insurance underwritten by SAIF for 2016 and 2015 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Adjustment Expense Payments	Ending Balance
2016	\$ 2,908,618	\$ 286,329	\$ (370,031)	\$ 2,824,916
2015	2,962,063	325,679	(379,124)	2,908,618

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

18. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues are reported net of discounts and allowances in the accompanying financial statements. Discounts and allowances in proprietary funds for the year ended June 30, 2017 (in thousands):

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	\$ 4,594
Unemployment Compensation	Assessments	726
Unemployment Compensation	Fines and forfeitures	209
Nonmajor Enterprise Funds	Sales	7,319
Internal Service Funds	Fines and forfeitures	29
Internal Service Funds	Charges for services	4
Total discounts and allowances		<u><u>\$ 12,881</u></u>

19. FUND EQUITY

A. Net Position Restricted by Enabling Legislation

The following schedule summarizes the State's net position at June 30, 2017, that is restricted by enabling legislation (in thousands). All of the legislative restrictions are in governmental activities.

	<u>Restricted Net Position</u>
Expendable net position restricted for:	
Health and social service programs	\$ 32,414
Public transportation programs	15,778
Natural resource programs	115,520
Education	374,242
Community protection	21,058
Consumer protection	116,081
Employment services	165,732
Residential assistance	36,615
Other programs	21,956
Nonexpendable net position restricted for:	
Education	900
Residential assistance	10,747
Workers' compensation	250
Total net position restricted by enabling legislation	<u><u>\$ 911,294</u></u>

B. Changes to Beginning Fund Balance

As of June 30, 2017, the beginning fund balance was restated as follows (in thousands):

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	Beginning Balance	Prior Period Adjustments	Beginning Balance- Restated
Governmental funds and activities			
General	\$ 1,602,633	\$ 36,494	\$ 1,639,127
Health and Social Services	527,071	3,069	530,140
Public Transportation	517,157	335	517,493
Environmental Management	846,558	4,362	850,919
Educational Support	1,711,188	53	1,711,241
Common School	1,174,577	-	1,174,577
Other (nonmajor)	1,650,108	(858)	1,649,251
Capital assets, net of depreciation	12,987,052	71,028	13,058,080
Other noncurrent assets	1,010	-	1,010
Noncurrent liabilities	(11,994,416)	(1,611)	(11,996,027)
Deferred inflows and outflows of resources	1,241,861	-	1,241,861
Internal service funds	413,162	180	413,342
Total governmental funds and activities	\$ 10,677,962	\$ 113,053	\$ 10,791,014

	Beginning Balance	Prior Period Adjustments	Beginning Balance- Restated
Proprietary funds and business-type activities			
Housing and Community Services	\$ 221,605	\$ -	\$ 221,605
Veterans' Loan	120,895	-	120,895
Lottery Operations	307,661	14,567	322,228
Unemployment Compensation	3,280,234	-	3,280,234
Other (nonmajor)	1,137,513	(3,549)	1,133,964
Internal service funds adjustment	(127)	-	(127)
Total proprietary funds and business-type activities	\$ 5,067,782	\$ 11,018	\$ 5,078,800

	Beginning Balance	Prior Period Adjustments	Beginning Balance- Restated
Fiduciary funds			
Pension and Other Employee Benefit Trust	\$ 71,331,639	\$ -	\$ 71,331,639
Private Purpose Trust	51,958	(14)	51,945
Investment Trust	5,860,913	-	5,860,913
Total fiduciary funds	\$ 77,244,511	\$ (14)	\$ 77,244,497

Significant prior period adjustments were made in a governmental fund, an enterprise fund, and governmental activities. Taxes receivable were understated in the prior year by \$36.1 million, resulting in a prior period adjustment being recognized in the General Fund. The Lottery Fund reported \$14.6 million to correct errors in the calculation of the long-term prize liability. In addition, several agencies made corrections to their capital asset balances. Most notable among the capital asset corrections were \$10.6 million to capitalize prior expenditures as capital assets at the Oregon Department of Revenue, \$47.9 million to capitalize costs associated with the State Radio Project, and \$11.9 million of projects determined by the Oregon Department of Transportation to be state-owned instead of locally-owned were capitalized.

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C. Fund Balances-Governmental Funds

The following table displays in detail the June 30, 2017, fund balances that are reported in the aggregate on the governmental funds balance sheet (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Educational Support	Common School	Other	Total
Nonspendable:								
Not in spendable form	\$ 27,850	\$ 13,334	\$ 35,045	\$ 9,753	\$ -	\$ -	\$ 6,377	\$ 92,359
Legally or contractually required to be maintained intact	19	52	40	254	-	-	14,582	14,946
Restricted for:								
Public health and welfare	-	375,129	-	-	-	-	-	375,129
Roads and bridges	-	-	767,482	-	-	-	-	767,482
Conservation and natural resources	107,135	-	-	849,642	-	-	-	956,777
K-12 Education	-	-	-	-	1,911,072	1,293,015	-	3,204,087
Education stabilization	411,313	-	-	-	-	-	-	411,313
Community protection	2,408	-	-	-	-	-	306,343	308,751
Licensing and regulation	-	-	-	-	-	-	120,181	120,181
Employment related programs	-	-	-	-	-	-	251,266	251,266
Low income housing assistance	-	-	-	-	-	-	166,138	166,138
Debt service	-	-	-	-	-	-	300,925	300,925
Capital projects	-	-	-	-	-	-	148,658	148,658
Other purposes	145,234	-	-	-	-	-	113,780	259,014
Committed to:								
Public health and welfare	-	139,539	-	-	-	-	-	139,539
Conservation and natural resources	-	-	-	38,873	-	-	-	38,873
Education	-	-	-	-	32,807	-	-	32,807
Business development	-	-	-	-	-	-	39,863	39,863
Community protection	-	-	-	-	-	-	164,785	164,785
Licensing and regulation	-	-	-	-	-	-	28,985	28,985
Employment related programs	-	-	-	-	-	-	118,115	118,115
Low-income housing assistance	-	-	-	-	-	-	173,381	173,381
Stabilization	376,336	-	-	-	-	-	-	376,336
Other purposes	30,642	-	-	-	-	-	1,542	32,184
Assigned to:								
Conservation and natural resources	-	-	-	9,216	-	-	-	9,216
Education	-	-	-	-	3,454	-	-	3,454
Community protection	-	-	-	-	-	-	3,732	3,732
Employment related programs	-	-	-	-	-	-	2,306	2,306
Other purposes	12,478	-	-	-	-	-	29,711	42,188
Unassigned:	1,037,374	(12,208)	-	-	-	-	-	1,025,166
Total fund balances	\$ 2,150,789	\$ 515,846	\$ 802,567	\$ 907,739	\$ 1,947,333	\$1,293,015	\$ 1,990,668	\$ 9,607,957

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

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

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

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

D. Deficit Net Position

The Energy Loan Fund, a nonmajor enterprise fund, reports a deficit net position of \$8.6 million as of June 30, 2017.

The Legal Services Fund, an internal service fund, reports a deficit net position of \$16.9 million as of June 30, 2017.

The Audit Services Fund, an internal service fund, reports a deficit net position of \$749 thousand as of June 30, 2017.

E. Stabilization Arrangements

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

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

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

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

For any one biennium, the Legislative Assembly may not appropriate more than two-thirds of the amount that is in the Oregon Rainy Day Fund at the beginning of the biennium. If the appropriation is for a biennium that has not yet begun, the Legislative Assembly may use as the base the most recent estimate of the amount that will be in the Oregon Rainy Day Fund at the beginning of the biennium for which the appropriation is made. The fund balance of the Oregon Rainy Day Fund as of June 30, 2017, was \$376.3 million.

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

Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions are met, the Education Stability Fund can also be used by the Legislature for public education. The Governor must declare an emergency and the expenditure must be approved by a three-fifths majority in each chamber. The fund balance of the Education Stability Fund as of June 30, 2017, was \$411.3 million.

20. NONEXCHANGE FINANCIAL GUARANTEES

Article XI-K of the Oregon Constitution allows the State to guarantee the general obligations bonded indebtedness of school districts, education service districts, and community college districts, in order to secure lower interest costs on general obligation bonds of such districts, without receiving equal or approximately equal value in exchange. Payment of the principal and interest on the bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 to 328.356. The amount of debt that the State may incur in honoring its guaranty of school

bonds may not exceed, at any one time, one-half of one percent of the real market value of all taxable property in the State. School districts, education service districts, and community college districts are entities legally separate from the State.

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

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

At June 30, 2017, the State had extended nonexchange financial guarantees of \$5.9 billion for outstanding general obligation indebtedness of school districts, education service districts, and community college districts. The longest current guaranty is for outstanding general obligation bonds that mature June 15, 2047.

21. TAX ABATEMENTS

As of June 30, 2017, the State provides material tax abatements through four programs. Details of each program are provided below:

- The Electronic Commerce Zone Investment program (Oregon Revised Statutes (ORS) 285C.095, 285C.100, 315.507) provides an income tax credit qualified businesses engaged in electronic commerce in an approved enterprise zone. The credit is equal to 25 percent of the investment in capital assets that are used in the designated area primarily for electronic commerce operations, limited to the lesser of \$2 million or the tax liability. Any tax credit that is not used may be carried forward for up to five years.
- The Oregon Investment Advantage program (ORS 285C.495, 285C.500 through 285C.506, 316.778, 317.391) helps businesses start or locate new types of operations in a number of Oregon counties by providing an income tax subtraction. The subtraction is determined by multiplying the taxable income of the business by the sum of: (a) 50 percent of the ratio of the payroll at the certified facility compared to the business's statewide payroll and (b) 50 percent of the ratio of the average value of the property of the business at the certified facility over the average value of the business's statewide property. Businesses apply for preliminary certification and the application is due to the Oregon Business Development Department before any work commences on the facility. All of the following requirements must be met in order to be a certified facility: (a) the facility must be located within the urban growth boundary of a city that has 15 thousand or fewer residents or is land zoned for industrial use and located in a county that had a county unemployment rate that was in the highest third of county unemployment rates in the State, or a county that had a per capita personal income that was in the lowest third of county per capita personal incomes in the State; (b) the facility must intend to operate as a facility for at least 10 years following the date it becomes operational; (c) the business must hire at least five employees for full-time, year-round employment; (d) the newly hired employees must receive a minimum annual compensation of 150 percent of the county per capita personal income of the county in which the facility is located, or 100 percent of the county per capita personal income of the county in which the facility is located and the business must provide health insurance coverage to the employees of the facility that meets or exceeds the health insurance benefits provided to employees of the city, port, or county in which the facility is located; (e) the business operations of the facility must constitute a new line of business that the business firm does not operate at another location within the State; and (f) the business operations of the business firm will not compete with existing business in the city or county in which the facility is located.

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- Energy Conservation Projects (ORS 315.331) provide an income tax credit for a capital investment in an energy conservation project in Oregon, certified by the Oregon Department of Energy for which the first year energy savings yields a simple payback period of greater than three years. If the project is new construction or a total building retrofit, the project must achieve the standards required for: (a) Leadership in Energy and Environmental Design (LEED) Platinum certification; (b) a four globes rating from the Green Globes program; (c) a nationally or regionally recognized and appropriate sustainable building program whose performance standards are equivalent to standards previously identified under (a) or (b) above; or (d) verification that the construction conformed to standards of the Reach Code adopted in ORS 455.500. The credits, which may not exceed the tax liability of the taxpayer, are 10 percent of the certified cost of the facility in the first two years the credit is claimed, and 5 percent of the cost of the facility in each of the succeeding three years. In addition, the total amount of the credit allowable may not exceed 35 percent of the certified cost of the project.
- Business Energy Program (ORS 315.354, 315,356, 315,357, 469B.130) provide an income tax credit based upon the certified cost of a facility used to process or use renewable energy resources, or to achieve energy efficiency that exceeds industry or regulatory standards by 10 percent or better. The term “facility” includes alternative fuel fleet vehicles, telecommuting equipment, refueling stations, high-efficiency combined heat and power facility, a high-performance home, a homebuilder-installed renewable energy system, or a renewable energy resource equipment manufacturing facility. Eligible costs also include employer-provided transit passes and costs of providing transit passes to students and patrons of medical facilities, and certain utilities. This credit is no longer eligible for new facility costs, and to be eligible, preliminary certification must have been received from the Oregon Department of Energy before July 1, 2011, and the credit must have been claimed in a tax year beginning before January 1, 2013. The credit can be carried forward for up to eight years.

Income tax abatements for the year ending June 30, 2017 (in thousands):

Tax Abatement Program	Amount
Electronic Commerce Zone Investment	\$ 1,300
Oregon Investment Advantage	6,700
Energy Conservation Projects	3,000
Business Energy Program	54,400
Total	\$ 65,400

There are no tax abatement agreements entered in to by other governments that reduce the State’s own tax revenues.

22. SETTLEMENT ACTIVITIES

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

For the fiscal year ended June 30, 2017, the State of Oregon acquired \$1.1 million of Oracle product that was capitalized and received services and other non-capitalized product totaling \$255 thousand through the ULA, resulting in realized savings of \$1.4 million.

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

	Governmental Activities
Capitalized product received through the ULA	\$ 1,138
Services and non-capitalized product received	255
Discharge of liabilities	1,362
Amount received to defray legal dispute costs	25,000
Total settlement revenue	\$ 27,754

23. COMMITMENTS

The State has significant commitments as of June 30, 2017, in addition to the construction contract commitments disclosed in Note 6. Commitments are defined as existing arrangements to enter into future transactions or events, such as contractual obligations with vendors for future purchases or services at specified prices and sometimes at specified quantities. Commitments may also include agreements to make grants and loans.

Commitments in effect as of June 30, 2017, and the anticipated sources of funding (in thousands):

Purpose	General Fund	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	\$ 270,924	\$ 178,955	\$ 8,583	\$ 153,342	\$ 611,803
Grant and loan commitments	71,575	230,187	63,157	936,451	1,301,370
Personal services contracts	141,869	164,307	1,987	94,507	402,669
Public defense contracts	49,435	-	-	-	49,435
Systems development	18,649	29,727	-	27,929	76,305
Equipment purchases	19	96	-	280	395
Total commitments	\$ 552,471	\$ 603,271	\$ 73,727	\$ 1,212,508	\$ 2,441,977

The Oregon Investment Council has entered into agreements that commit the investment manager for the Oregon Public Employees Retirement Fund (OPERF) and the Common School Fund (CSF), upon request, to make additional investment purchases up to a predetermined amount. The Oregon Growth Account (OGA) and the Oregon Growth Fund (OGF) make similar commitments for investment purchases. As of June 30, 2017, the OPERF had \$10.5 billion in commitments to purchase private equity investments, \$2.7 billion to purchase real estate investments, \$828.8 million to purchase Opportunity Fund investments, and \$2.5 billion to purchase Alternative Equity portfolio investments. As of June 30, 2017, the CSF, OGA, and OGF had \$55 million, \$16.9 million, and \$179 thousand, respectively, in commitments to purchase private equity investments. These amounts are unfunded and are not recorded in the financial statements.

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

24. CONTINGENCIES

A. Litigation

Portland Harbor Superfund

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

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The Oregon Department of Transportation (ODOT) and the Oregon Department of State Lands (DSL) have received General Notice Letters from the EPA informing them that the State, by and through those agencies, is a potentially responsible party (PRP) under CERCLA for cleanup costs at the site.

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

It is too early to estimate the proportionate share of liability for cleanup costs, if any, that may ultimately be allocated to the State agencies in the course of the mediation process. When the mediation will end is not known but it could be as late as 2019.

The Portland Harbor Superfund will also involve a separate allocation of liability for injuries to natural resources caused by contamination at the site, which is an additional type of recovery under the Superfund law known as natural resource damages (NRD). The NRD claim will be asserted against all PRPs, including ODOT and DSL, by the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies, and the State, acting through its trustee, the Oregon Department of Fish and Wildlife. The trustees have initiated a cooperative injury assessment process funded by thirty parties including the State. The NRD process will result in an allocation of liability for NRD damages at the same time as the allocation of liability for remedial costs, although parties may alternatively elect to seek an earlier settlement with the trustees. The State will seek a settlement of its NRD liabilities in 2018. It is too early to evaluate what, if any, share of liability either ODOT or DSL may ultimately bear for this NRD claim.

The State is pursuing claims for insurance coverage of its Portland Harbor defense costs and any future liabilities for cleanup costs and natural resource damages. These claims are based on commercial general liability insurance policies the State held from 1968 to 1972, and on insurance policies that listed DSL as an additional insured. These insurance carriers have agreed to participate in funding the State's defense in Portland Harbor proceedings, but have reserved their rights to deny indemnity coverage. In October 2015, the State filed suit in state court against its primary insurance carrier, Pacific Indemnity Company (PIC), asserting that PIC is obligated to fund a greater proportion of the State's defense costs in Portland Harbor than it has so far.

Community Mental Health Programs

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

Cover Oregon

The start-up of Oregon's health insurance exchange, along with the exchanges of a number of other states, is the subject of federal inquiries into the use of federal grant funds on the health insurance exchange project. It is possible that the federal government could determine that certain expenditures for Oregon's health insurance

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exchange and social services modernization project were improper or otherwise returnable. If that occurs, it is possible the federal government may seek repayment from the State of any disallowed amounts, up to the full amount the federal government paid the State, approximately \$300 million.

Forest Management Rules Challenge

On March 10, 2016, Linn County filed a complaint for a class action lawsuit against the State regarding the rules under which timber is harvested on State forest lands. The county claims that a 1998 rule adopted by the State's Department of Forestry breaches a statutory contract between the State and the counties that donated forest lands. The State has managed the lands pursuant to forest management plans that the counties allege have reduced the revenues paid to counties because of conservation measures. On behalf of the class, the county seeks to recover lost revenues of approximately \$528.6 million since 2001 and future damages of \$881 million. The court has certified the class, but has not yet approved the notice that will go to the class. The class on whose behalf the county has filed suit consists of 15 counties and approximately 130 government taxing districts that share or receive revenues for the State forest lands. It is too early for the State to estimate the actual liability that might be imposed due to the lawsuit, but the State plans to vigorously defend against the lawsuit.

Expansion of Hepatitis C Coverage

Oregon Law Center (OLC) demands that the Oregon Health Authority (OHA) expand Oregon's Medicaid coverage for Hepatitis C (HVC) treatment medication. Currently, with some narrow exceptions, HVC medications are covered under Oregon's Medicaid programs only after the patient has reached very advanced stages of the disease. OLC asserts that the coverage criteria currently in place in Oregon for HVC medications is illegal under state and federal law and must be changed to provide access to Medicaid participants at the earliest stage of the disease. Initial information from OHA indicates that to meet OLC's demands would cost the State approximately \$50-100 million per year for the first few years, with a significant decrease thereafter (a 12-week drug regimen is expected to result in a cure for the vast majority of patients treated early, reducing the population requiring later stage treatment and reducing the potential for patients infecting others). Some of the costs would be covered as part of the federal match for the expansion population and some would come from OHA's general fund.

PERS Benefits for Public Defenders

Two former public defender attorneys have filed a notice with the State of their intent to seek class action status to pursue claims for damages and injunctive relief of behalf of all current and former employees of nonprofit public defender organizations contracting with the State, alleging that they are entitled to benefits under the Public Employees Retirement System (PERS). The claimants seek enrollment in PERS and payment of benefits for their past years of service, as well as attorney fees and costs. It is too early for the State to know the extent of the potential class members, the amount of damages or cost to the State if a complaint is filed, the class certified and the plaintiffs prevail. A very preliminary estimate by PERS actuaries indicate that if a class were certified and the claimants prevailed, the value of the PERS benefits claimed could amount to approximately \$300 million or higher. The size of potential class, however, is expected to be larger than the original estimate so the amount of benefits claimed is likely to increase as well.

Community Care Organization

In February 2017, a coordinated care organization in Oregon, Family Care, Inc. (FamilyCare) filed a lawsuit alleging that in developing the 2017 contract rates for FamilyCare, the Oregon Health Authority (OHA) used compensation paid under a prior settlement agreement to limit the amount to be paid to FamilyCare under the 2017 rates. FamilyCare recently amended its lawsuit to add claims related to a prior dispute resolution agreement. The complaint includes the following claims against OHA: (a) breach of express and implied terms in the 2016 settlement agreement by using the amounts paid under the settlement agreement to limit FamilyCare's 2017 rates and by cutting FamilyCare's 2017 rates; (b) breach of express and implied terms of the dispute resolution agreement and (c) intentional interference with FamilyCare's business relations. FamilyCare seeks specific performance and money damages in the amount of at least \$60 million, and seeks a judicial declaration that would effectively prohibit OHA from paying FamilyCare at the 2017 contract rates.

B. Unemployment Benefits

State employees, who qualify, are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. The amount of future benefit payments to claimants, and the resulting liability to the State, cannot be reasonably estimated. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2017, totaled approximately \$11.3 million.

C. Federal Issues

The State receives significant financial assistance from the federal government. Entitlement to these resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2017, there is no indication that such audits will result in a material liability.

In fiscal year 2017, The Oregon Health Authority documented issues relating to possible payment errors in the Medicaid Management Information System primarily related to retroactive termination of Medicaid benefits and rates paid for dual eligible population. As of the close of the reporting period, the scope of the issues and potential financial impacts are indeterminate.

25. SUBSEQUENT EVENTS

A. Long-term Debt Issues

Long-term debt issued, including refundings, since July 1, 2017 (in thousands):

<u>Type of Debt</u>	<u>Amount</u>
General Obligation Bonds	
Department of Veterans' Affairs	\$ 74,665
Department of Administrative Services	29,050
Department of Environmental Quality	5,000
Revenue Bonds	
Department of Transportation	132,800
Housing and Community Services Department	110,165

B. Bond Calls

Bond calls that have occurred since July 1, 2017 (in thousands):

<u>Type of Call</u>	<u>Amount</u>
General Obligation Bonds	
Department of Veterans' Affairs	\$ 45,120
Housing and Community Services Department	1,970
Revenue Bonds	
Housing and Community Services Department	56,075

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Notes to the Financial Statements

C. Interest Rate Swaps

On July 1, 2017, the Oregon Housing and Community Services Department (OHCS D) terminated notional amounts of swaps related to the Mortgage Revenue Bonds listed below (dollars in thousands). These terminations were made pursuant to optional par termination provisions included in each of the swap agreements.

Bond Series	Notional Amount
2007 Series E	\$ 23,005
2007 Series H	1,640
2008 Series C	1,950
2008 Series F	1,300
2008 Series I	1,900

D. Tax Anticipation Notes Issuance

On October 3, 2017, the State issued \$577.9 million of full faith and credit Tax Anticipation Notes, 2017 Series A. The proceeds of these notes will be used to meet seasonal cash needs of the State and for cash management purposes within the 2017-2019 biennium.

E. Debt Guarantees

Under Article XI-K of the Oregon Constitution, \$789.8 million in bonds for school districts (SD) were issued and guaranteed following the fiscal year ended June 30, 2017, as noted below (dollars in thousands). Ultimately, the debt service payments remain the responsibility of the respective district.

School District	Series	Amount
Linn Cty SD 8J (Greater Albany)	2017	\$ 151,550
Marion Cty SD 14J (Jefferson)	2017A	2,106
Marion Cty SD 14J (Jefferson)	2017B	12,240
Columbia Cty SD 6J (Clatskanie)	2017	2,703
Jackson Cty SD 35 (Rogue River)	2017	3,335
Columbia Cty SD 47J (Vernonia)	2017A	4,205
Columbia Cty SD 47J (Vernonia)	2017B	2,590
Umatilla Cty SD 2 (Pilot Rock)	2017	2,351
Multnomah Cty SD 1J (Portland)	2017A	168,950
Multnomah Cty SD 1J (Portland)	2017B	241,890
Union Cty SD 8J (North Powder)	2017	3,000
Tillamook Cty SD 9 (Tillamook)	2017	8,740
Deschutes Cty SD 1 (Bend-La Pine)	2017	175,000
Linn Cty SD 55 (Sweet Home)	2017	3,820
Polk Cty SD 2 (Dallas)	2017	7,303
Total debt guarantees		\$ 789,783



Required Supplementary Information

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Budgeted Appropriated Funds

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

General Fund

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

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

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

Other Funds

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

State of Oregon

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2017
(In Thousands)**

	General Fund				
	2015-2017 Original Budget	2015-2017 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	\$15,679,419	\$15,679,419	\$ 7,362,450	\$8,501,130	\$ 184,161
Corporate Income Taxes	1,070,593	1,070,593	601,109	586,490	117,006
Tobacco Taxes	128,847	128,847	67,198	65,644	3,994
Motor Fuels Taxes	-	-	-	-	-
Weight Mile Taxes	-	-	-	-	-
Vehicle Registration Taxes	-	-	-	-	-
Other Taxes	339,370	339,370	197,083	271,915	129,629
Licenses and Fees	278,436	278,436	96,612	103,675	(78,149)
Federal	-	-	-	-	-
Charges for Services	10,674	10,674	5,226	5,179	(269)
Fines and Forfeitures	3,890	3,890	2,186	2,758	1,053
Rents and Royalties	-	-	1	57	58
Investment Income	15,335	15,335	7,358	17,507	9,530
Sales	1,067	1,067	528	558	18
Donations and Grants	-	-	12	-	12
Pension Bond Debt Service Assessments	-	-	-	-	-
Other	11,020	11,020	2,840	22,170	13,989
Total Revenues	17,538,652	17,538,652	8,342,602	9,577,083	381,033
Expenditures:					
Education	9,292,799	9,308,659	4,600,089	4,590,543	(118,027)
Human Services	4,833,200	4,898,273	2,319,676	2,485,049	(93,549)
Public Safety	2,304,445	2,380,694	1,160,228	1,179,115	(41,351)
Economic and Community Development	51,386	63,529	21,308	34,382	(7,840)
Natural Resources	200,760	248,840	124,692	113,412	(10,736)
Transportation	27,828	22,056	11,326	10,726	(4)
Consumer and Business Services	12,564	14,731	6,052	8,297	(382)
Administration	229,232	246,180	121,306	115,206	(9,668)
Legislative	337,866	104,292	41,812	47,175	(15,305)
Judicial	694,589	724,783	360,942	350,403	(13,438)
Total Expenditures	17,984,668	18,012,040	8,767,432	8,934,309	(310,298)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(446,016)	(473,387)	(424,830)	642,774	691,331
Other Financing Sources (Uses):					
Transfers from Other Funds	296,283	296,283	302,468	154,491	160,675
Transfers to Other Funds	-	-	(158,764)	(6,116)	(164,881)
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	\$ (149,733)	\$ (177,104)	(281,127)	791,148	\$ 687,126
Budgetary Fund Balances - Beginning			1,213,436	866,321	
Prior Period Adjustments			24,875	(184,200)	
Budgetary Fund Balances - Beginning - As Restated			1,238,312	682,121	
Prior Biennium Transactions			(90,863)	-	
Budgetary Fund Balances - Ending			\$ 866,321	\$ 1,473,269	

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Federal Funds					Lottery Funds				
2015-2017 Original Budget	2015-2017 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)	2015-2017 Original Budget	2015-2017 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
18,375,890	7,386,945	8,606,843	8,873,944	10,093,842	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
18,375,890	7,386,945	8,606,843	8,873,944	10,093,841	7,556	7,556	3,715	7,217	3,375
1,138,075	1,150,207	402,773	440,557	(306,877)	471,992	511,545	176,916	328,380	(6,249)
15,901,503	16,269,312	7,823,710	7,893,064	(552,538)	11,293	11,349	4,873	5,816	(660)
483,781	519,606	144,829	180,366	(194,411)	7,841	8,018	3,626	4,070	(322)
320,685	327,960	139,859	131,293	(56,808)	123,466	122,121	53,616	57,456	(11,048)
293,059	302,887	101,709	103,245	(97,933)	171,619	175,397	56,422	70,188	(48,787)
118,615	127,264	35,920	44,741	(46,603)	107,484	107,484	53,970	53,514	-
18,606	19,689	8,589	7,767	(3,333)	-	-	-	-	-
11,305	11,400	3,296	2,847	(5,257)	20,700	20,852	9,355	10,702	(795)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,598	1,607	587	584	(436)	-	-	-	-	-
18,287,226	18,729,931	8,661,272	8,804,463	(1,264,196)	914,394	956,767	358,777	530,126	(67,863)
88,664	(11,342,986)	(54,430)	69,481	11,358,037	(906,837)	(949,210)	(355,063)	(522,909)	71,238
1,234	1,246	25,917	24,703	49,374	2,325,274	2,437,286	978,774	932,965	(525,547)
(392,253)	(372,126)	(55,539)	(62,181)	254,406	(1,295,872)	(1,362,244)	(296,089)	(258,924)	807,231
-	-	-	-	-	-	-	-	931	931
-	-	-	-	-	-	-	-	140	140
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ (302,355)</u>	<u>\$ (11,713,866)</u>	(84,051)	32,003	<u>\$ 11,661,818</u>	<u>\$ 122,565</u>	<u>\$ 125,832</u>	327,623	152,203	<u>\$ 353,994</u>
		(24,504)	(98,610)				(79,663)	79,395	
		2,065	-				545	-	
		(22,439)	(98,610)				(79,118)	79,395	
		7,879	(2,043)				(169,110)	(13,023)	
		<u>\$ (98,610)</u>	<u>\$ (68,650)</u>				<u>\$ 79,395</u>	<u>\$ 218,575</u>	

(continued on next page)

State of Oregon

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2017
(In Thousands)**

(continued from previous page)

	Other Funds				
	2015-2017 Original Budget	2015-2017 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
Revenues:					
Personal Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Income Taxes	-	-	-	-	-
Tobacco Taxes	372,997	372,997	201,418	199,423	27,844
Motor Fuels Taxes	1,087,116	1,087,116	484,027	545,316	(57,773)
Weight Mile Taxes	608,109	608,109	269,015	296,359	(42,734)
Vehicle Registration Taxes	604,512	604,512	287,304	324,566	7,358
Other Taxes	1,430,152	577,322	587,305	680,898	690,882
Licenses and Fees	871,199	839,171	410,985	439,059	10,873
Federal	722,029	741,853	495,280	509,543	262,971
Charges for Services	2,321,391	406,322	1,499,198	1,630,714	2,723,590
Fines and Forfeitures	151,502	155,244	106,005	134,051	84,812
Rents and Royalties	104,230	104,230	56,133	59,422	11,326
Investment Income	173,321	168,351	25,582	33,839	(108,930)
Sales	587,844	584,755	137,944	142,942	(303,868)
Donations and Grants	18,736	17,382	18,996	21,371	22,985
Pension Bond Debt Service Assessments	358,908	358,908	162,084	191,049	(5,775)
Other	1,326,604	806,938	1,790,960	1,073,743	2,057,765
Total Revenues	10,738,646	7,433,207	6,532,237	6,282,296	5,381,325
Expenditures:					
Education	866,714	912,035	225,615	204,125	(482,295)
Human Services	6,185,125	6,679,670	2,884,258	3,194,115	(601,296)
Public Safety	650,054	710,703	263,777	313,726	(133,200)
Economic and Community Development	731,302	757,816	186,862	223,833	(347,121)
Natural Resources	897,623	994,386	388,361	397,550	(208,476)
Transportation	3,287,923	3,400,193	1,354,306	1,527,197	(518,691)
Consumer and Business Services	371,613	382,409	166,016	171,877	(44,516)
Administration	1,439,362	1,519,677	626,263	750,867	(142,547)
Legislative	7,417	40,808	3,536	5,044	(32,228)
Judicial	142,766	151,836	50,643	54,261	(46,931)
Total Expenditures	14,579,899	15,549,533	6,149,637	6,842,596	(2,557,300)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,841,252)	(8,116,326)	382,600	(560,300)	7,938,626
Other Financing Sources (Uses):					
Transfers from Other Funds	4,924,020	4,457,977	3,099,330	3,010,861	1,652,214
Transfers to Other Funds	(6,447,177)	(6,330,114)	(2,849,929)	(2,906,229)	573,956
Long-term Debt Issued	873,443	883,968	221,466	1,248,060	585,558
Debt Issuance Premium	-	-	41,132	160,687	201,819
Loan Proceeds	-	-	4,659	3,000	7,659
Gain(Loss) on Disposition of Assets	-	-	2,382	1,098	3,479
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (4,490,966)</u>	<u>\$ (9,104,494)</u>	901,639	957,177	<u>\$10,963,311</u>
Budgetary Fund Balances - Beginning			3,547,242	3,502,445	
Prior Period Adjustments			(16,323)	21,436	
Budgetary Fund Balances - Beginning - As Restated			3,530,919	3,523,881	
Prior Biennium Transactions			(930,113)	(44,142)	
Budgetary Fund Balances - Ending			<u>\$ 3,502,445</u>	<u>\$ 4,436,916</u>	

Total All Budgeted Appropriated Funds				
2015-2017 Original Budget	2015-2017 Final Budget	1st Year Actual	2nd Year Actual	Variance Over/ (Under)
\$15,679,419	\$ 15,679,419	\$ 7,362,450	\$ 8,501,130	\$ 184,161
1,070,593	1,070,593	601,109	586,490	117,006
501,845	501,845	268,616	265,067	31,838
1,087,116	1,087,116	484,027	545,316	(57,773)
608,109	608,109	269,015	296,359	(42,734)
604,512	604,512	287,304	324,566	7,358
1,769,522	916,692	784,389	952,813	820,510
1,149,635	1,117,607	507,597	542,734	(67,276)
19,097,918	8,128,798	9,102,123	9,383,487	10,356,812
2,332,064	416,995	1,504,424	1,635,893	2,723,321
155,392	159,134	108,190	136,809	85,865
104,230	104,230	56,135	59,479	11,384
196,212	191,243	36,655	58,563	(96,025)
588,911	585,822	138,472	143,500	(303,850)
18,736	17,382	19,008	21,371	22,997
358,908	358,908	162,084	191,049	(5,775)
1,337,624	817,958	1,793,799	1,095,913	2,071,754
<u>46,660,744</u>	<u>32,366,361</u>	<u>23,485,396</u>	<u>24,740,540</u>	<u>15,859,575</u>
11,769,579	11,882,446	5,405,392	5,563,606	(913,448)
26,931,120	27,858,603	13,032,517	13,578,043	(1,248,043)
3,446,120	3,619,021	1,572,461	1,677,277	(369,283)
1,226,839	1,271,426	401,645	446,963	(422,818)
1,563,061	1,721,510	671,184	684,395	(365,931)
3,541,850	3,656,998	1,455,521	1,636,178	(565,299)
402,783	416,830	180,658	187,941	(48,232)
1,700,598	1,798,109	760,220	879,623	(158,266)
345,283	145,101	45,348	52,220	(47,533)
838,953	878,226	412,173	405,248	(60,804)
<u>51,766,187</u>	<u>53,248,270</u>	<u>23,937,119</u>	<u>25,111,494</u>	<u>(4,199,658)</u>
(5,105,442)	(20,881,910)	(451,723)	(370,954)	20,059,233
7,546,811	7,192,791	4,406,488	4,123,020	1,336,717
(8,135,302)	(8,064,484)	(3,360,321)	(3,233,451)	1,470,712
873,443	883,968	221,466	1,248,991	586,489
-	-	41,132	160,827	201,959
-	-	4,659	3,000	7,659
-	-	2,382	1,098	3,479
<u>\$ (4,820,490)</u>	<u>\$ (20,869,634)</u>	864,083	1,932,531	<u>\$ 23,666,248</u>
		4,656,511	4,349,551	
		11,162	(162,764)	
		4,667,673	4,186,787	
		(1,182,207)	(59,208)	
		<u>\$ 4,349,550</u>	<u>\$ 6,060,110</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 services, etc.) and the budget is summarized by these functions. Expenditures are budgeted based on the following revenue sources: general, federal, lottery, and other.

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

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

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

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

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

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual-Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2015-2017 biennium as of June 30, 2017. A copy of this report is available at the Department of Administrative Services, Chief Financial Office, 155 Cottage Street NE, Salem, Oregon 97301-3969.

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

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

State of Oregon
Notes to Required Supplementary Information – Budgetary Schedule

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

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

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

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

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

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

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

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2017, is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net position.

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (In Thousands)

GAAP Fund	Budgetary Balances Classified into GAAP Fund Structure				Total Budgeted Funds	Timing Differences	Basis Differences	Non- Budgeted Funds	GAAP Balances
	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds					
General	\$ 791,148	\$ 62	\$ 139,184	\$ (18,017)	\$ 912,378	\$ 41,284	\$ 2,814,525	\$(3,255,197)	\$ 512,990
Health and Social Services	-	23,011	27	(177,698)	(154,660)	86,536	22,732	30,990	(14,403)
Public Transportation	-	(646)	-	326,093	325,447	14	(46,054)	4,916	284,323
Environmental Management	-	6,079	1,782	24,822	32,682	1,871	(4,330)	27,467	57,690
Educational Support	-	17,529	2,595	445,478	465,603	(42,712)	(6,661)	(180,137)	236,092
Common School	-	-	-	(6,305)	(6,305)	(60)	(603)	125,406	118,438
Nonmajor Governmental	-	(14,047)	8,614	353,861	348,428	(46,282)	(1,548)	40,863	341,461
Housing and									
Community Services	-	-	-	3,571	3,571	-	(228)	(1,090)	2,253
Veterans' Loan	-	-	-	(5,247)	(5,247)	-	(637)	6,325	441
Lottery Operations	-	-	-	-	-	-	-	(35,507)	(35,507)
Unemployment Compensation	-	-	-	-	-	-	-	543,598	543,598
Nonmajor Enterprise	-	14	-	17,846	17,860	(1,680)	(6,845)	(10,524)	(1,188)
Internal Service	-	-	-	(6,991)	(6,991)	(5,382)	(14,614)	(22,682)	(49,670)
Pension and Other									
Employee Benefit Trust	-	-	-	(236)	(236)	(87)	(47,269)	5,760,751	5,713,159
Private Purpose Trust	-	-	-	-	-	(14)	14	4,208	4,208
Investment Trust	-	-	-	-	-	-	-	340,119	340,119
Totals	\$ 791,148	\$ 32,003	\$ 152,202	\$ 957,178	\$ 1,932,531	\$ 33,487	\$ 2,708,481	\$ 3,379,505	\$ 8,054,004

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

	2016²	2015²	2014²
Proportion of the net pension liability/(asset)	20.68476%	19.73914%	(19.01053%)
Proportionate share of the net pension liability/(asset)	\$ 3,105,262	\$ 1,133,315	\$ (430,914)
Covered payroll	2,154,318	2,137,616	2,487,982
Employer net pension liability/(asset) as a percentage of covered payroll	144.1%	53.0%	(17.3%)
Plan fiduciary net position as a percentage of the total pension liability	80.5%	91.9%	103.6%

¹ 10-year trend information will be presented prospectively.

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions ²	\$ 187,524	\$ 205,419	\$ 152,789
Contributions in relation to the contractually required contributions	<u>187,524</u>	<u>205,419</u>	<u>152,789</u>
Contribution deficiency	-	-	-
Covered payroll	2,293,042	2,154,318	2,137,616
Contributions as a percentage of covered payroll	8.18%	9.54%	7.15%

¹ 10-year trend information will be presented prospectively.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a) ³	Funded Ratio (a/b) ³	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Public Employees Benefit Board (PEBB) Plan						
7/1/2011	\$ -	\$ 154.7	\$ 154.7	0%	\$ 2,329.4	6.6%
7/1/2013	-	105.1	105.1	0%	2,485.8	4.2%
7/1/2015 ¹	-	73.4	73.4	0%	3,037.0	2.4%
Retiree Health Insurance Premium Account (PERS Plan)²						
12/31/2014	7.2	70.5	63.3	10.2%	2,718.9	2.3%
12/31/2015	11.2	67.8	56.6	16.5%	2,831.8	2.0%
12/31/2016	19.1	67.9	48.8	28.1%	1,276.0	3.8%

¹ The July 1, 2015, PEBB Plan actuarial valuation included notable changes from the previous valuation. The unfunded actuarial accrued liability is being amortized using the level dollar methodology over an open 1-year period. The prior actuarial valuation was amortized using a level percentage of payroll methodology over an open 15-year period. The general inflation rate used in development of other economic assumptions decreased to 2.5 percent from 2.75 percent. Based on recent experience and future expectations, future coverage assumptions have been decreased. Fifteen percent of active members are assumed to elect medical coverage and 12 percent are estimated to elect dental coverage upon retirement. The prior actuarial valuation estimated 20 percent of active members would elect medical coverage and 16 percent were assumed to elect dental coverage upon retirement. Fifty percent of spouses are assumed to maintain coverage after the participant's coverage ends on account of death or reaching age 65. The prior actuarial valuation estimated 100 percent of spouses would maintain coverage. The probability of lapsing (dropping) coverage has increased from 5 percent to 7 percent per year.

² The benefits of the Retiree Health Insurance Premium Account (RHIPA) are funded through a separate account within the Public Employees Retirement System (PERS) trust. The normal cost rates for RHIPA are very sensitive to the participation levels. According to the latest valuation report, the RHIPA funded status has improved since the prior valuation due primarily to employer contributions. Participation rates varied by service at decrement, increasing from 10 percent at eight years of service to 38 percent at 30 years of service. Rates reflecting the new structure are effective July 2017.

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

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

³ Differences due to rounding.

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Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

Agricultural Resources Fund

This fund accounts for programs related to the promotion, inspection, and regulation of the State's agricultural industry. Funding for these programs include licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Federal grants, donations, and transfers from other funds comprise the main funding sources for these programs.

Community Protection Fund

This fund accounts for a variety of activities that help to ensure the safety of the State's citizens and their property through the courts, police, military, and correctional facilities. The main funding sources for these programs include federal grants, fines, and state court fees.

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Public utilities taxes and business license fees comprise the main funding sources.

Employment Services Fund

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

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants provide the main source of revenue for these programs.

Residential Assistance Fund

This fund accounts for programs that help to meet the housing and energy needs of low-income Oregonians. Major funding sources include federal grants, senior citizen property tax repayments, and public utilities taxes.

Other Special Revenue Funds

This fund accounts for a variety of small programs that are funded mainly by federal grants and charges for services.

Debt Service Funds

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

Revenue Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term revenue bonds not reported in proprietary funds. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

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

General Obligation Bond Fund

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

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund

The permanent fund is used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs. These earnings provide funding for programs such as the upkeep on fish hatcheries, scholarship funds for injured workers, special library book purchases, and homes for the developmentally disabled.

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(In Thousands)**

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	\$ 31,424	\$ 67,193	\$ 440,441
Investments	-	23,992	-
Custodial Assets	-	-	-
Securities Lending Collateral	157	502	3,215
Accounts and Interest Receivable (net)	3,891	1,337	63,264
Taxes Receivable (net)	-	-	-
Due from Other Funds	1,207	8,323	27,744
Due from Component Units	-	-	-
Inventories	91	22	1,063
Prepaid Items	53	-	-
Net Contracts, Notes, and Other Receivables	6	55	155,670
Loans Receivable (net)	-	3,808	-
Other Assets	-	765	-
Total Assets	\$ 36,828	\$ 105,998	\$ 691,396
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 1,128	\$ 1,339	\$ 32,627
Obligations Under Securities Lending	157	502	3,215
Due to Other Funds	85	5	13,701
Due to Component Units	219	214	-
Due to Other Governments	-	1,341	2,615
Unearned Revenue	10	-	3,026
Custodial Liabilities	45	-	1,558
Contracts, Mortgages, and Notes Payable	-	-	3,000
Total Liabilities	1,644	3,401	59,742
Deferred Inflows of Resources:			
Unavailable Revenue	6	55	155,670
Total Deferred Inflows of Resources	6	55	155,670
Fund Balances:			
Nonspendable	170	23	1,125
Restricted by:			
Federal Laws and Regulations	28	16,758	9,345
Oregon Constitution	1,532	19,055	16,396
Enabling Legislation	30,042	7,183	29,298
Debt Covenants	-	19,623	235,996
Donors and Other External Parties	-	-	15,307
Committed	-	39,863	164,785
Assigned	3,407	37	3,732
Total Fund Balances	35,178	102,542	475,985
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 36,828	\$ 105,998	\$ 691,396

State of Oregon

Special Revenue Funds

Consumer Protection	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
\$ 149,991	\$ 163,306	\$ 1,141	\$ 142,407	\$ 13,101
-	170,956	-	15,007	-
13,420	-	-	-	-
1,156	3,702	12	1,108	97
5,722	54,777	21,531	5,766	326
9,471	10,520	-	2,990	-
1,519	1,319	-	4,529	171
-	7,765	-	-	-
57	1,169	-	122	1,112
1,697	256	-	4	397
2,674	60,458	84	38,063	-
-	-	-	202,792	-
-	-	-	-	-
\$ 185,708	\$ 474,228	\$ 22,767	\$ 412,788	\$ 15,205

\$ 2,343	\$ 16,167	\$ 15,635	\$ 6,499	\$ 464
1,156	3,702	12	1,108	97
9,856	9,010	180	207	442
-	10,471	-	-	-
5,185	305	3,120	3,093	-
-	-	128	189	-
13,575	600	-	-	12
-	-	-	-	-
32,115	40,255	19,074	11,095	1,015
2,674	60,760	84	38,063	-
2,674	60,760	84	38,063	-
1,750	1,527	-	126	431
156	85,533	2,746	46,515	6,242
-	-	-	-	-
119,149	165,732	864	68,193	4,507
-	-	-	26,069	133
876	-	-	25,361	1,744
28,985	118,115	-	173,381	1,102
2	2,306	-	23,986	30
150,919	373,213	3,610	363,630	14,189
\$ 185,708	\$ 474,228	\$ 22,767	\$ 412,788	\$ 15,205

(continued on next page)

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(In Thousands)**
(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
ASSETS			
Cash and Cash Equivalents	\$ 182,174	\$ 611	\$ 67,139
Investments	2,523	-	-
Custodial Assets	-	-	-
Securities Lending Collateral	-	-	-
Accounts and Interest Receivable (net)	-	-	481
Taxes Receivable (net)	-	-	-
Due from Other Funds	49,109	-	194
Due from Component Units	-	-	3,578
Inventories	-	-	-
Prepaid Items	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-
Loans Receivable (net)	-	-	-
Other Assets	-	-	-
Total Assets	\$ 233,807	\$ 611	\$ 71,391
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 20	\$ -	\$ 52
Obligations Under Securities Lending	-	-	-
Due to Other Funds	4,340	-	44
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Custodial Liabilities	255	-	85
Contracts, Mortgages, and Notes Payable	-	-	-
Total Liabilities	4,615	-	181
Deferred Inflows of Resources:			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable	-	-	-
Restricted by:			
Federal Laws and Regulations	-	-	-
Oregon Constitution	109,977	-	15
Enabling Legislation	-	-	-
Debt Covenants	119,214	611	71,108
Donors and Other External Party	-	-	-
Committed	-	-	-
Assigned	-	-	87
Total Fund Balances	229,192	611	71,210
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 233,807	\$ 611	\$ 71,391

<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
\$ 153,616	\$ 10,359	\$ 1,422,903
-	6,571	219,048
-	-	13,420
-	79	10,028
2,174	3	159,272
-	-	22,981
3,575	900	98,589
-	-	11,343
1,423	-	5,060
-	-	2,408
-	-	257,009
-	-	206,601
-	-	765
<u>\$ 160,788</u>	<u>\$ 17,912</u>	<u>\$ 2,429,426</u>
\$ 2,703	\$ 126	\$ 79,104
-	79	10,028
5,402	-	43,271
-	-	10,904
-	-	15,658
-	-	3,353
-	-	16,130
-	-	3,000
<u>8,105</u>	<u>204</u>	<u>181,447</u>
-	-	257,311
-	-	257,311
1,423	14,384	20,959
-	-	167,324
33,054	-	180,028
164	3,270	428,403
114,193	-	586,947
1,247	53	44,587
440	-	526,671
2,162	-	35,749
<u>152,683</u>	<u>17,707</u>	<u>1,990,668</u>
<u>\$ 160,788</u>	<u>\$ 17,912</u>	<u>\$ 2,429,426</u>

State of Oregon

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017
(In Thousands)**

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
REVENUES			
Employer-Employee Taxes	\$ -	\$ -	\$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	20,850	3,106	26,055
Federal	8,231	11,582	180,694
Rebates and Recoveries	137	53	327
Charges for Services	9,819	357	28,693
Fines, Forfeitures, and Penalties	57	9	108,516
Rents and Royalties	-	-	1,467
Investment Income	261	923	2,316
Sales	37	2,150	2,215
Assessments	-	-	-
Donations and Grants	402	17,177	2,165
Contributions to Permanent Funds	-	-	-
Settlement Activities	-	-	25,000
Other	343	558	10,969
Total Revenues	40,137	35,914	388,416
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	1,729
Public Safety	-	2,367	313,439
Economic and Community Development	-	74,800	15,974
Natural Resources	42,311	53	-
Transportation	-	-	11,782
Consumer and Business Services	-	-	-
Administration	-	3,012	6,289
Legislative	-	-	-
Judicial	-	-	68,493
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Other Debt Service	-	80	955
Total Expenditures	42,311	80,312	418,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,174)	(44,398)	(30,245)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	7,044	39,999	119,774
Transfers to Other Funds	(829)	(2,047)	(63,644)
Insurance Recoveries	-	-	25
Long-term Debt Issued	-	18,925	164,418
Debt Issuance Premium	-	949	28,685
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	6,215	57,826	249,258
Net Change in Fund Balances	4,042	13,428	219,012
Fund Balances - Beginning	31,141	89,118	257,587
Prior Period Adjustments	(3)	(6)	(588)
Fund Balances - Beginning - As Restated	31,138	89,112	256,998
Change in Inventories	(2)	2	(26)
Fund Balances - Ending	\$ 35,178	\$ 102,542	\$ 475,985

State of Oregon

Special Revenue Funds

Consumer Protection	Employment Services	Nutritional Support	Residential Assistance	Other Special Revenue
\$ -	\$ 93,887	\$ -	\$ -	\$ -
-	55,798	-	-	-
82,682	-	-	38,654	-
126,712	2,173	-	47	-
7,397	154,035	1,211,101	116,180	3,697
319	837	13,626	466	1
2,665	18,920	1,802	6,197	3,716
1,841	14,331	-	35	-
-	160	-	-	371
1,589	3,073	8	8,687	91
13	373	-	-	552
-	45,775	-	-	-
-	-	-	3,650	211
-	-	-	-	-
218	-	-	-	-
1,087	720	-	182	601
224,523	390,081	1,226,537	174,097	9,239
3,321	54,188	199,210	-	-
4,198	-	1,024,983	-	-
-	-	-	-	-
-	133,579	-	195,076	3,766
3,305	-	-	772	-
41	-	-	-	-
152,948	143,329	-	2,543	-
23,857	885	-	244	7,618
-	-	-	-	1,821
-	-	-	-	-
-	-	-	-	-
-	-	-	-	470
-	-	-	-	1,156
-	-	-	277	192
187,671	331,981	1,224,193	198,912	15,023
36,852	58,100	2,344	(24,814)	(5,784)
18,010	15	-	26,684	3,408
(41,937)	(54,607)	(2,457)	(4,490)	(480)
-	-	-	-	-
-	-	-	26,561	-
-	-	-	47	183
-	-	-	-	-
-	-	-	-	-
(23,927)	(54,592)	(2,457)	48,801	3,111
12,925	3,508	(113)	23,987	(2,673)
137,989	369,708	3,726	339,648	16,415
-	-	-	9	450
137,989	369,708	3,726	339,658	16,864
5	(3)	(3)	(14)	(2)
\$ 150,919	\$ 373,213	\$ 3,610	\$ 363,630	\$ 14,189

(continued on next page)

State of Oregon

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017
(In Thousands)**
(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
REVENUES			
Employer-Employee Taxes	\$ -	\$ -	\$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	-	-	-
Federal	10,070	2,495	-
Rebates and Recoveries	-	-	-
Charges for Services	-	-	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	-	-
Investment Income	1,735	23	1,872
Sales	-	-	-
Assessments	-	-	-
Donations and Grants	-	-	-
Contributions to Permanent Funds	-	-	-
Settlement Activities	-	-	-
Other	30	44	45,467
Total Revenues	11,835	2,561	47,338
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	-
Public Safety	-	-	-
Economic and Community Development	-	-	-
Natural Resources	-	-	-
Transportation	-	-	-
Consumer and Business Services	-	-	-
Administration	-	-	-
Legislative	-	-	-
Judicial	-	-	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	131,285	3,321	102,785
Interest	139,140	3,310	111,824
Other Debt Service	530	-	52
Total Expenditures	270,954	6,631	214,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(259,119)	(4,069)	(167,323)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	294,724	4,054	166,838
Transfers to Other Funds	(36,910)	-	(14,858)
Insurance Recoveries	-	-	-
Long-term Debt Issued	-	-	-
Debt Issuance Premium	28,849	-	1,991
Refunding Debt Issued	410,055	-	15,332
Refunded Debt Payment to Escrow Agent	(438,192)	-	(17,266)
Total Other Financing Sources (Uses)	258,525	4,054	152,037
Net Change in Fund Balances	(594)	(15)	(15,286)
Fund Balances - Beginning	229,785	626	86,505
Prior Period Adjustments	-	-	(9)
Fund Balances - Beginning - As Restated	229,785	626	86,495
Change in Inventories	-	-	-
Fund Balances - Ending	\$ 229,192	\$ 611	\$ 71,210

State of Oregon

Capital Projects	Permanent	Total
\$ -	\$ -	\$ 93,887
-	-	55,798
-	-	121,336
-	-	178,942
10,301	-	1,715,782
12	23	15,801
-	-	72,169
-	-	124,789
-	-	1,998
1,015	177	21,769
54	-	5,393
-	-	45,775
2,861	-	26,467
-	519	519
-	-	25,218
34	85	60,119
<u>14,279</u>	<u>803</u>	<u>2,565,761</u>
-	-	256,718
-	1,958	1,032,869
-	-	315,807
-	-	423,195
-	-	46,440
-	-	11,823
-	-	298,820
-	-	41,906
-	-	1,821
-	-	68,493
77,717	-	77,717
-	-	237,861
-	-	255,430
-	-	2,085
<u>77,717</u>	<u>1,958</u>	<u>3,070,985</u>
(63,439)	(1,155)	(505,224)
24,177	-	704,726
(22,777)	(17)	(245,053)
-	-	25
130,512	-	340,416
15,938	-	76,642
-	-	425,387
-	-	(455,459)
<u>147,851</u>	<u>(17)</u>	<u>846,685</u>
<u>84,412</u>	<u>(1,172)</u>	<u>341,461</u>
68,981	18,879	1,650,108
(710)	-	(858)
<u>68,271</u>	<u>18,879</u>	<u>1,649,251</u>
-	-	(43)
<u>\$ 152,683</u>	<u>\$ 17,707</u>	<u>\$ 1,990,668</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.

Business Development Fund

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

Special Public Works Fund

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

State Hospitals Fund

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

Liquor Control Fund

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

Standard Retiree Health Insurance Fund

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

Veterans' Home Fund

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

Water/Wastewater Financing Fund

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

Safe Drinking Water

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

Other Enterprise Funds

This fund is used to account for the sale of goods and services to other than governmental entities through activities not specifically accounted for in another enterprise fund. The fund includes programs within the following state agencies: the Department of Human Services, Oregon Business Development Department, the Department of Administrative Services, the Department of Corrections, the Department of Environmental Quality, the Department of Forestry, the Judicial Department, the Legislative Administration Committee, the Oregon State Treasury, Oregon Corrections Enterprises, the Oregon Facilities Authority, the Oregon Health Authority, and the Water Resources Department.

State of Oregon

**Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017
(In Thousands)**

	Energy Loan	Business Development	Special Public Works	State Hospitals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 9,092	\$ 23,908	\$ 86,416	\$ 11,187
Cash and Cash Equivalents - Restricted	11,457	-	-	-
Investments	-	-	10,824	-
Securities Lending Collateral	157	188	672	85
Accounts and Interest Receivable (net)	1,114	81	3,938	3,340
Due from Other Funds	-	-	-	9,631
Due from Component Units	5,946	-	-	-
Inventories	-	-	-	493
Prepaid Items	-	-	-	-
Foreclosed and Deeded Property	-	-	-	27
Total Current Assets	27,765	24,178	101,849	24,762
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	-	-	2,150	-
Advances to Other Funds	-	-	-	-
Advances to Component Units	97,307	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	-
Loans Receivable (net)	52,627	18,566	144,275	-
Capital Assets:				
Land	-	-	-	15
Buildings, Property, and Equipment	264	-	-	475,654
Construction in Progress	-	-	-	131
Infrastructure	-	-	-	3,661
Works of Art and Other Nondepreciable Assets	-	-	-	-
Less Accumulated Depreciation and Amortization	(264)	-	-	(59,359)
Total Noncurrent Assets	149,934	18,566	146,425	420,103
Total Assets	177,699	42,743	248,275	444,864
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	3,687	-	-	-
Related to Pensions	129	325	764	104,321
Total Deferred Outflows of Resources	3,815	325	764	104,321

State of Oregon

	Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$	38,968	\$ 41,950	\$ 16,453	\$ 34,559	\$ 127,041	\$ 59,232	\$ 448,806
	-	-	-	-	-	-	11,457
	-	-	-	-	-	-	10,824
	272	194	127	266	987	387	3,336
	280	24,778	5,617	1,831	1,560	3,979	46,517
	450	-	-	-	320	-	10,401
	-	-	-	-	-	316	6,262
	30,263	-	-	-	-	7,862	38,618
	-	-	-	-	-	286	286
	-	-	-	-	-	-	27
	70,233	66,922	22,197	36,656	129,908	72,061	576,532
	-	-	-	2,203	-	-	4,353
	-	-	-	-	-	19	19
	-	-	-	-	-	-	97,307
	-	-	229	-	-	-	229
	-	-	-	83,940	135,546	14,257	449,211
	1,481	-	4,648	-	-	3,280	9,424
	34,809	-	52,264	-	-	46,766	609,758
	-	-	817	-	-	1,591	2,539
	-	-	-	-	-	-	3,661
	25	-	107	-	-	-	132
	(16,054)	-	(8,842)	-	-	(30,348)	(114,867)
	20,262	-	49,223	86,143	135,546	35,564	1,061,767
	90,495	66,922	71,421	122,799	265,454	107,626	1,638,299
	-	-	-	-	-	-	3,687
	8,397	202	195	343	112	8,907	123,696
	8,397	202	195	343	112	8,907	127,383

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State of Oregon

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017
(In Thousands)
(continued from previous page)

	Energy Loan	Business Development	Special Public Works	State Hospitals
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	2,570	3	842	1,872
Obligations Under Securities Lending	157	188	672	85
Due to Other Funds	14	6	1	5,403
Due to Component Units	-	-	-	640
Due to Other Governments	-	-	-	-
Unearned Revenue	604	-	-	-
Compensated Absences Payable	11	36	63	7,437
Claims and Judgments Payable	-	-	-	-
Custodial Liabilities	-	-	-	-
Contracts, Mortgages, and Notes Payable	4	2	7	1,049
Bonds/COPs Payable	15,730	-	3,050	-
Obligations Under Capital Lease	-	-	-	-
Total Current Liabilities	19,090	235	4,635	16,486
Noncurrent Liabilities:				
Compensated Absences Payable	6	19	34	4,005
Custodial Liabilities	1,723	-	-	-
Contracts, Mortgages, and Notes Payable	86	47	149	21,263
Net Pension Liability	257	611	1,443	197,147
Bonds/COPs Payable	168,895	-	46,019	-
Net OPEB Obligation	14	7	24	3,701
Total Noncurrent Liabilities	170,980	684	47,668	226,115
Total Liabilities	190,071	919	52,303	242,601
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	2	6	14	1,873
Total Deferred Inflows of Resources	2	6	14	1,873
NET POSITION				
Net Investment in Capital Assets	-	-	-	420,103
Restricted for:				
Natural Resource Programs	-	-	-	-
Debt Service	3,075	-	1,498	-
Capital Projects	-	-	-	-
Unrestricted	(11,633)	42,144	195,225	(115,392)
Total Net Position	\$ (8,558)	\$ 42,144	\$ 196,723	\$ 304,711

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/Wastewater Financing	Safe Drinking Water	Other	Total
24,216	2,467	2,954	388	19	3,588	38,918
272	194	127	266	987	387	3,336
16,281	61	87	1	375	365	22,594
-	-	-	-	-	85	725
-	-	-	20	-	-	20
145	-	169	-	-	-	917
766	16	13	27	14	935	9,317
-	8,700	-	-	-	-	8,700
688	-	-	-	-	15,713	16,401
93	1	1	3	2	100	1,263
-	-	-	785	-	525	20,090
-	-	-	-	-	23	23
42,461	11,439	3,351	1,489	1,396	21,722	122,305
412	8	7	14	7	357	4,870
-	-	-	-	-	-	1,723
1,885	24	45	60	46	2,232	25,836
15,908	378	366	647	217	16,881	233,855
-	-	-	16,028	-	6,800	237,742
330	1	2	9	6	261	4,353
18,535	412	420	16,759	276	26,531	508,380
60,995	11,850	3,772	18,248	1,672	48,253	630,684
151	4	3	6	2	160	2,222
151	4	3	6	2	160	2,222
20,262	-	48,994	-	-	21,265	510,623
-	-	-	-	-	10	10
-	-	-	893	-	-	5,466
-	-	516	-	-	-	516
17,484	55,270	18,331	103,996	263,892	46,845	616,161
\$ 37,746	\$ 55,270	\$ 67,841	\$ 104,889	\$ 263,892	\$ 68,119	\$ 1,132,776

State of Oregon

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017
(In Thousands)**

	Energy Loan	Business Development	Special Public Works	State Hospitals
OPERATING REVENUES:				
Licenses and Fees	\$ 1	\$ -	\$ -	\$ -
Federal	-	-	-	-
Rebates and Recoveries	-	-	-	39
Charges for Services	-	30	-	93,387
Fines, Forfeitures, and Penalties	63	-	-	1
Rents and Royalties	-	72	-	34
Sales	-	-	-	684
Loan Interest Income	8,559	912	5,686	-
Other	1	219	482	536
Total Operating Revenues	8,623	1,233	6,168	94,681
OPERATING EXPENSES:				
Salaries and Wages	323	863	1,540	290,009
Services and Supplies	1,189	153	427	104,992
Cost of Goods Sold	-	-	-	-
Distributions to Other Governments	-	-	2,520	-
Special Payments	-	-	-	171
Bond and COP Interest	5,881	-	1,636	-
Depreciation and Amortization	-	-	-	11,486
Bad Debt Expense	523	-	-	-
Total Operating Expenses	7,917	1,016	6,122	406,658
Operating Income (Loss)	706	217	46	(311,977)
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	216	254	1,102	-
Other Taxes	-	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-	(234)
Insurance Recovery	-	-	-	-
Loan Interest Expense	-	-	-	-
Other Interest Expense	(6)	(4)	(11)	(1,597)
Other Nonoperating Items	(1)	(1)	(6)	-
Total Nonoperating Revenues (Expenses)	209	249	1,085	(1,830)
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	915	467	1,131	(313,807)
Capital Contributions	-	-	-	3,308
Transfers from Other Funds	-	-	58	298,916
Transfers to Other Funds	(188)	(114)	(6,924)	(9,846)
Change in Net Position	727	353	(5,735)	(21,429)
Net Position - Beginning	(8,762)	41,791	202,458	326,101
Prior Period Adjustments	(524)	-	-	39
Net Position - Beginning - As Restated	(9,285)	41,791	202,458	326,140
Net Position - Ending	\$ (8,558)	\$ 42,144	\$ 196,723	\$ 304,711

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/Wastewater Financing	Safe Drinking Water	Other	Total
\$ 5,080	\$ -	\$ -	\$ -	\$ -	\$ 3,047	\$ 8,127
-	-	20,326	-	-	-	20,326
1	-	-	-	-	-	40
-	128,963	19,061	-	-	26,120	267,562
356	-	-	-	-	18	438
-	-	20	-	-	-	126
598,852	-	-	-	-	26,013	625,549
-	-	-	3,255	3,250	389	22,052
301	28,211	92	1	-	1,476	31,317
604,589	157,173	39,499	3,256	3,250	57,063	975,536
20,239	559	431	618	300	7,469	322,350
64,456	15,970	33,843	163	13	16,105	237,311
296,816	-	-	-	-	28,056	324,872
64,443	-	-	2,362	97	1,373	70,794
319	133,101	-	-	5,659	280	139,530
-	-	-	991	-	41	8,550
870	-	1,382	-	-	2,090	15,828
-	-	-	-	-	-	523
447,143	149,630	35,656	4,134	6,068	55,413	1,119,758
157,446	7,543	3,843	(879)	(2,818)	1,650	(144,221)
-	380	165	294	1,205	131	3,747
18,819	-	-	-	-	-	18,819
18	-	(53)	-	-	(257)	(526)
32	-	-	-	-	-	32
-	-	-	-	-	(4)	(4)
(141)	(2)	(2)	(5)	(3)	(152)	(1,923)
-	(1)	-	(1)	(3)	-	(13)
18,728	377	110	289	1,199	(282)	20,133
176,174	7,920	3,953	(590)	(1,619)	1,368	(124,089)
-	-	975	-	-	-	4,283
450	47,371	74	5,514	12,624	72	365,079
(177,038)	(21)	(15)	(825)	(387)	(51,105)	(246,462)
(414)	55,270	4,987	4,100	10,617	(49,665)	(1,188)
41,224	-	62,854	100,789	253,274	117,784	1,137,513
(3,064)	-	-	-	-	-	(3,549)
38,160	-	62,854	100,789	253,274	117,784	1,133,964
\$ 37,746	\$ 55,270	\$ 67,841	\$ 104,889	\$ 263,892	\$ 68,119	\$ 1,132,776

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017
(In Thousands)**

	Energy Loan	Business Development	Special Public Works
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 63	\$ 95	\$ -
Receipts from Other Funds for Services	-	-	-
Payments to Employees for Services	(345)	(731)	(1,376)
Payments to Suppliers	(187)	(41)	(116)
Payments to Other Funds for Services	(85)	(133)	(257)
Claims Paid	-	-	-
Distributions to Other Governments	-	-	(2,747)
Other Receipts (Payments)	(6)	1	1
Net Cash Provided (Used) in Operating Activities	<u>(559)</u>	<u>(809)</u>	<u>(4,494)</u>
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	72,214	-	18,836
Principal Payments on Bonds/COPs	(89,981)	-	(4,710)
Principal Payments on Loans	(4)	(2)	(7)
Interest Payments on Bonds/COPs	(6,973)	-	(1,561)
Interest Payments on Loans	(6)	(4)	(11)
Bond/COP Issuance Costs	(387)	-	(72)
Taxes and Assessments Received	-	-	-
Insurance Recoveries for Other than Capital Assets	-	-	-
Transfers from Other Funds	-	-	58
Transfers to Other Funds	(189)	(114)	(6,924)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(25,326)</u>	<u>(120)</u>	<u>5,608</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	-	-	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:			
Interest on Investments and Cash Balances	215	253	997
Interest Income from Securities Lending	1	1	9
Interest Expense from Securities Lending	(1)	(1)	(6)
Loan Principal Repayments	13,634	3,950	18,655
Loan Interest Received	8,794	910	5,422
Loans Made	-	(1,368)	(20,739)
Net Cash Provided (Used) in Investing Activities	<u>22,643</u>	<u>3,744</u>	<u>4,337</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,242)</u>	<u>2,815</u>	<u>5,451</u>
Cash and Cash Equivalents - Beginning	<u>23,791</u>	<u>21,093</u>	<u>83,115</u>
Cash and Cash Equivalents - Ending	\$ 20,549	\$ 23,908	\$ 88,566

State of Oregon

State Hospitals	Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 17,988	\$ 604,513	\$ 171,799	\$ 38,023	\$ -	\$ -	\$ 52,760	\$ 885,241
82,235	-	-	-	-	-	3,649	85,884
(265,168)	(18,823)	(512)	(436)	(584)	(274)	(22,073)	(310,322)
(108,246)	(357,419)	(15,896)	(32,309)	(34)	(4)	(24,724)	(538,979)
(1,734)	(4,336)	(57)	(1,322)	(128)	(8)	(1,889)	(9,949)
-	-	(133,601)	-	-	-	-	(133,601)
-	(63,178)	-	-	(3,186)	(111)	(1,285)	(70,507)
(262)	(155)	(4,356)	92	1	-	7,651	2,967
(275,187)	160,601	17,377	4,048	(3,933)	(397)	14,088	(89,265)
-	-	-	-	-	-	7,325	98,375
-	-	-	-	(4,735)	-	-	(99,426)
(1,049)	(93)	(1)	(1)	(3)	(2)	(100)	(1,263)
-	-	-	-	(1,086)	-	-	(9,620)
(1,597)	(141)	(2)	(2)	(5)	(3)	(152)	(1,923)
-	-	-	-	-	-	(28)	(487)
-	18,811	-	-	-	-	-	18,811
-	32	-	-	-	-	-	32
297,620	4,869	24,218	74	5,514	12,996	-	345,349
(8,553)	(177,981)	(21)	(15)	(825)	(12)	(27,822)	(222,455)
286,422	(154,504)	24,194	56	(1,138)	12,978	(20,777)	127,394
(497)	(6,564)	-	(1,760)	-	-	(3,851)	(12,671)
-	-	-	-	-	-	(277)	(277)
-	18	-	-	-	-	-	18
-	-	-	665	-	-	-	665
(497)	(6,546)	-	(1,095)	-	-	(4,128)	(12,265)
-	-	378	164	293	1,200	576	4,077
-	-	1	1	1	5	-	19
-	-	(1)	-	(1)	(3)	-	(13)
-	-	-	-	10,646	32,851	1,047	80,781
-	-	-	-	3,377	3,753	385	22,640
-	-	-	-	(4,759)	(16,582)	(1,678)	(45,125)
-	-	379	164	9,557	21,224	330	62,379
10,739	(448)	41,950	3,173	4,486	33,806	(10,487)	88,243
448	39,416	-	13,280	32,276	93,235	69,719	376,374
\$ 11,187	\$ 38,968	\$ 41,950	\$ 16,453	\$ 36,762	\$ 127,041	\$ 59,232	\$ 464,617

(continued on next page)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017
(In Thousands)
(continued from previous page)

	Energy Loan	Business Development	Special Public Works
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 706	\$ 217	\$ 46
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	-	-	-
Amortization of Bond/COP Premium and Discount	(778)	-	13
Bad Debt Expense	523	-	-
Interest Receipts Reported as Operating Revenue	(8,794)	(910)	(5,422)
Interest Payments Reported as Operating Expense	6,973	-	1,561
Bond/COP Issuance Costs Reported as Operating Expense	387	-	72
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	334	(29)	142
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Loans Receivable (net)	-	(218)	(887)
Accounts and Interest Payable	156	(7)	37
Due to Other Funds	-	3	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	(227)
Unearned Revenue	(99)	-	-
Matured Bonds/COPs and Coupons Payable	-	-	-
Compensated Absences Payable	5	3	6
Claims and Judgments Payable	-	-	-
Custodial Liabilities	(7)	-	-
Contracts, Mortgages, and Notes Payable	-	-	-
Net Pension Liability	99	448	906
Net OPEB Obligation	-	-	1
Net Changes in Deferred Outflows of Resources:			
Loss on Refunding	58	-	-
Difference Between Expected and Actual Economic Experience	-	(11)	(19)
Changes in Assumptions	(55)	(130)	(308)
Net Difference Between Projected and Actual Earnings on Investments	(51)	(121)	(285)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(3)	(11)	(23)
Contributions Subsequent to the Measurement Date	20	(10)	9
Net Changes in Deferred Inflows of Resources:			
Net Difference Between Projected and Actual Earnings on Investments	(33)	(34)	(113)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(3)	-	(4)
Total Adjustments	(1,265)	(1,027)	(4,540)
Net Cash Provided (Used) by Operating Activities	\$ (559)	\$ (809)	\$ (4,494)
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ -	\$ -	\$ (97)
Capital Assets Transferred from Governmental Funds	-	-	-
Advanced Debt Refundings Deposited with Escrow Agent	71,808	-	-

State of Oregon

State Hospitals	Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ (311,977)	\$ 157,446	\$ 7,543	\$ 3,843	\$ (879)	\$ (2,818)	\$ 1,650	\$ (144,221)
11,486	870	-	1,382	-	-	2,090	15,828
-	-	-	-	10	-	-	(754)
-	-	-	-	-	-	-	523
-	-	-	-	(3,377)	(3,753)	(385)	(22,640)
-	-	-	-	1,086	-	-	9,620
-	-	-	-	-	-	28	487
(1,373)	304	13,408	(1,407)	122	503	(757)	11,247
6,977	-	1,217	-	-	-	3	8,198
25	(539)	-	-	-	-	(357)	(871)
-	-	-	-	-	-	2	2
-	-	-	-	-	5,659	62	4,616
(92)	1,366	(4,359)	196	(352)	(2)	872	(2,187)
(5,754)	(56)	(23)	(18)	1	-	29	(5,819)
244	-	-	-	-	-	85	329
-	-	-	-	(580)	-	-	(807)
-	(88)	-	23	-	-	-	(165)
-	-	-	-	-	-	(58)	(58)
730	36	24	(13)	1	5	225	1,022
-	-	(500)	-	-	-	-	(500)
(3)	(137)	-	-	-	-	8,806	8,660
-	-	-	11	-	-	-	11
125,837	9,544	265	221	369	118	10,438	148,245
138	10	(1)	-	-	-	9	158
-	-	-	-	-	-	-	58
(2,677)	(183)	(6)	(4)	(6)	(2)	(211)	(3,120)
(42,047)	(3,393)	(81)	(78)	(138)	(46)	(3,600)	(49,876)
(38,948)	(3,143)	(75)	(72)	(128)	(43)	(3,335)	(46,200)
(3,216)	(244)	(7)	(6)	(9)	(3)	(267)	(3,788)
951	207	(4)	3	10	8	168	1,360
(14,948)	(1,334)	(24)	(30)	(58)	(21)	(1,351)	(17,946)
(541)	(64)	-	(1)	(3)	(1)	(58)	(676)
36,790	3,155	9,834	204	(3,054)	2,421	12,438	54,957
\$ (275,187)	\$ 160,601	\$ 17,377	\$ 4,048	\$ (3,933)	\$ (397)	\$ 14,088	\$ (89,265)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (97)
3,308	-	-	-	-	-	-	3,308
-	-	-	-	-	-	-	71,808

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Internal Service Funds

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

Central Services Fund

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

Legal Services Fund

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

Banking Services Fund

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

Audit Services Fund

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

Forestry Services Fund

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

Health Services Fund

This fund accounts, primarily, for the activities of the Public Employees' Benefit Board, through the Oregon Health Authority, to provide health care benefits and related services for the employees of state agencies.

Other Internal Service Funds

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

State of Oregon

**Combining Statement of Net Position
Internal Service Funds
June 30, 2017
(In Thousands)**

	Central Services	Legal Services	Banking Services	Audit Services	Forestry Services
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 123,117	\$ 13,484	\$ 5,907	\$ 2,720	\$ 7,717
Securities Lending Collateral	1,415	103	48	18	61
Accounts and Interest Receivable (net)	48,296	8,456	3,815	636	606
Due from Other Funds	348	2,429	230	-	4
Inventories	824	134	-	-	196
Prepaid Items	1,706	-	17	100	-
Total Current Assets	<u>175,706</u>	<u>24,606</u>	<u>10,017</u>	<u>3,474</u>	<u>8,583</u>
Noncurrent Assets:					
Cash and Cash Equivalents - Restricted	3,981	-	-	-	-
Investments - Restricted	78,124	-	-	-	-
Advances to Other Funds	1,418	-	-	-	-
Net Contracts, Notes, and Other Receivables	-	5	-	-	-
Capital Assets:					
Land	10,317	-	-	-	-
Buildings, Property, and Equipment	574,412	7,041	3,148	440	23,326
Construction in Progress	6,487	232	508	9	-
Infrastructure	767	-	-	-	-
Works of Art and Other Nondepreciable Assets	215	-	-	-	-
Less Accumulated Depreciation and Amortization	(322,065)	(5,190)	(2,291)	(432)	(16,284)
Total Noncurrent Assets	<u>353,655</u>	<u>2,088</u>	<u>1,365</u>	<u>17</u>	<u>7,042</u>
Total Assets	<u>529,361</u>	<u>26,694</u>	<u>11,382</u>	<u>3,491</u>	<u>15,625</u>
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Refunding	1,251	-	-	-	-
Related to Pensions	36,936	31,443	6,440	3,085	925
Total Deferred Outflows of Resources	<u>38,187</u>	<u>31,443</u>	<u>6,440</u>	<u>3,085</u>	<u>925</u>
LIABILITIES					
Current Liabilities:					
Accounts and Interest Payable	23,300	974	1,556	105	332
Obligations Under Securities Lending	1,415	103	48	18	61
Due to Other Funds	21	7	-	12	-
Unearned Revenue	-	2	-	-	-
Compensated Absences Payable	3,778	3,627	734	306	123
Claims and Judgments Payable	48,127	-	-	-	-
Arbitrage Rebate Payable	5	-	-	-	-
Custodial Liabilities	1,400	304	-	-	-
Contracts, Mortgages, and Notes Payable	5,169	336	58	34	10
Bonds/COPs Payable	5,308	-	-	-	-
Obligations Under Capital Lease	1,948	-	-	-	-
Total Current Liabilities	<u>90,472</u>	<u>5,353</u>	<u>2,397</u>	<u>475</u>	<u>526</u>
Noncurrent Liabilities:					
Compensated Absences Payable	2,035	1,953	395	165	66
Claims and Judgments Payable	139,983	-	-	-	-
Custodial Liabilities	3,271	-	-	-	-
Contracts, Mortgages, and Notes Payable	23,048	6,811	1,171	695	210
Net Pension Liability	69,848	59,513	12,138	5,844	1,753
Bonds/COPs Payable	63,094	-	-	-	-
Obligations Under Capital Lease	917	-	-	-	-
Advances from Other Funds	19	-	-	-	-
Net OPEB Obligation	1,121	862	121	90	43
Total Noncurrent Liabilities	<u>303,336</u>	<u>69,138</u>	<u>13,826</u>	<u>6,794</u>	<u>2,072</u>
Total Liabilities	<u>393,808</u>	<u>74,491</u>	<u>16,222</u>	<u>7,269</u>	<u>2,597</u>
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	664	565	115	56	17
Total Deferred Inflows of Resources	<u>664</u>	<u>565</u>	<u>115</u>	<u>56</u>	<u>17</u>
NET POSITION					
Net Investment in Capital Assets	200,116	2,083	1,365	17	7,042
Unrestricted	(27,040)	(19,003)	119	(766)	6,894
Total Net Position	<u>\$ 173,076</u>	<u>\$ (16,920)</u>	<u>\$ 1,484</u>	<u>\$ (749)</u>	<u>\$ 13,936</u>

State of Oregon

Health Services	Other	Total
\$ 361,340	\$ 2,662	\$ 516,946
2,282	18	3,945
949	139	62,896
15,858	-	18,870
24	9	1,188
-	13	1,836
<u>380,454</u>	<u>2,842</u>	<u>605,682</u>
-	-	3,981
-	-	78,124
-	-	1,418
-	-	5
-	-	10,317
97	8,120	616,583
-	-	7,236
-	-	767
-	-	215
(92)	(4,318)	(350,672)
<u>5</u>	<u>3,802</u>	<u>367,974</u>
<u>380,459</u>	<u>6,643</u>	<u>973,655</u>
-	-	1,251
<u>53,661</u>	<u>825</u>	<u>133,315</u>
<u>53,661</u>	<u>825</u>	<u>134,565</u>
12,641	505	39,414
2,282	18	3,945
13,461	22	13,523
37,868	-	37,870
4,467	6	13,041
-	-	48,127
-	-	5
16,727	-	18,432
9	-	5,617
-	-	5,308
-	-	1,948
<u>87,456</u>	<u>551</u>	<u>187,229</u>
2,405	3	7,022
56,657	-	196,640
-	-	3,271
189	-	32,124
98,944	1,521	249,562
-	-	63,094
-	-	917
-	-	19
62	-	2,299
<u>158,257</u>	<u>1,525</u>	<u>554,947</u>
<u>245,713</u>	<u>2,076</u>	<u>742,177</u>
940	14	2,371
<u>940</u>	<u>14</u>	<u>2,371</u>
5	3,802	214,429
187,462	1,577	149,243
<u>\$ 187,467</u>	<u>\$ 5,378</u>	<u>\$ 363,673</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)

	Central Services	Legal Services	Banking Services
OPERATING REVENUES:			
Rebates and Recoveries	\$ 782	\$ 8	\$ 8
Charges for Services	276,755	83,311	23,375
Fines, Forfeitures, and Penalties	-	61	-
Rents and Royalties	42,369	-	-
Sales	3,181	12	-
Other	780	21	165
Total Operating Revenues	<u>323,867</u>	<u>83,413</u>	<u>23,547</u>
OPERATING EXPENSES:			
Salaries and Wages	93,735	76,799	18,454
Services and Supplies	197,173	14,092	7,309
Cost of Goods Sold	652	-	-
Special Payments	-	-	-
Bond and COP Interest	2,460	-	-
Depreciation and Amortization	26,801	664	208
Total Operating Expenses	<u>320,821</u>	<u>91,554</u>	<u>25,971</u>
Operating Income (Loss)	<u>3,047</u>	<u>(8,141)</u>	<u>(2,424)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	2,335	-	-
Gain (Loss) on Disposition of Assets	(13,084)	-	-
Insurance Recovery	416	-	-
Settlement Activities	68	-	-
Loan Interest Income	31	-	-
Loan Interest Expense	(394)	-	-
Other Interest Expense	(580)	(511)	(88)
Other Nonoperating Items	(1,005)	-	-
Total Nonoperating Revenues (Expenses)	<u>(12,213)</u>	<u>(511)</u>	<u>(88)</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	(9,166)	(8,652)	(2,512)
Capital Contributions	54	-	-
Transfers from Other Funds	3,580	11	736
Transfers to Other Funds	(10,399)	(2,867)	(701)
Change in Net Position	<u>(15,931)</u>	<u>(11,508)</u>	<u>(2,477)</u>
Net Position - Beginning	189,022	(5,411)	3,748
Prior Period Adjustments	(15)	-	213
Net Position - Beginning - As Restated	<u>189,008</u>	<u>(5,411)</u>	<u>3,961</u>
Net Position - Ending	<u>\$ 173,076</u>	<u>\$ (16,920)</u>	<u>\$ 1,484</u>

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ -	\$ -	\$ 12,465	\$ 250	\$ 13,513
11,574	2,772	814,218	2,786	1,214,790
-	-	960	-	1,022
-	3,640	-	-	46,009
-	239	-	3	3,435
-	-	431	9	1,405
11,574	6,652	828,074	3,047	1,280,174
7,526	2,408	137,482	1,956	338,361
1,558	2,918	700,115	1,295	924,461
-	-	-	-	652
-	-	6,934	-	6,934
-	-	-	-	2,460
4	1,811	10	663	30,161
9,088	7,138	844,541	3,915	1,303,028
2,485	(486)	(16,467)	(868)	(22,854)
-	-	4,759	-	7,094
-	244	-	(26)	(12,866)
-	-	-	42	458
-	-	-	-	68
-	-	-	-	31
-	-	-	-	(394)
(52)	(16)	(14)	-	(1,262)
-	-	-	-	(1,005)
(52)	228	4,745	16	(7,875)
2,433	(258)	(11,722)	(852)	(30,729)
-	-	-	-	54
300	139	26	-	4,792
(3,342)	(1,049)	(4,871)	(557)	(23,786)
(609)	(1,169)	(16,567)	(1,408)	(49,670)
(140)	15,105	204,052	6,786	413,162
-	-	(18)	-	180
(140)	15,105	204,034	6,786	413,342
\$ (749)	\$ 13,936	\$ 187,467	\$ 5,378	\$ 363,673

State of Oregon

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)**

	Central Services	Legal Services	Banking Services
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 43,450	\$ 6,813	\$ -
Receipts from Other Funds for Services	274,503	86,789	22,304
Payments to Employees for Services	(85,038)	(69,094)	(16,850)
Payments to Suppliers	(88,165)	(10,535)	(5,096)
Payments to Other Funds for Services	(33,999)	(12,541)	(1,694)
Claims Paid	(48,866)	-	-
Other Receipts (Payments)	(12,781)	722	(847)
Net Cash Provided (Used) in Operating Activities	<u>49,104</u>	<u>2,153</u>	<u>(2,183)</u>
Cash Flows from Noncapital Financing Activities:			
Principal Payments on Loans	(1,654)	(336)	(58)
Interest Payments on Loans	(787)	(511)	(88)
Transfers from Other Funds	2,512	11	501
Transfers to Other Funds	(10,399)	(2,867)	(384)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(10,328)</u>	<u>(3,703)</u>	<u>(29)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPs	(4,997)	-	-
Principal Payments on Loans	(2,047)	-	-
Interest Payments on Bonds/COPs	(2,945)	-	-
Interest Payments on Loans	(197)	-	-
Acquisition of Capital Assets	(21,462)	(662)	(416)
Payments on Capital Leases	(2,583)	-	-
Proceeds from Disposition of Capital Assets	871	-	-
Insurance Recoveries for Capital Assets	416	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(32,944)</u>	<u>(662)</u>	<u>(416)</u>
Cash Flows from Investing Activities:			
Purchases of Investments	(22,191)	-	-
Proceeds from Sales and Maturities of Investments	9,062	-	-
Interest on Investments and Cash Balances	3,472	-	-
Interest Income from Securities Lending	7	-	-
Interest Expense from Securities Lending	(5)	-	-
Loan Principal Repayments	100	-	-
Loan Interest Received	31	-	-
Net Cash Provided (Used) in Investing Activities	<u>(9,523)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,691)</u>	<u>(2,213)</u>	<u>(2,628)</u>
Cash and Cash Equivalents - Beginning	130,789	15,696	8,534
Cash and Cash Equivalents - Ending	<u>\$ 127,098</u>	<u>\$ 13,484</u>	<u>\$ 5,907</u>

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ 50,263
11,328	6,915	1,158,224	3,032	1,563,095
(6,840)	(2,249)	(139,270)	(1,266)	(320,606)
(940)	(2,480)	(300,485)	(825)	(408,526)
(694)	(530)	(9,618)	(363)	(59,438)
-	-	(637,484)	-	(686,350)
-	-	(19,175)	-	(32,081)
2,855	1,658	52,192	578	106,357
(34)	(10)	(9)	-	(2,101)
(52)	(16)	(14)	-	(1,468)
300	135	-	-	3,459
(3,342)	(1,049)	(124,867)	(565)	(143,475)
(3,129)	(940)	(124,890)	(565)	(143,585)
-	-	-	-	(4,997)
-	-	-	-	(2,047)
-	-	-	-	(2,945)
-	-	-	-	(197)
-	(2,346)	-	(365)	(25,252)
-	-	-	-	(2,583)
-	227	-	43	1,141
-	-	-	42	458
-	(2,119)	-	(280)	(36,422)
-	-	-	-	(22,191)
-	-	-	-	9,062
-	-	4,740	-	8,212
-	-	-	-	7
-	-	-	-	(5)
-	-	-	-	100
-	-	-	-	31
-	-	4,740	-	(4,783)
(274)	(1,402)	(67,958)	(267)	(78,433)
2,993	9,119	429,299	2,929	599,360
\$ 2,720	\$ 7,717	\$ 361,340	\$ 2,662	\$ 520,927

(continued on next page)

State of Oregon

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)**
(continued from previous page)

	Central Services	Legal Services	Banking Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 3,047	\$ (8,141)	\$ (2,424)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	26,801	664	208
Amortization of Bond/COP Premium and Discount	(852)	-	-
Interest Payments Reported as Operating Expense	2,945	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	(9,903)	1,738	(2,112)
Due from Other Funds	-	516	-
Due from Component Units	-	-	-
Inventories	(21)	(34)	-
Prepaid Items	(1)	-	(17)
Net Contracts, Notes, and Other Receivables	-	(3)	-
Accounts and Interest Payable	6,124	(465)	490
Due to Other Funds	21	(71)	-
Unearned Revenue	(754)	(121)	-
Compensated Absences Payable	246	323	78
Claims and Judgments Payable	17,548	-	-
Custodial Liabilities	(8,976)	295	-
Contracts, Mortgages, and Notes Payable	3,033	-	-
Net Pension Liability	45,327	37,994	7,852
Net OPEB Obligation	37	26	5
Net Changes in Deferred Outflows of Resources:			
Loss on Refunding	404	-	-
Difference Between Expected and Actual Economic Experience	(989)	(809)	(170)
Changes in Assumptions	(14,897)	(12,693)	(2,589)
Net Difference Between Projected and Actual Earnings on Investments	(13,799)	(11,757)	(2,398)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(1,158)	(971)	(201)
Contributions Subsequent to the Measurement Date	228	335	23
Net Changes in Deferred Inflows of Resources:			
Net Difference Between Projected and Actual Earnings on Investments	(5,140)	(4,511)	(898)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(167)	(163)	(30)
Total Adjustments	46,057	10,294	241
Net Cash Provided (Used) by Operating Activities	<u>\$ 49,104</u>	<u>\$ 2,153</u>	<u>\$ (2,183)</u>
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ (1,240)	\$ -	\$ -
Capital Assets Transferred from Governmental Funds	54	-	-
Capital Assets Transferred to Governmental Funds	1,000	-	-
Noncash Assets Received Pursuant to Settlement Activities	68	-	-
Noncash Assets Exchanged for Other Liabilities	1,561	-	-

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ 2,485	\$ (486)	\$ (16,467)	\$ (868)	\$ (22,854)
4	1,811	10	663	30,161
-	-	-	-	(852)
-	-	-	-	2,945
(396)	239	1,253	(15)	(9,196)
-	-	(3,309)	1	(2,793)
150	-	-	-	150
-	(20)	(6)	2	(78)
(71)	-	-	3	(87)
-	-	-	-	(3)
(22)	(28)	592	82	6,773
12	-	9,742	-	9,703
-	-	37,868	-	36,993
66	7	483	-	1,204
-	-	(7,061)	-	10,487
-	-	16,531	-	7,850
-	-	-	-	3,033
3,621	1,031	64,724	1,521	162,070
3	1	62	-	134
-	-	-	-	404
(73)	(19)	(1,428)	(50)	(3,539)
(1,246)	(374)	(21,102)	(324)	(53,226)
(1,155)	(346)	(19,547)	(300)	(49,303)
(93)	(26)	(1,654)	(39)	(4,142)
56	27	(1,106)	(111)	(549)
(466)	(151)	(7,173)	-	(18,340)
(20)	(8)	(218)	14	(591)
370	2,144	68,659	1,446	129,210
\$ 2,855	\$ 1,658	\$ 52,192	\$ 578	\$ 106,357

\$ -	\$ -	\$ -	\$ -	\$ (1,240)
-	-	-	-	54
-	-	-	-	1,000
-	-	-	-	68
-	-	-	-	1,561

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Fiduciary Funds

Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

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

Public Employees Defined Benefit Pension Plan Fund

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

Individual Account Program Defined Contribution Pension Plan Fund

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

Other Employee Benefit Trust Funds

Other employee benefit trust funds account for the transactions, assets, liabilities, and net position held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of postemployment healthcare benefits and deferred compensation to members of the retirement system.

Retirement Health Insurance Account (RHIA) OPEB Plan Fund

This fund accounts for the activities of the RHIA cost-sharing, multiple-employer other postemployment benefit (OPEB) plan administered by PERS for units of state government, political subdivisions, community colleges, and school districts. The RHIA is a defined benefit OPEB plan established pursuant to section 401(h) of the Internal Revenue Code. The plan authorizes a payment of up to \$60 towards the monthly cost of health insurance for eligible PERS members participating in PERS-sponsored health insurance plans. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund

This fund accounts for the activities of the RHIPA single-employer OPEB plan administered by PERS. The RHIPA is a defined benefit OPEB plan established pursuant to Section 401(h) of the Internal Revenue Code. The plan authorizes payment to eligible retired state employees of the average difference between the health insurance premiums paid by retirees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Deferred Compensation Plan Fund

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

**Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2017
(In Thousands)**

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ASSETS		
Cash and Cash Equivalents	\$ 2,786,911	\$ 337,268
Investments:		
Fixed Income	12,929,016	1,653,831
Public Equity	25,419,900	3,176,905
Real Estate	7,674,327	981,671
Private Equity	13,218,510	1,690,862
Alternative Equity	3,642,982	465,996
Opportunity Portfolio	1,397,567	178,771
Total Investments	<u>64,282,301</u>	<u>8,148,037</u>
Securities Lending Collateral	1,447,743	185,211
Receivables:		
Employer Contributions	63,109	-
Plan Member Contributions	-	13,815
Interest and Dividends	122,014	19,195
Member Loans	-	-
Investment Sales	1,470,534	182,210
Transitional Liability	537,321	-
From Other Funds	1,047	9,007
Total Receivables	<u>2,194,024</u>	<u>224,227</u>
Prepaid Items	8,358	-
Capital Assets (net of \$23,356 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	28,444	308
Total Assets	<u>70,748,726</u>	<u>8,895,051</u>
Accounts and Interest Payable	2,886,715	320,542
Obligations Under Securities Lending	1,448,180	185,267
Due to Other Funds	9,957	789
Unearned Revenue	268	-
Custodial Liabilities	31,474	21,451
Net OPEB Obligation	427	92
Total Liabilities	<u>4,377,022</u>	<u>528,141</u>
NET POSITION		
Restricted - Held in Trust for:		
Pension Benefits	66,371,703	8,366,910
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Position	<u>\$ 66,371,703</u>	<u>\$ 8,366,910</u>

State of Oregon

Other Employee Benefit Trust Funds

Other Postemployment Benefits

Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
\$ 23,518	\$ 1,876	\$ 59,010	\$ 3,208,583
101,668	3,940	280,085	14,968,540
195,297	7,569	1,426,199	30,225,870
60,347	2,339	-	8,718,684
103,944	4,028	-	15,017,345
28,647	1,110	-	4,138,735
10,990	426	-	1,587,754
500,893	19,412	1,706,284	74,656,928
11,397	445	29	1,644,824
1,785	3,275	-	68,168
-	-	-	13,815
959	37	403	142,608
-	-	11,919	11,919
11,281	478	113	1,664,616
-	-	-	537,321
902	48	-	11,004
14,928	3,838	12,434	2,449,451
56	2	-	8,416
-	-	-	944
-	-	-	28,752
550,792	25,574	1,777,756	81,997,898
22,473	770	711	3,231,211
11,400	445	29	1,645,322
29	27	141	10,943
-	-	6,752	7,020
5,109	34	-	58,068
1	1	14	536
39,012	1,278	7,646	4,953,099
-	-	-	74,738,613
511,780	24,296	-	536,076
-	-	1,770,110	1,770,110
\$ 511,780	\$ 24,296	\$ 1,770,110	\$ 77,044,799

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2017
(In Thousands)**

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ADDITIONS		
Contributions:		
Employer	\$ 1,022,201	\$ -
Plan Members	13,178	605,277
Total Contributions	<u>1,035,379</u>	<u>605,277</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	6,778,800	837,940
Interest, Dividends, and Other Investment Income	1,503,917	189,249
Total Investment Income	<u>8,282,717</u>	<u>1,027,190</u>
Less Investment Expense	626,722	79,281
Net Investment Income	<u>7,655,995</u>	<u>947,908</u>
Other Income	4,061	452
Total Additions	<u>8,695,435</u>	<u>1,553,638</u>
DEDUCTIONS		
Benefits	4,341,598	417,119
Death Benefits	4,685	-
Contributions Refunded	15,962	-
Healthcare Premium Subsidies	-	-
Administrative Expenses	43,546	9,481
Total Deductions	<u>4,405,791</u>	<u>426,600</u>
Change in Net Position Held in Trust For:		
Pension Benefits	4,289,644	1,127,038
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Position - Beginning	<u>62,082,059</u>	<u>7,239,872</u>
Net Position - Ending	<u>\$ 66,371,703</u>	<u>\$ 8,366,910</u>

Other Employee Benefit Trust Funds

Other Postemployment Benefits

Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Deferred Compensation Plan	Total
\$ 49,786	\$ 11,864	\$ -	\$ 1,083,851
-	-	121,702	740,157
49,786	11,864	121,702	1,824,008
50,965	1,802	182,191	7,851,697
11,419	401	9,318	1,714,304
62,384	2,203	191,509	9,566,001
4,817	175	3,727	714,723
57,566	2,028	187,782	8,851,278
-	-	1,260	5,773
107,352	13,891	310,743	10,681,059
-	-	97,090	4,855,807
-	-	-	4,685
-	-	-	15,962
31,187	4,328	-	35,515
1,288	286	1,331	55,932
32,475	4,614	98,420	4,967,900
-	-	-	5,416,682
74,877	9,277	-	84,154
-	-	212,323	212,323
436,903	15,018	1,557,787	71,331,639
\$ 511,780	\$ 24,296	\$ 1,770,110	\$ 77,044,799

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Fiduciary Funds

Combining Investment Trust Funds

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

Short Term Investment Trust Fund

This fund accounts for the portion of the Oregon Short Term Fund (OSTF) belonging to entities other than the State. The OSTF is a cash and investment pool, managed by the Oregon State Treasury, which is available for use by all funds and local governments. Oregon reports the State's portion of this pool within the funds of the State

Intermediate Term Investment Trust Fund

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

Local Government Intermediate Investment Trust Fund

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

State of Oregon

**Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2017
(In Thousands)**

	Short Term Investment Trust	Intermediate Term Investment Trust	Local Government Intermediate Investment Trust	Elimination for Consolidation	Total
ASSETS					
Cash and Cash Equivalents	\$ 6,174,377	\$ 3,906	\$ 4,122	\$ (13,335)	\$ 6,169,070
Fixed Income	-	28,766	205,153	(199,900)	34,019
Total Investments	-	28,766	205,153	(199,900)	34,019
Securities Lending Collateral	27,645	-	858	-	28,503
Receivables:					
Interest and Dividends	14,704	118	910	-	15,732
Investment Sales	-	-	905	-	905
Loans	1,195	-	-	-	1,195
Total Receivables	15,899	118	1,815	-	17,832
Total Assets	6,217,921	32,790	211,948	(213,235)	6,249,424
LIABILITIES					
Accounts and Interest Payable	19,783	-	106	-	19,889
Obligations Under Securities Lending	27,645	-	858	-	28,503
Total Liabilities	47,428	-	964	-	48,392
NET POSITION					
Restricted - Held in Trust for:					
External Investment Pool Participants	6,170,493	32,790	210,984	(213,235)	6,201,032
Total Net Position	\$ 6,170,493	\$ 32,790	\$ 210,984	\$ (213,235)	\$ 6,201,032

State of Oregon

Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2017
(In Thousands)

	Short Term Investment Trust	Intermediate Term Investment Trust	Local Government Intermediate Investment Trust	Elimination for Consolidation	Total
ADDITIONS					
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	\$ (2,900)	\$ (366)	\$ (1,150)	\$ -	\$ (4,416)
Interest, Dividends, and Other Investment Income	87,458	689	1,353	-	89,500
Total Investment Income	84,558	323	203	-	85,084
Less Investment Expense	4,093	31	219	-	4,343
Net Investment Income	80,465	292	(16)	-	80,741
Share Transactions:					
Participant Contributions	17,074,460	-	211,000	(213,235)	17,072,225
Participant Withdrawals	16,732,378	-	-	-	16,732,378
Net Share Transactions	342,082	-	211,000	(213,235)	339,847
Total Additions	422,547	292	210,984	(213,235)	420,588
DEDUCTIONS					
Distribution to Participants	80,469	-	-	-	80,469
Total Deductions	80,469	-	-	-	80,469
Change in Net Position Held in Trust For:					
External Investment Pool Participants	342,078	292	210,984	(213,235)	340,119
Net Position - Beginning	5,828,415	32,498	-	-	5,860,913
Net Position - Ending	\$ 6,170,493	\$ 32,790	\$ 210,984	\$ (213,235)	\$ 6,201,032

Agency Fund

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

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2017

(In Thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Custodial Assets	\$ 1,414,339	\$ 2,614,461	\$ 2,359,704	\$ 1,669,096
Accounts and Interest Receivable	5,269	1,846	1,182	5,933
Net Contracts, Notes, and Other Receivables	74,836	11,863	3,282	83,417
Receivership Assets	64,453	-	5,976	58,477
Total Assets	\$ 1,558,898	\$ 2,628,170	\$ 2,370,145	\$ 1,816,922
LIABILITIES				
Accounts and Interest Payable	\$ 3	\$ 1,026,287	\$ 1,026,254	\$ 36
Due to Other Governments	6,986	9,059	6,986	9,059
Custodial Liabilities	1,551,909	2,064,725	1,808,807	1,807,827
Total Liabilities	\$ 1,558,898	\$ 3,100,072	\$ 2,842,047	\$ 1,816,922

Nonmajor Discretely Presented Component Units

Component units are legally separate entities for which the primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government. The State reports discretely presented component units in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

Oregon Health and Science University

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

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

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

State Fair Council

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

Oregon Affordable Housing Assistance Corporation

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

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

State of Oregon

**Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2017
(In Thousands)**

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 99,595	\$ 16,117	\$ 8,012
Cash and Cash Equivalents - Restricted	276,382	-	-
Investments	296,888	-	27,146
Securities Lending Collateral	-	1,341	651
Accounts and Interest Receivable (net)	409,945	8,025	4,554
Pledges, Contributions, and Grants Receivable (net)	61,983	-	205
Due from Other Governments	12,103	-	-
Due from Primary Government	49,132	1,142	16,197
Inventories	26,460	1,127	325
Prepaid Items	32,675	354	131
Total Current Assets	1,265,163	28,106	57,221
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	42,570	1,986	2,283
Investments	953,755	-	-
Investments - Restricted	635,179	44,210	16,930
Net Contracts, Notes, and Other Receivables	33,936	3,001	4,968
Pledges, Contributions, and Grants Receivable (net)	510,511	-	1,350
Other Assets	16,075	-	8
Capital Assets:			
Land	88,545	5,531	4,675
Buildings, Property, and Equipment	3,182,962	183,663	178,442
Construction in Progress	256,748	4,224	20,102
Infrastructure	-	6,396	2,995
Works of Art and Other Nondepreciable Assets	-	685	3,691
Less Accumulated Depreciation and Amortization	(1,741,976)	(87,640)	(97,980)
Total Noncurrent Assets	3,978,305	162,056	137,464
Total Assets	5,243,468	190,162	194,685
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	9,730	-	-
Loss on Refunding	25,248	-	-
Related to Pensions	264,399	20,912	14,195
Total Deferred Outflows of Resources	299,377	20,912	14,195

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
\$ 8,340	\$ 9,003	\$ 227	\$ 74,859	\$ 216,153
-	-	-	-	276,382
-	-	3,824	-	327,858
510	637	-	-	3,139
4,467	4,653	157	-	431,801
-	-	-	-	62,188
-	-	-	-	12,103
651	2,083	-	-	69,205
6	178	-	-	28,096
33	388	-	845	34,426
14,007	16,942	4,207	75,704	1,461,350
734	861	-	-	48,434
-	-	-	-	953,755
23,087	45,693	-	-	765,099
806	2,235	-	25,361	70,307
656	765	-	-	513,282
-	17	-	-	16,100
2,096	5,684	-	-	106,531
132,275	144,729	-	-	3,822,071
696	1,488	-	-	283,258
2,431	20,915	-	-	32,737
341	1,581	-	-	6,298
(65,334)	(76,884)	-	-	(2,069,814)
97,788	147,084	-	25,361	4,548,058
111,795	164,026	4,207	101,065	6,009,408
-	-	-	-	9,730
-	-	-	-	25,248
9,599	9,011	-	-	318,116
9,599	9,011	-	-	353,094

(continued on next page)

State of Oregon

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2017
(In Thousands)
(continued from previous page)

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	227,540	9,298	7,729
Obligations Under Securities Lending	-	1,341	651
Due to Other Governments	4,578	-	-
Due to Primary Government	18,573	3,736	3,070
Unearned Revenue	173,344	3,186	3,681
Compensated Absences Payable	80,582	1,757	1,431
Claims and Judgments Payable	26,956	-	-
Custodial Liabilities	-	478	1,191
Contracts, Mortgages, and Notes Payable	1,855	394	368
Bonds/COPs Payable	4,857	-	-
Obligations Under Capital Lease	845	-	28
Total Current Liabilities	539,130	20,190	18,149
Noncurrent Liabilities:			
Obligations Under Life Income Agreements	23,933	1,024	468
Compensated Absences Payable	-	100	400
Claims and Judgments Payable	35,458	-	-
Custodial Liabilities	76,844	-	-
Contracts, Mortgages, and Notes Payable	29,545	4,328	4,294
Net Pension Liability	574,926	39,513	27,369
Bonds/COPs Payable	965,628	-	-
Obligations Under Capital Lease	3,454	-	20
Advances from Primary Government	30,855	51,544	41,960
Net OPEB Obligation	9,042	1,090	1,021
Derivative Instrument Liabilities	15,131	-	-
Total Noncurrent Liabilities	1,764,816	97,599	75,532
Total Liabilities	2,303,946	117,789	93,681
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	3,848	-	-
Gain on Refunding	2,540	-	-
Related to Pensions	36,092	375	1,551
Total Deferred Inflows of Resources	42,480	375	1,551
Net Position			
Net Investment in Capital Assets	997,731	59,051	79,953
Restricted-Nonexpendable	237,568	8,579	22,274
Restricted for:			
Education	872,716	12,498	11,169
Debt Service	-	417	592
Capital Projects	-	1,013	1,146
Unrestricted	1,088,404	11,352	(1,486)
Total Net Position	\$ 3,196,419	\$ 92,910	\$ 113,648

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
4,393	5,642	136	283	255,021
510	637	-	-	3,139
-	-	-	25,160	29,738
1,727	2,548	-	201	29,855
2,033	2,995	209	75,421	260,869
1,079	1,093	-	-	85,942
-	-	-	-	26,956
303	94	-	-	2,066
129	199	-	-	2,945
-	-	-	-	4,857
12	16	-	-	901
10,186	13,224	345	101,065	702,289
-	91	-	-	25,516
9	531	-	-	1,040
-	-	-	-	35,458
-	-	-	-	76,844
1,878	1,617	-	-	41,662
18,079	16,969	-	-	676,856
-	-	-	-	965,628
30	33	-	-	3,537
21,581	37,639	-	-	183,580
612	615	-	-	12,380
-	-	-	-	15,131
42,189	57,495	-	-	2,037,631
52,375	70,719	345	101,065	2,739,920
-	-	-	-	3,848
-	-	-	-	2,540
172	161	-	-	38,351
172	161	-	-	44,739
48,610	58,659	-	-	1,244,004
7,916	10,112	-	-	286,449
7,248	10,155	-	-	913,786
264	176	-	-	1,449
37	1,086	20	-	3,302
4,772	21,969	3,842	-	1,128,853
\$ 68,847	\$ 102,157	\$ 3,862	\$ -	\$ 3,577,843

State of Oregon

Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Discretely Presented Component Units
For the Year Ended June 30, 2017
(In Thousands)

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
Operating Revenues:			
Federal Revenue	\$ -	\$ 7,952	\$ 1,605
Charges for Services	2,334,303	30,952	28,133
Rents and Royalties	-	-	-
Sales	-	21,318	16,216
Gifts, Grants, and Contracts	568,947	4,448	8,608
Other Revenues	140,240	3,317	1,811
Total Operating Revenues	3,043,490	67,987	56,373
Operating Expenses:			
Salaries and Wages	1,820,506	75,479	60,552
Services and Supplies	973,162	22,967	21,369
Mortgage Assistance Payments	-	-	-
Bond and COP Interest	29,920	-	-
Depreciation and Amortization	154,197	6,067	4,587
Special Payments	-	7,606	6,274
Total Operating Expenses	2,977,785	112,119	92,782
Operating Income (Loss)	65,705	(44,132)	(36,409)
Nonoperating Revenues (Expenses):			
Investment Income	116,200	1,811	5,016
State Appropriations	35,560	24,469	21,996
Other Grants	-	13,769	9,876
Gain/(Loss) on Disposition of Assets	-	2	(2,243)
Other Interest Expense	-	(2,245)	(1,562)
Other	4,208	1,058	234
Total Nonoperating Revenues (Expenses)	155,968	38,864	33,317
Income (Loss) Before Capital Contributions	221,673	(5,268)	(3,092)
Capital Contributions	9,809	2,901	14,511
Change in Net Position	231,482	(2,367)	11,419
Net Position - Beginning	2,964,937	95,277	102,229
Prior Period Adjustments	-	-	-
Net Position - Beginning - As Restated	2,964,937	95,277	102,229
Net Position - Ending	\$ 3,196,419	\$ 92,910	\$ 113,648

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance	Total
\$ 2,396	\$ 846	\$ -	\$ 5,207	\$ 18,006
15,590	24,673	-	-	2,433,651
-	-	1,041	-	1,041
6,200	10,436	5,408	-	59,578
3,265	7,614	-	-	592,882
444	285	-	-	146,097
<u>27,895</u>	<u>43,854</u>	<u>6,449</u>	<u>5,207</u>	<u>3,251,255</u>
36,061	48,913	494	-	2,042,005
12,765	16,285	6,193	-	1,052,741
-	-	-	3,703	3,703
-	-	-	-	29,920
4,026	5,011	-	-	173,888
4,031	5,520	-	-	23,431
<u>56,883</u>	<u>75,729</u>	<u>6,687</u>	<u>3,703</u>	<u>3,325,688</u>
<u>(28,988)</u>	<u>(31,875)</u>	<u>(238)</u>	<u>1,504</u>	<u>(74,433)</u>
891	2,596	31	-	126,545
21,199	26,845	-	-	130,069
6,354	7,060	-	-	37,059
(30)	154	-	-	(2,117)
(1,121)	(1,847)	-	-	(6,775)
721	67	15	(1,504)	4,799
<u>28,014</u>	<u>34,875</u>	<u>46</u>	<u>(1,504)</u>	<u>289,580</u>
<u>(974)</u>	<u>3,000</u>	<u>(192)</u>	<u>-</u>	<u>215,147</u>
829	4,754	1,101	-	33,905
<u>(145)</u>	<u>7,754</u>	<u>909</u>	<u>-</u>	<u>249,052</u>
68,992	94,403	2,962	-	3,328,800
-	-	(10)	-	(10)
<u>68,992</u>	<u>94,403</u>	<u>2,952</u>	<u>-</u>	<u>3,328,790</u>
<u>\$ 68,847</u>	<u>\$ 102,157</u>	<u>\$ 3,862</u>	<u>\$ -</u>	<u>\$ 3,577,843</u>

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Statistical Section

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Statistical Section Index

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

These schedules present information concerning the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule 8	Outstanding Debt by Type
Schedule 9	Ratios of General Bonded Debt Outstanding
Schedule 10	Legal Debt Margin Calculation
Schedule 11	Legal Debt Margin Information
Schedule 12	Pledged Revenues

Demographic and Economic Information

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

Schedule 13	Demographic and Economic Indicators
Schedule 14	Employment by Industry

Operating Information

These schedules present operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

State of Oregon

Schedule 1
NET POSITION BY COMPONENT
 Last Ten Fiscal Years (In Thousands)
 (Accrual Basis of Accounting)

	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	\$ 8,554,126	\$ 9,094,498	\$ 8,672,407	\$ 8,107,685
Restricted	950,491	1,126,942	1,287,403	2,582,708
Unrestricted	954,809	(99,401)	(82,337)	138,387
Total Governmental Activities Net Position	\$ 10,459,426	\$ 10,122,039	\$ 9,877,473	\$ 10,828,780
Business-type Activities				
Net Investment in Capital Assets	\$ 807,968	\$ 897,150	\$ 977,224	\$ 1,195,629
Restricted	3,177,420	2,399,089	556,589	670,672
Unrestricted	656,919	677,037	2,201,451	2,378,452
Total Business-type Activities Net Position	\$ 4,642,307	\$ 3,973,276	\$ 3,735,264	\$ 4,244,753
Primary Government				
Net Investment in Capital Assets	\$ 9,362,094	\$ 9,991,648	\$ 9,649,631	\$ 9,303,314
Restricted	4,127,911	3,526,031	1,843,992	3,253,380
Unrestricted	1,611,728	577,636	2,119,114	2,516,839
Total Primary Government Net Position	\$ 15,101,733	\$ 14,095,315	\$ 13,612,737	\$ 15,073,533

State of Oregon

2012	2013	2014	2015	2016	2017
\$ 8,888,097	\$ 10,636,687	\$ 9,982,055	\$ 11,116,322	\$ 9,563,039	\$ 9,694,241
3,143,955	2,794,989	3,494,851	3,812,040	4,052,223	4,316,623
(840,528)	(1,488,172)	(1,077,265)	(3,243,523)	(2,937,300)	(2,482,259)
<hr/>					
\$ 11,191,524	\$ 11,943,504	\$ 12,399,641	\$ 11,684,839	\$ 10,677,962	\$ 11,528,605
<hr/>					
\$ 1,383,060	\$ 1,383,562	\$ 1,443,136	\$ 633,944	\$ 612,107	\$ 610,616
505,991	549,486	578,740	311,509	222,398	215,772
2,778,815	3,084,564	3,613,692	3,205,302	4,233,276	4,763,302
<hr/>					
\$ 4,667,866	\$ 5,017,612	\$ 5,635,568	\$ 4,150,755	\$ 5,067,782	\$ 5,589,690
<hr/>					
\$ 10,271,157	\$ 12,020,249	\$ 11,425,191	\$ 11,750,266	\$ 10,175,146	\$ 10,304,857
3,649,946	3,344,475	4,073,591	4,123,549	4,274,621	4,532,395
1,938,287	1,596,392	2,536,427	(38,221)	1,295,976	2,281,043
<hr/>					
\$ 15,859,390	\$ 16,961,116	\$ 18,035,209	\$ 15,835,594	\$ 15,745,743	\$ 17,118,295
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State of Oregon

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

	2008	2009	2010	2011
Expenses				
Governmental activities:				
Education	\$ 4,174,928	\$ 4,224,991	\$ 4,303,106	\$ 3,979,440
Human Services	5,316,540	6,057,047	6,861,998	7,535,059
Public Safety	1,183,931	1,185,507	1,199,579	1,180,405
Economic and Community Development	355,133	397,032	455,453	480,196
Natural Resources	613,329	658,553	593,122	629,222
Transportation	2,251,391	2,249,632	1,858,705	1,566,210
Consumer and Business Services	461,015	408,803	463,489	424,534
Administration	570,903	470,583	474,624	376,821
Legislative	39,142	44,683	33,012	37,801
Judicial	311,828	307,916	308,574	313,886
Interest on Long-term Debt	315,530	297,308	299,467	351,713
Total governmental activities expenses	15,593,670	16,302,055	16,851,129	16,875,287
Business-type activities:				
Housing and Community Services	100,706	91,010	84,337	78,194
Veterans' Loan	46,652	26,855	19,685	19,365
Lottery Operations	573,203	537,332	518,076	510,401
Unemployment Compensation	687,363	1,875,259	3,020,372	2,306,502
University System	1,808,424	1,948,793	2,003,668	2,146,867
State Hospitals	203,818	215,576	222,311	248,072
Liquor Control	307,380	314,563	312,980	325,410
Other Business-type Activities	75,134	87,977	89,505	269,217
Total business-type activities expenses	3,802,680	5,097,365	6,270,934	5,904,028
Total primary government expenses	\$ 19,396,350	\$ 21,399,420	\$ 23,122,063	\$ 22,779,315
Program Revenues				
Governmental activities:				
Charges for Services:				
Human Services	\$ 230,058	\$ 250,524	\$ 237,722	\$ 289,686
Public Safety	67,869	94,613	75,511	80,842
Natural Resources	300,685	282,380	313,587	285,394
Transportation	153,423	138,400	115,507	138,383
Consumer and Business Services	258,299	313,602	276,359	270,467
Administration	282,977	111,537	107,625	115,365
Judicial	136,327	158,736	145,548	185,523
Other governmental activities	32,467	28,662	37,507	38,068
Operating Grants and Contributions	5,162,489	6,017,307	7,691,076	8,324,841
Capital Grants and Contributions	27,611	86,563	45,398	97,682
Total governmental activities program revenues	6,652,205	7,482,324	9,045,840	9,826,251

State of Oregon

	2012	2013	2014	2015	2016	2017
\$	4,061,791	\$ 3,883,592	\$ 4,420,704	\$ 4,693,469	\$ 5,588,674	\$ 5,722,672
	8,186,498	8,459,678	9,880,251	11,556,800	12,516,784	12,446,233
	1,235,617	1,256,086	1,300,085	1,179,299	1,683,095	1,604,349
	416,683	423,191	385,464	375,497	444,564	477,674
	619,535	637,929	724,185	661,438	845,601	800,960
	1,394,815	1,407,506	1,555,822	1,437,587	1,614,231	1,667,739
	263,541	403,725	283,039	204,614	364,373	260,420
	349,555	305,791	404,182	684,677	450,111	410,692
	34,839	40,828	37,234	39,621	48,293	49,497
	326,803	311,401	340,313	331,253	455,749	433,325
	367,826	331,531	347,010	321,032	403,769	427,671
	<u>17,257,503</u>	<u>17,461,258</u>	<u>19,678,289</u>	<u>21,485,287</u>	<u>24,415,243</u>	<u>24,301,233</u>
	75,879	67,918	56,473	49,422	48,060	42,246
	18,628	-	-	-	18,531	18,058
	534,018	494,337	493,652	522,185	595,692	578,629
	1,729,355	1,236,639	831,914	573,992	547,309	528,851
	2,300,493	2,412,100	2,505,392	351,959	-	-
	270,793	253,960	278,804	269,549	399,766	408,488
	344,540	367,141	384,491	400,683	424,939	447,266
	268,659	324,463	306,212	362,326	315,720	266,455
	<u>5,542,365</u>	<u>5,156,558</u>	<u>4,856,938</u>	<u>2,530,116</u>	<u>2,350,017</u>	<u>2,289,995</u>
\$	<u>22,799,868</u>	<u>22,617,816</u>	<u>24,535,227</u>	<u>24,015,403</u>	<u>26,765,259</u>	<u>26,591,227</u>
\$	531,658	\$ 639,524	\$ 615,829	\$ 581,530	\$ 711,764	\$ 688,009
	141,432	59,551	85,549	67,756	80,479	131,406
	306,336	301,196	335,198	337,857	394,169	369,685
	140,219	147,234	171,154	161,937	163,195	159,842
	69,000	124,698	126,482	114,971	143,591	113,061
	96,006	91,626	92,358	130,508	179,412	151,025
	99,052	197,966	33,722	131,951	154,534	145,933
	42,502	63,009	44,347	87,253	78,511	96,994
	7,400,703	7,816,666	9,055,464	10,371,663	10,797,377	10,801,215
	37,134	30,663	17,766	17,615	18,426	11,153
	<u>8,864,042</u>	<u>9,472,133</u>	<u>10,577,869</u>	<u>12,003,041</u>	<u>12,721,458</u>	<u>12,668,324</u>

(continued on next page)

State of Oregon

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

	2008	2009	2010	2011
Business-type activities:				
Charges for Services:				
Lottery Operations	1,229,486	1,100,228	1,027,735	1,038,805
Unemployment Compensation	638,186	662,346	859,790	1,022,592
University System	954,039	1,003,897	1,156,843	1,288,143
Liquor Control	406,421	418,559	425,374	443,120
Other Business-type Activities	213,758	236,151	267,585	431,470
Operating Grants and Contributions	664,179	1,064,383	2,238,266	1,986,426
Capital Grants and Contributions	-	87,425	108,257	60,081
Total business-type activities program revenues	<u>4,106,069</u>	<u>4,572,989</u>	<u>6,083,850</u>	<u>6,270,637</u>
Total primary government program revenues	\$ 10,758,274	\$ 12,055,313	\$ 15,129,690	\$ 16,096,888
Net (Expense)/Revenue				
Governmental activities	\$ (8,941,465)	\$ (8,819,731)	\$ (7,805,289)	\$ (7,049,036)
Business-type activities	303,389	(524,376)	(187,084)	366,609
Total primary government net expense	\$ (8,638,076)	\$ (9,344,107)	\$ (7,992,373)	\$ (6,682,427)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Personal Income Taxes	\$ 6,102,900	\$ 5,182,743	\$ 4,958,569	\$ 5,597,821
Corporate Income Taxes	448,010	253,685	387,639	502,862
Tobacco Taxes	254,524	250,243	250,135	258,453
Healthcare Provider Taxes	154,460	143,535	192,077	233,826
Inheritance Taxes	116,186	77,622	91,845	80,482
Public Utilities Taxes	89,621	88,295	80,790	71,939
Insurance Premium Taxes	42,721	46,952	70,291	90,085
Marijuana Taxes	N/A	N/A	N/A	N/A
Other Taxes	123,907	140,726	144,931	119,882
Motor Fuels and Other Vehicle Taxes	N/A	N/A	N/A	N/A
Motor Fuels Taxes	413,858	399,048	406,179	449,462
Weight Mile Taxes	237,296	210,055	208,573	240,056
Vehicle Registration Taxes	201,245	185,202	245,699	275,344
Workers' Compensation Insurance Taxes	40,733	36,635	30,065	34,942
Employer-Employee Taxes	76,576	71,119	65,977	69,429
Unrestricted Investment Earnings	81,815	17,717	3,193	3,306
Contributions to Permanent Fund	-	259	288	14
Capital Contributions	4,482	-	-	-
Special Items	-	-	-	-
Transfers	154,510	157,663	129,016	(62,910)
Total governmental activities	8,542,844	7,261,499	7,265,267	7,964,993
Business-type activities:				
Other Taxes	16,086	16,340	16,754	16,204
Capital Contributions	71,716	-	-	-
Additions to Permanent Endowments	-	-	-	-
Special Items	-	-	-	-
Transfers	(154,510)	(157,663)	(129,016)	62,910
Total business-type activities	<u>(66,708)</u>	<u>(141,323)</u>	<u>(112,262)</u>	<u>79,114</u>
Total primary government	\$ 8,476,136	\$ 7,120,176	\$ 7,153,005	\$ 8,044,107
Change in Net Position				
Governmental activities	\$ (398,621)	\$ (1,558,232)	\$ (540,022)	\$ 915,957
Business-type activities	236,681	(665,699)	(299,346)	445,723
Total primary government	\$ (161,940)	\$ (2,223,931)	\$ (839,368)	\$ 1,361,680

State of Oregon

2012	2013	2014	2015	2016	2017
1,050,315	1,069,064	1,052,945	1,117,175	1,229,979	1,246,531
1,083,438	1,092,890	1,064,234	1,009,913	952,114	971,299
1,356,609	1,438,948	1,527,836	156,824	-	-
470,421	502,919	524,218	550,405	577,662	604,621
436,945	452,345	428,344	475,414	426,497	411,850
1,621,254	1,139,888	851,199	181,961	131,900	128,325
36,770	60,048	158,927	7,584	540	975
6,055,752	5,756,102	5,607,703	3,499,276	3,318,692	3,363,600
\$ 14,919,794	\$ 15,228,235	\$ 16,185,572	\$ 15,502,317	\$ 16,040,150	\$ 16,031,924
\$ (8,393,461)	\$ (7,989,125)	\$ (9,100,420)	\$ (9,482,246)	\$ (11,693,785)	\$ (11,632,910)
513,387	599,544	750,765	969,160	968,675	1,073,606
\$ (7,880,074)	\$ (7,389,581)	\$ (8,349,655)	\$ (8,513,086)	\$ (10,725,111)	\$ (10,559,303)
\$ 5,901,448	\$ 6,320,497	\$ 6,596,708	\$ 7,292,582	\$ 7,611,745	\$ 8,379,255
440,444	463,012	506,889	595,327	633,871	633,046
249,388	254,483	260,882	266,831	270,199	247,406
423,951	414,267	485,584	569,831	607,485	568,742
102,351	99,318	N/A	N/A	N/A	N/A
72,310	85,781	N/A	N/A	N/A	N/A
94,583	103,251	85,196	58,193	65,903	68,481
N/A	N/A	N/A	N/A	28,586	77,573
156,256	186,038	380,783	384,585	378,602	469,181
N/A	N/A	1,053,611	1,096,505	1,143,173	1,167,291
492,188	487,308	N/A	N/A	N/A	N/A
260,091	251,518	N/A	N/A	N/A	N/A
281,799	282,857	N/A	N/A	N/A	N/A
53,669	50,242	54,126	54,957	58,192	55,798
71,977	72,861	91,343	91,232	95,866	93,887
11,157	4,917	5,516	7,374	12,164	27,786
76	228	297	518	39	519
-	-	-	-	-	-
-	-	-	(3,276)	-	-
125,915	107,437	133,008	285,417	(230,618)	581,535
8,737,603	9,184,015	9,653,943	10,700,076	10,675,206	12,370,501
16,893	16,388	17,584	17,689	18,286	18,819
-	-	-	-	-	-
159	241	776	-	-	-
-	-	-	(1,956,089)	(335,632)	-
(125,915)	(107,437)	(133,008)	(285,417)	230,618	(581,535)
(108,863)	(90,808)	(114,648)	(2,223,817)	(86,727)	(562,716)
\$ 8,628,740	\$ 9,093,207	\$ 9,539,295	\$ 8,476,259	\$ 10,588,479	\$ 11,807,785
\$ 344,142	\$ 1,194,890	\$ 553,523	\$ 1,217,830	\$ (1,018,580)	\$ 737,591
404,524	508,736	636,117	(1,254,657)	881,948	510,890
\$ 748,666	\$ 1,703,626	\$ 1,189,640	\$ (36,827)	\$ (136,632)	\$ 1,248,481

State of Oregon

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

	2008	2009	2010
General Fund			
Reserved	\$ 202,823	\$ 29,040	\$ 35,403
Unreserved	1,095	(333,796)	(542,747)
Total General Fund	\$ 203,918	\$ (304,756)	\$ (507,344)

All Other Governmental Funds			
Reserved	\$ 1,180,823	\$ 1,082,369	\$ 1,429,016
Unreserved, reported in:			
Special revenue funds	3,446,971	3,523,322	3,544,868
Capital projects fund	23,218	130,498	50,420
Permanent fund	8,067	3,788	4,984
Total all other governmental funds	\$ 4,659,079	\$ 4,739,977	\$ 5,029,288

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

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

Note: Due to changes in the State's fund structure with the implementation of GASB Statement No. 54, fund balance information beginning with 2011 is no longer comparable to previous years. Refer to Note 1 for additional information.

2015	2016	2017
\$ 20,139	\$ 25,020	\$ 27,869
358,784	505,844	666,091
226,081	395,319	406,978
5,164	12,793	12,478
675,921	663,658	1,037,374
\$ 1,286,089	\$ 1,602,633	\$ 2,150,789
\$ 68,229	\$ 67,251	\$ 79,437
4,452,289	5,655,799	6,603,630
614,287	658,467	737,890
24,444	45,171	48,419
(3,788)	(32)	(12,208)
\$ 5,155,461	\$ 6,426,656	\$ 7,457,168

State of Oregon

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

	2008	2009	2010	2011
Revenues				
Taxes	\$ 8,259,483	\$ 7,004,715	\$ 7,123,205	\$ 7,952,882
Licenses and Fees	438,508	450,855	486,159	515,591
Federal	4,973,781	6,044,251	7,413,272	7,971,721
Rebates and Recoveries	N/A	N/A	N/A	N/A
Charges for Services	307,778	269,196	275,885	289,562
Fines, Forfeitures, and Penalties	100,175	87,915	88,718	81,049
Rents and Royalties	18,185	15,779	14,428	14,930
Investment Income	168,314	(95,131)	198,153	270,265
Sales	125,282	107,427	106,400	97,178
Assessments	N/A	N/A	N/A	N/A
Donations and Grants	36,940	71,339	24,552	57,757
Contributions to Permanent Funds	-	259	288	14
Tobacco Settlement Proceeds	90,297	98,078	82,327	77,426
Foreclosure Settlement Proceeds	N/A	N/A	N/A	N/A
Pension Bond Debt Service Assessments	121,035	4,509	6,216	5,608
Settlement Activities	N/A	N/A	N/A	N/A
Unclaimed and Escheat Property Revenue	-	-	13,716	50,827
Other	354,518	345,339	298,061	342,268
Total Revenues	14,994,296	14,404,531	16,131,380	17,727,078
Expenditures				
Education	4,174,922	4,224,170	4,304,099	3,978,423
Human Services	5,347,990	6,120,267	7,031,421	7,716,623
Public Safety	1,175,881	1,170,452	1,177,382	1,158,601
Economic and Community Development	354,396	397,936	456,169	483,292
Natural Resources	629,624	658,484	600,470	656,626
Transportation	1,636,160	1,709,819	1,898,077	1,956,722
Consumer and Business Services	466,917	480,212	446,994	463,899
Administration	526,691	417,348	435,164	399,918
Legislative	37,456	39,977	32,036	36,058
Judicial	311,716	317,665	310,468	317,297
Capital Improvements/Construction	78,195	90,695	121,440	127,409
Debt Service:				
Principal	179,171	229,599	264,679	300,823
Interest	306,488	288,892	315,650	354,718
Other Debt Service	2,320	8,162	9,248	4,961
Total Expenditures	15,227,927	16,153,678	17,403,297	17,955,370
Excess of Revenues Over (Under) Expenditures	(233,631)	(1,749,147)	(1,271,917)	(228,292)
Other Financing Sources (Uses)				
Transfers from Other Funds	2,215,963	2,407,080	2,450,401	2,813,236
Transfers to Other Funds	(2,058,113)	(2,216,338)	(2,277,548)	(2,607,036)
Insurance Recoveries	4,046	5,002	2,476	3,140
Leases Incurred	134	17	558	18
Debt Issued	99,721	1,166,080	1,058,693	425,955
Refunding Debt Issued	14,310	33,997	106,354	112,876
Refunded Debt Payment to Escrow Agent	(15,036)	(35,261)	(182,531)	(129,074)
Total Other Financing Sources (Uses)	261,025	1,360,577	1,158,403	619,115
Special Items	-	-	-	-
Net Change in Fund Balances	\$ 27,394	\$ (388,570)	\$ (113,514)	\$ 390,823
Debt service as a percentage of noncapital expenditures	3.24%	3.27%	3.55%	3.85%

State of Oregon

	2012	2013	2014	2015	2016	2017
\$	8,570,880	\$ 8,969,867	\$ 9,542,069	\$ 10,460,831	\$ 10,899,473	\$ 11,581,800
	470,480	462,233	495,774	504,355	538,591	563,129
	7,251,929	7,480,379	8,623,136	10,166,298	10,553,352	10,310,284
	N/A	N/A	292,805	342,598	507,710	555,032
	372,361	356,418	250,738	229,578	239,976	188,513
	137,354	119,942	107,326	120,574	127,788	148,872
	15,645	16,258	17,293	17,312	17,435	17,845
	51,831	191,017	274,861	103,132	108,875	332,171
	91,906	105,796	124,071	126,601	136,989	143,789
	N/A	N/A	N/A	37,185	35,154	45,775
	24,135	32,694	44,372	50,342	38,610	40,253
	76	227	297	518	39	519
	78,940	78,909	86,924	76,600	80,239	142,200
	25,253	N/A	N/A	N/A	N/A	N/A
	5,681	6,196	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	25,218
	15,308	22,057	24,360	18,214	13,629	10,731
	440,679	429,523	281,831	222,011	280,196	190,499
	17,552,458	18,271,516	20,165,857	22,476,149	23,578,059	24,296,631
	4,062,244	3,884,393	4,421,231	4,702,795	5,572,518	5,714,090
	8,268,743	8,544,692	9,959,458	11,626,788	12,322,549	12,427,872
	1,219,852	1,241,057	1,289,232	1,281,050	1,425,482	1,462,808
	416,395	420,351	384,392	392,966	417,634	465,401
	623,461	647,606	685,357	750,784	758,592	768,431
	1,569,039	1,694,679	1,698,418	1,763,595	1,716,411	1,826,813
	281,556	269,701	299,925	288,066	298,410	305,144
	343,256	348,600	341,549	715,932	441,111	404,691
	33,289	39,405	36,319	42,923	38,984	45,456
	336,099	318,209	346,710	367,669	407,265	415,091
	129,337	88,583	73,976	66,071	61,522	77,717
	331,581	357,106	330,745	324,485	407,072	435,702
	350,874	338,645	339,476	322,091	431,197	433,520
	6,817	3,440	4,759	10,032	3,210	8,108
	17,972,543	18,196,467	20,211,547	22,655,247	24,301,956	24,790,844
	(420,085)	75,049	(45,690)	(179,098)	(723,897)	(494,214)
	2,361,835	2,809,301	2,223,916	2,434,341	3,811,108	2,889,176
	(2,232,819)	(2,679,360)	(2,054,506)	(2,024,246)	(1,813,474)	(2,285,337)
	676	2,224	1,839	2,502	6,027	3,632
	-	-	-	-	503	999
	265,197	155,311	596,488	740,191	341,923	1,488,088
	502,389	212,319	266,635	1,146,120	224,581	645,082
	(574,833)	(246,543)	(266,425)	(1,377,597)	(278,200)	(710,834)
	322,445	253,252	767,947	921,311	2,292,468	2,030,804
	-	-	-	(3,054)	-	-
\$	(97,640)	\$ 328,301	\$ 722,257	\$ 739,159	\$ 1,568,571	\$ 1,536,591
	3.95%	3.99%	3.42%	2.95%	3.55%	3.61%

State of Oregon

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

	2007	2008	2009	2010
Farm earnings	\$ 1,398,160	\$ 1,126,636	\$ 1,020,258	\$ 952,993
Forestry, fishing, and related activities	1,011,931	1,055,717	1,029,034	1,168,132
Mining	129,374	122,930	94,975	95,777
Utilities	302,034	604,700	483,531	635,566
Construction	7,833,358	7,435,549	5,946,642	5,217,388
Manufacturing	13,988,219	13,776,948	11,914,173	12,310,825
Wholesale trade	6,445,033	6,619,212	6,102,861	6,158,213
Retail trade	7,533,644	7,180,590	6,819,117	6,955,417
Transportation and warehousing	3,415,438	3,330,903	3,050,133	3,042,787
Information	2,793,218	2,861,022	2,765,794	2,684,059
Finance and insurance	4,924,136	4,708,225	4,740,755	4,845,511
Real estate, rental, and leasing	1,708,044	2,182,701	1,604,764	1,099,683
Professional, scientific, and technical	6,627,056	7,280,158	6,882,885	6,948,795
Management of companies	3,008,383	3,096,357	2,861,982	2,852,488
Administrative & waste mgmt. services	3,678,808	3,707,670	3,442,272	3,455,275
Educational services	1,130,279	1,216,709	1,301,260	1,340,724
Health care and social assistance	11,466,594	12,385,259	12,015,224	12,435,519
Arts, entertainment, and recreation	895,410	738,355	675,522	703,485
Accommodation and food services	3,307,649	3,271,658	3,020,208	3,111,520
Other services	3,988,201	3,797,295	3,690,415	3,733,811
Federal government, civilian	2,463,170	2,564,707	2,624,514	2,741,984
Military	453,307	485,682	551,319	539,235
State government	3,392,571	3,681,699	4,003,710	3,902,826
Local government	9,580,606	10,187,679	10,796,963	11,189,671
Other ¹	32,002,239	36,586,370	37,421,553	38,865,086
Total personal income	\$ 133,476,862	\$ 140,004,731	\$ 134,859,864	\$ 136,986,770

Overall effective tax rate ²	5.7%	5.5%	5.5%	5.6%
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¹ Includes income from all sources other than wages, salaries, tips, etc.

² Overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). Overall effective tax rate for 2016 will not be available until May 2018.

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

State of Oregon

	2011	2012	2013	2014	2015	2016
\$	1,106,882	\$ 1,453,770	\$ 1,631,250	\$ 1,598,096	\$ 1,743,442	\$ 1,538,485
	1,127,787	1,280,090	1,271,800	1,325,979	1,414,389	1,408,988
	109,828	111,191	110,046	109,997	121,944	130,294
	783,679	656,970	644,982	648,811	600,704	753,764
	5,292,407	6,050,959	6,448,903	7,153,180	7,598,742	8,548,371
	13,031,038	13,973,777	14,121,185	14,558,261	15,566,930	16,196,050
	6,386,405	6,786,720	5,821,031	6,069,236	6,448,807	6,624,157
	7,058,217	7,390,719	7,594,951	7,897,718	8,411,773	8,839,055
	3,213,959	3,385,347	3,437,090	3,700,282	3,964,107	4,209,636
	2,781,609	2,911,610	2,886,909	3,094,451	3,270,182	3,247,405
	4,802,935	5,025,782	5,152,921	5,154,869	5,528,460	5,756,965
	999,697	1,407,793	1,643,477	1,861,485	2,407,345	2,848,259
	7,503,438	8,047,244	8,296,269	8,978,479	9,744,889	10,390,971
	2,974,872	3,135,188	4,838,927	5,187,311	5,970,393	6,088,829
	3,613,984	3,926,904	4,117,213	4,397,415	4,677,231	4,863,317
	1,403,256	1,554,339	1,569,929	1,594,294	1,641,087	1,707,569
	12,808,932	13,412,317	13,942,251	14,553,418	15,829,306	16,873,253
	889,548	1,013,485	1,036,094	1,150,544	1,171,877	1,285,699
	3,364,105	3,725,765	3,867,883	4,326,037	4,817,302	5,159,636
	3,848,025	4,151,958	4,202,947	4,505,469	4,805,262	5,075,385
	2,765,722	2,762,330	2,719,324	2,748,945	2,842,122	2,961,304
	509,568	477,452	461,634	435,253	425,885	440,785
	4,098,223	4,130,781	4,258,091	4,532,535	4,727,791	3,493,946
	11,515,110	11,430,894	11,435,540	11,934,039	12,489,739	14,598,953
	42,643,295	44,286,248	43,637,339	48,300,454	52,212,610	52,798,569
\$	144,632,521	\$ 152,489,633	\$ 155,147,986	\$ 165,816,558	\$ 178,432,319	\$ 185,839,645
	5.6%	5.7%	5.8%	6.0%	6.0%	N/A

State of Oregon

**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		Overall Effective Tax Rate ²
		Single & Married Filing Separately	Married/RDP ¹ Filing Jointly & Head of Household	
2007	9.0%	\$ 7,150	\$ 14,300	5.7%
2008	9.0%	7,300	14,600	5.5%
2009	11.0% ³	250,000	500,000	5.5%
2010	11.0%	250,000	500,000	5.6%
2011	11.0%	250,000	500,000	5.6%
2012	9.9%	125,000	250,000	5.7%
2013	9.9%	125,000	250,000	5.8%
2014	9.9%	125,000	250,000	6.0%
2015	9.9%	125,000	250,000	6.0%
2016	9.9%	125,000	250,000	N/A

¹ Registered Domestic Partners

² The overall effective tax rate equals tax as a percentage of adjusted gross income (AGI). The overall effective tax rate for 2016 will not be available until May 2018.

³ The increases in the top tax rate and applicable taxable income level beginning in 2009 are the result of passage of Oregon Measure 66 in January 2010. For tax year beginning 2012, the tax rate on households with income above \$250,000 (above \$125,000 for single filers) drops to 9.9 percent.

Source: Oregon Department of Revenue

State of Oregon

Schedule 7
PERSONAL INCOME TAX FILERS AND TAX LIABILITY BY INCOME LEVEL
 Calendar Years 2006 and 2015
 (Dollars in Thousands)

2006

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	8,957	0.51%	\$ 952,380	18.49%
\$100,001–\$500,000	170,923	9.74%	1,819,141	35.32%
\$80,001–\$100,000	105,155	5.99%	516,963	10.04%
\$60,001–\$80,000	169,595	9.66%	598,389	11.62%
\$40,001–\$60,000	254,905	14.51%	598,175	11.60%
\$20,001–\$40,000	406,013	23.13%	506,178	9.83%
\$10,001–\$20,000	281,962	16.06%	127,686	2.48%
\$10,000 and lower	358,058	20.40%	32,029	0.62%
Total	1,755,568	100.00%	\$ 5,150,941	100.00%

2015

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	12,531	0.63%	\$ 1,285,485	17.97%
\$100,001–\$500,000	292,954	14.69%	3,238,411	45.28%
\$80,001–\$100,000	135,026	6.77%	654,262	9.15%
\$60,001–\$80,000	187,072	9.38%	664,708	9.29%
\$40,001–\$60,000	268,367	13.46%	642,626	8.99%
\$20,001–\$40,000	434,710	21.81%	523,420	7.32%
\$10,001–\$20,000	283,567	14.23%	116,516	1.63%
\$10,000 and lower	379,343	19.03%	26,214	0.37%
Total	1,993,570	100.00%	\$ 7,151,642	100.00%

Source: Oregon Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. Tax year 2015 is the most current year available.

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

	2008	2009	2010	2011
Governmental Activities				
General Obligation Bonds	\$ 2,325,539	\$ 2,361,621	\$ 2,333,486	\$ 2,656,983
Revenue Bonds	2,040,137	2,770,290	3,326,393	3,344,929
Certificates of Participation	1,081,694	1,283,559	1,496,727	1,295,323
General Appropriation Bonds	351,958	296,002	235,916	171,624
Contracts, Mortgages, and Notes Payable	9,082	71,244	11,081	102,182
Capital Leases	2,480	1,899	13,250	9,638
Business-type Activities				
General Obligation Bonds	2,271,016	2,335,703	2,265,774	2,422,682
Revenue Bonds	1,761,874	1,669,920	1,645,617	1,584,235
Certificates of Participation	31,320	97,097	120,933	111,319
Contracts, Mortgages, and Notes Payable	8,730	9,862	14,413	18,133
Licensing Agreements ²	-	-	-	-
Capital Leases	164	137	697	615
Total Primary Government	\$ 9,883,994	\$ 10,897,334	\$ 11,464,287	\$ 11,717,663
Percentage of Personal Income ¹	7.06%	8.08%	8.37%	8.10%
Per Capita ¹	\$ 2.62	\$ 2.86	\$ 2.99	\$ 3.03

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

² For 2016, the balances for licensing agreements have been moved from contracts, mortgages, and notes payable to report licensing agreements separately.

Note: Details regarding the State's debt can be found in Notes 8 and 9 of the financial statements. Amounts of outstanding debt for bonds and certificates of participation represent the outstanding principal, net of discounts, premiums, and other adjustments.

State of Oregon

2012	2013	2014	2015	2016	2017
\$ 2,977,322	\$ 3,144,443	\$ 3,193,894	\$ 3,512,256	\$ 5,525,430	\$ 6,119,313
3,234,362	3,170,655	3,509,036	3,616,493	3,672,088	4,062,386
982,314	692,043	620,270	485,271	340,753	289,137
102,779	29,131	-	-	-	-
54,707	485,003	412,560	377,200	353,620	337,675
8,489	2,789	3,027	3,845	5,779	4,148
2,290,038	2,256,660	2,419,832	2,411,599	554,270	536,509
1,450,979	1,479,103	1,362,942	1,208,434	984,935	897,572
99,766	85,121	78,057	49,261	-	-
36,957	154,135	160,108	50,919	34,143	32,624
-	-	-	-	757	11,377
556	560	69	578	268	6,315
\$ 11,238,269	\$ 11,499,643	\$ 11,759,795	\$ 11,715,856	\$ 11,472,043	\$ 12,297,056
7.37%	7.41%	7.09%	6.57%	6.17%	6.38%
\$ 2.88	\$ 2.93	\$ 2.96	\$ 2.91	\$ 2.80	\$ 2.97

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

Year	General Obligation Bonds	Percentage of Personal Income ¹	Per Capita
2008	\$ 4,596,555	3.28%	\$ 1.22
2009	4,697,324	3.48%	1.23
2010	4,599,260	3.36%	1.20
2011	5,079,665	3.51%	1.31
2012	5,267,360	3.45%	1.35
2013	5,401,103	3.48%	1.38
2014	5,613,726	3.39%	1.41
2015	5,923,855	3.32%	1.47
2016	6,079,700	3.27%	1.49
2017	6,655,822	3.45%	1.61

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

Note: Details regarding the State's debt can be found in Notes 8 and 9 of the financial statements. Amounts of outstanding general bonded debt represent the outstanding principal, net of discounts, premiums, and other adjustments.

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State of Oregon

**Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2017**

	Constitutional/Statutory Provision	Constitutional Debt Limit¹	Statutory Debt Limit
General Obligation Bonds			
General Purpose	Article XI Section 7	0.00%	\$ -
State Highway	Article XI Section 7	1.00%	-
Veterans' Welfare	Article XI-A	8.00%	-
State Power Development	Article XI-D	1.50%	-
Forest Rehabilitation	Article XI-E	0.19%	-
Higher Education	Article XI-F & XI-G	1.50%	-
Pollution Control ²	Article XI-H/ORS 468.195	1.00%	260,000,000
Elderly and Disabled Housing	Article XI-I	0.50%	-
Alternate Energy Projects	Article XI-J	0.50%	-
Oregon School Bond Guarantee	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU) ³	Article XI-L/ORS 353.556	0.50%	261,495,000
Seismic Rehab-Public Education Buildings	Article XI-M	0.20%	-
Seismic Rehab-Emergency Service Building	Article XI-N	0.20%	-
Pension Obligation	Article XI-O	1.00%	-
School District Capital Cost	Article XI-P	1.50%	-
General Purpose GO's	Article XI-Q	1.00%	-
Revenue Bonds			
Highway User Tax	ORS 367.620	0.00%	3,240,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000

¹ Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2016, RMV of \$559,127,126,580.

² Issuance of Pollution Control bonds is limited by statute to \$260 million at any one time.

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

Source: 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 proposed new bonds. The debt limit for lottery bonds is not a specific dollar amount; the limit varies based on changes in estimated net lottery proceeds and changes in estimated debt service on proposed new bonds. Therefore, lottery revenue bonds are not included in this schedule.

State of Oregon

Legal Debt Limit	Amount Outstanding	Legal Debt Margin
\$ 50,000	\$ -	\$ 50,000
5,591,271,266	30,005,000	5,561,266,266
44,730,170,126	303,610,000	44,426,560,126
8,386,906,899	-	8,386,906,899
1,048,363,362	-	1,048,363,362
8,386,906,899	2,015,553,818	6,371,353,081
260,000,000	33,647,000	226,353,000
2,795,635,633	44,710,000	2,750,925,633
2,795,635,633	173,895,000	2,621,740,633
2,795,635,633	-	2,795,635,633
261,495,000	86,725,000	174,770,000
1,118,254,253	174,302,500	943,951,753
1,118,254,253	45,712,500	1,072,541,753
5,591,271,266	1,686,030,000	3,905,241,266
8,386,906,899	105,295,000	8,281,611,899
5,591,271,266	1,435,975,000	4,155,296,266
\$ 98,858,028,388	\$ 6,135,460,818	\$ 92,722,567,570
\$ 3,240,000,000	\$ 3,115,513,590	\$ 124,486,410
2,500,000,000	874,073,666	1,625,926,334
\$ 5,740,000,000	\$ 3,989,587,255	\$ 1,750,412,745

State of Oregon

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

	2008	2009	2010	2011
General Obligation Bonds				
Debt limit	\$ 83,591,921	\$ 87,606,697	\$ 83,182,525	\$ 81,105,231
Total debt applicable to limit	4,596,555	4,697,324	4,599,259	5,079,665
Legal debt margin	<u>\$ 78,995,366</u>	<u>\$ 82,909,373</u>	<u>\$ 78,583,266</u>	<u>\$ 76,025,566</u>
Total debt applicable to the limit as a percentage of debt limit	5.50%	5.36%	5.53%	6.26%
Revenue Bonds				
Debt limit	\$ 5,110,000	\$ 5,950,000	\$ 5,950,000	\$ 5,950,000
Total debt applicable to limit	3,086,639	3,728,117	4,229,615	4,196,478
Legal debt margin	<u>\$ 2,023,361</u>	<u>\$ 2,221,883</u>	<u>\$ 1,720,385</u>	<u>\$ 1,753,522</u>
Total debt applicable to the limit as a percentage of debt limit	60.40%	62.66%	71.09%	70.53%

Source: Oregon State Treasury, Debt Management Division, and state agencies' disclosures.

Note: Amounts of outstanding debt applicable to the debt limit represent the outstanding principal, net of discounts, premiums, and other adjustments.

State of Oregon

2012	2013	2014	2015	2016	2017
\$ 76,868,469	\$ 74,668,862	\$ 76,758,613	\$ 76,048,937	\$ 81,952,523	\$ 98,858,028
5,267,360	5,401,103	5,613,726	5,923,856	6,079,700	6,135,461
<u>\$ 71,601,109</u>	<u>\$ 69,267,759</u>	<u>\$ 71,144,887</u>	<u>\$ 70,125,081</u>	<u>\$ 75,872,823</u>	<u>\$ 92,722,567</u>
6.85%	7.23%	7.31%	7.79%	7.42%	6.21%
\$ 5,950,000	\$ 5,750,000	\$ 5,750,000	\$ 5,740,000	\$ 5,740,000	\$ 5,740,000
4,048,627	3,958,765	4,242,316	4,168,546	4,063,270	3,989,587
<u>\$ 1,901,373</u>	<u>\$ 1,791,235</u>	<u>\$ 1,507,684</u>	<u>\$ 1,571,454</u>	<u>\$ 1,676,730</u>	<u>\$ 1,750,413</u>
68.04%	68.85%	73.78%	72.62%	70.79%	69.51%

State of Oregon

Schedule 12 PLEGGED REVENUES Last Ten Fiscal Years (In Thousands)

Lottery Revenue Bonds

Year	Revenues	Expenses	Interest Earnings on GICs ¹	Net Revenues Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2008	\$1,262,601	\$583,829	\$ 3,533	\$ 682,305	\$ 56,795	\$ 33,714	\$ 90,509	7.54
2009	1,111,945	543,662	3,257	571,540	65,985	32,380	98,365	5.81
2010	1,033,880	517,196	3,156	519,840	73,051	51,802	124,853	4.16
2011	1,039,710	514,350	3,156	528,516	75,850	51,601	127,451	4.15
2012	1,068,050	539,942	3,123	531,231	77,635	57,150	134,785	3.94
2013	1,065,255	495,524	3,013	572,744	74,525	54,088	128,613	4.45
2014	1,058,749	500,390	2,739	561,098	72,310	54,310	126,620	4.43
2015	1,122,230	525,143	1,357	598,444	76,470	47,313	123,783	4.83
2016	1,245,923	599,524	299	646,698	60,300	53,163	113,463	5.70
2017	1,245,383	583,304	-	662,079	67,170	50,260	117,430	5.64

¹ In accordance with the bond indenture, interest earnings on Guaranteed Investment Contracts (GICs) have been included.

Source: Oregon State Lottery financial statements and the Oregon Department of Administrative Services, Chief Financial Office.

Lottery Bonds are secured by future unobligated net lottery proceeds. For additional information, refer to Note 11.

Highway User Tax Revenue Bonds

Year	Pledged Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2008	\$ 487,125	\$ 34,405	\$ 60,155	\$ 94,560	5.15
2009	447,288	34,365	58,287	92,652	4.83
2010	501,808	41,805	70,020	111,825	4.49
2011	593,995	47,720	103,837	151,557	3.92
2012	566,923	52,070	98,173	150,243	3.77
2013	555,971	56,705	91,187	147,892	3.76
2014	578,008	58,340	100,325	158,665	3.64
2015	588,295	70,020	99,528	169,548	3.47
2016	610,576	73,130	101,170	174,300	3.50
2017	620,869	75,465	99,649	175,114	3.55

Source: Highway User Tax Bond official statements and the Oregon Department of Transportation.

Highway User Tax Revenue Bonds are secured by a pledge of motor fuels, weight-mile, and vehicle registration fees.

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

State of Oregon

Schedule 13 DEMOGRAPHIC AND ECONOMIC INDICATORS Last Ten Calendar Years

Year	Population	Personal Income ¹	Per Capita Personal Income	Unemployment Rate
2008	3,768,748	\$ 140,004,731	\$ 37,149	6.5%
2009	3,808,600	134,859,864	35,409	11.3%
2010	3,838,048	136,986,770	35,692	10.6%
2011	3,868,031	144,632,521	37,392	9.5%
2012	3,899,116	152,489,633	39,109	8.8%
2013	3,925,751	155,147,986	39,521	7.9%
2014	3,968,371	165,816,558	41,785	6.8%
2015	4,024,634	178,432,319	44,335	5.6%
2016	4,093,465	185,839,645	45,399	4.9%
2017	4,141,100	192,800,000	46,558	4.1%

¹ Personal income presented in thousands.

Source: Population and personal income figures for 2008 through 2016 were supplied by the US Department of Commerce, Bureau of Economic Analysis. The unemployment rates for all years are annual averages and were provided by the Oregon Employment Department.

Population and personal income estimates for 2017 were provided by the Oregon Office of Economic Analysis.

State of Oregon

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2016 and Nine Years Prior

	2007		2016	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	67,223	2.90%	56,932	2.32%
Forestry, fishing, and related activities	30,392	1.31%	31,758	1.29%
Mining	4,398	0.19%	6,153	0.25%
Utilities	4,968	0.21%	5,029	0.21%
Construction	148,625	6.40%	123,321	5.02%
Manufacturing	216,782	9.34%	204,940	8.35%
Wholesale trade	88,889	3.83%	89,944	3.66%
Retail trade	252,348	10.87%	254,346	10.36%
Transportation and warehousing	69,234	2.98%	76,183	3.10%
Information	42,781	1.84%	41,370	1.69%
Finance and insurance	89,355	3.85%	92,051	3.75%
Real estate, rental, and leasing	104,563	4.50%	114,761	4.68%
Professional and technical services	132,640	5.71%	162,535	6.62%
Management of companies	31,840	1.37%	46,981	1.91%
Administrative and waste services	126,113	5.43%	128,436	5.23%
Educational services	48,301	2.08%	60,926	2.48%
Health care and social assistance	238,283	10.26%	289,463	11.79%
Arts, entertainment, and recreation	52,096	2.24%	60,779	2.48%
Accommodation and food services	161,374	6.95%	189,958	7.74%
Other services	122,626	5.28%	130,670	5.32%
Federal government, civilian	29,136	1.26%	28,391	1.16%
Military	12,377	0.53%	11,582	0.47%
State government	66,955	2.88%	45,972	1.87%
Local government	180,925	7.79%	202,118	8.23%
Total employment	2,322,224	100.00%	2,454,599	100.00%

Source: US Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

State of Oregon

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Education	13,117	13,117	13,394	13,394	13,485	13,485	624	642	688	688
Human Services	9,753	9,753	11,145	11,145	11,478	11,379	11,694	11,671	12,373	12,360
Public Safety	9,021	9,021	9,069	9,069	8,562	8,532	8,615	8,618	8,667	8,677
Economic and Community Services	1,650	1,650	1,991	1,991	2,358	1,910	1,651	1,670	1,610	1,615
Natural Resources	4,367	4,367	4,332	4,332	4,304	4,288	4,338	4,348	4,324	4,313
Transportation	4,535	4,535	4,554	4,554	4,532	4,533	4,480	4,475	4,411	4,408
Consumer and Business Services	1,593	1,593	1,592	1,592	1,454	1,446	1,421	1,410	1,427	1,423
Administration	2,958	2,958	2,882	2,882	2,809	2,785	2,827	2,827	2,961	2,977
Legislative Branch	404	404	381	381	427	427	429	429	432	432
Judicial Branch	1,975	1,975	1,766	1,766	1,818	1,829	1,840	1,839	1,860	1,859
Total FTE Positions	49,373	49,373	51,106	51,106	51,227	50,614	37,919	37,929	38,753	38,752

Source: Department of Administrative Services, Chief Financial Office.

Note: The number of full time equivalent (FTE) positions is established in the legislatively adopted biennial budget. A distinction between governmental and business-type activities is not available.

In 2014, the Oregon University System was legislatively approved to act as a private entity and will no longer be included in the Education FTE figure.

State of Oregon

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

	2008	2009	2010
Governmental Activities			
Education			
Number of PreK-12 students	566,067	564,064	561,698
Number of FTE community college students	94,587	105,149	121,815
Special education school campuses	2	2	1
Human Services			
Number of individuals eligible for Oregon Health Plan	386,662	426,578	495,872
Average number of basic TANF individuals	42,338	48,321	54,994
Public Safety			
Number of sworn state police officers	646	604	660
Prison inmate population	13,553	13,925	14,021
Number of correctional facilities	14	14	14
Economic and Community Development			
Community development grants provided (in dollars)	10,704,034	2,791,056	15,065,341
Number of technical assistance grants provided	6	5	4
Natural Resources			
Forest acres burned	7,860	7,000	6,065
State park day use visitors (in millions)	40.3	40.1	41.2
Acreage of state parks	97,446	100,379	103,474
Miles of forest roads	3,225	3,255	3,305
Transportation			
Licensed drivers (in millions)	3.1	3.1	3.0
Vehicle miles traveled on state highway system (in billions)	19.5	19.8	19.7
State highway system miles	7,415	7,422	7,415
Number of state owned bridges	2,671	2,681	2,693
Consumer and Business Services			
Number of employers covered by workers' compensation	98,300	94,800	93,900
Historic premiums written for all insurance lines (in billions)	17.9	17.7	17.2
Average bank and credit union assets (in billions)	40.7	42.0	40.5
Construction employment (in thousands)	94.2	74.1	67.7
Administration			
Number of tax returns filed	1,805,843	1,768,397	1,791,680
Percent of returns filed electronically	63.0%	67.0%	75.0%
Uniform rent square footage	1,904,531	1,953,760	1,953,760
Leased office space square footage	4,425,500	4,532,405	4,676,051
Number of motor pool vehicles	3,922	4,247	4,247
Legislative			
Number of bills introduced	87	2,613	195
Number of bills becoming law	54	914	105
Length of legislative session (in days)	19	169	25
Capitol building	1	1	1
Judicial			
Cases filed in circuit courts	610,334	599,605	565,397
Number of circuit court judges	173	173	173

Sources: Various state agencies

Note: Figures for 2016 and 2017 that are not available until a later date are indicated with N/A.

State of Oregon

2011	2012	2013	2014	2015	2016	2017
561,331	560,951	563,714	567,100	570,857	576,407	578,947
124,988	117,653	117,233	104,339	97,362	90,478	88,167
1	1	1	1	1	1	1
590,406	619,994	672,210	971,104	1,050,178	1,109,321	1,067,322
61,768	70,881	74,313	70,046	60,188	50,490	48,502
773	610	606	606	719	732	700
14,026	14,186	14,578	14,632	14,706	14,721	14,742
14	14	14	14	14	14	14
8,093,200	12,496,300	17,299,550	18,590,649	20,287,281	12,055,779	11,978,330
4	5	6	5	1	4	2
2,272	17,396	103,836	53,018	87,793	5,649	45,463
40.0	40.4	42.1	43.2	47.6	51.5	49.0
105,684	108,613	108,654	108,499	109,587	107,960	108,499
3,377	3,400	3,432	3,456	3,488	3,528	3,569
3.0	3.0	3.1	3.1	3.1	3.1	N/A
19.4	19.4	19.5	19.8	20.7	21.4	N/A
7,403	7,401	7,401	7,399	7,401	7,402	N/A
2,703	2,709	2,717	2,725	2,726	2,738	2,737
99,900	101,400	100,300	107,900	112,100	116,200	N/A
17.5	18.0	19.7	19.5	20.6	22.9	N/A
39.1	44.0	45.0	56.6	61.0	66.0	N/A
68.6	69.9	74.0	80.1	83.3	90.2	N/A
1,824,788	1,846,257	1,886,438	1,942,678	1,993,570	N/A	N/A
79.0%	81.0%	83.0%	84.0%	86.0%	N/A	N/A
1,954,332	1,954,332	1,954,332	1,954,332	1,954,332	1,954,332	1,854,949
5,104,986	4,518,791	4,020,638	4,569,927	4,550,154	4,986,265	5,444,572
4,183	3,993	3,994	3,993	4,022	4,130	4,117
3,021	275	2,511	252	2,641	253	2,647
732	112	788	126	847	124	747
150	34	156	36	155	32	157
1	1	1	1	1	1	1
552,601	549,803	544,687	536,922	522,377	491,681	489,135
173	173	173	173	173	173	173

(continued on next page)

State of Oregon

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

	2008	2009	2010
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	1,850	836	171
Number of affordable rental units produced	1,003	421	-
Veterans' Loan			
Number of outstanding loans	4,883	4,069	3,404
Percent of delinquent loans	0.10%	0.47%	0.73%
Lottery Operations			
Number of retailers	3,785	3,855	3,916
Number of video terminals	12,205	12,365	12,393
Unemployment Compensation			
Number of claims paid	3,275,097	8,422,488	8,762,507
Amount of claims paid (in millions)	954.9	2,688.4	2,704.1
University System			
Total headcount enrollment	77,778	82,868	87,968
Degrees awarded	16,897	16,944	17,920
Number of university campuses	7	7	7
State Hospital System			
Number of mental health patient days served	284,640	268,052	247,104
Number of state owned hospital beds	788	756	709
Liquor Control			
Number of state retail outlets	242	240	243
Number of cases sold	2,551,732	2,572,865	2,573,935
Other Business-type Activities			
Number of residents in Oregon Veterans' Homes	140	138	144
Number of state owned parking spaces	4,665	4,568	4,545

* Starting with FY 2016, the university system is no longer part of the primary government and will no longer be reported.

State of Oregon

2011	2012	2013	2014	2015	2016	2017
383	520	360	394	334	410	490
144	239	-	94	564	479	440
2,850	2,408	2,050	1,934	1,881	1,864	1,870
1.54%	1.45%	1.61%	1.45%	0.80%	0.80%	0.91%
3,901	3,907	3,848	3,843	3,939	3,920	3,934
12,202	12,175	12,037	11,951	11,925	11,909	11,817
6,764,818	5,035,594	3,552,320	1,762,202	1,604,461	1,407,146	N/A
1,953.0	1,489.8	1,067.4	561.7	544.9	504.2	N/A
91,345	92,925	93,657	94,129	94,011	*	*
18,694	20,209	20,830	21,359	21,429	*	*
7	7	7	7	7	*	*
232,892	226,104	231,355	222,776	218,127	220,202	218,966
719	771	685	727	786	786	766
247	249	248	248	248	248	256
2,676,106	2,791,591	2,911,100	2,955,352	3,021,190	3,127,664	3,244,159
140	140	144	140	155	235	284
4,544	4,484	4,742	4,605	4,616	4,595	4,661

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