

Oregon

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2018

Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



Kate Brown
Governor

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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, 2018**

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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, 2018

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, 2018. 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, 2018. 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 2018 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, 2019.

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

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs, including education, human services, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative support, and judicial services. Oregon's primary government as reported in the accompanying financial statements consists of approximately 84 state agencies. In addition to the primary government, 11 entities are reported as discretely presented component units to emphasize that they are legally separate from the State. Refer to Note 1 to the basic financial statements for a more detailed discussion of the reporting entity.

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

transfer expenditure authority between appropriations. Management can reallocate within an appropriation without legislative approval. The following budgeted appropriated fund types have been established to account for the State's budgetary activities: general 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. That said, job growth continues to slow as the regional economy transitions down to more sustainable rates. Oregon today is growing just a notch faster than the average state. This slowdown is not driven by one or two industries in particular, but has been broad-based across different sectors and regions within the State. Encouragingly, job growth remains strong enough to keep up with population gains and to absorb the workers coming back into the labor market. In terms of the near-term economic outlook, our forecast calls for ongoing, but slowing growth in the coming years. Similar to most national forecasts, Oregon employment growth in 2019 will be above potential, or more than the amount needed to keep pace with population gains. In 2020 job growth slows to around potential, while in 2021 and 2022 growth slows to below potential. This forecast is not a recession hedge. It is more in-line with slower growth due to an economy reaching capacity and running into supply side constraints.

All told, and despite the higher risk of recession over the next few years, the current outlook for Oregon remains positive. The labor market is tight, helping to drive wages and overall household incomes higher. As the recently released 2017 Census data shows, the feel good part of the business cycle is here. It only comes when the economy is at or near full employment. More Oregonians are working but an even larger gain has been seen in the number working full-time. Additionally, poverty rates continue to fall while employment rates rise. These improvements are seen across all racial or ethnic groups and all age cohorts in recent years. Oregon's economy is expected to continue to hit the sweet spot between now and whenever that next recession comes.

Standard measures of the labor market like the unemployment rate suggest the Oregon economy is healthy. However the underlying figures behind the headline suggest even better numbers may lie ahead. For one, current estimates of the labor force in Oregon are declining in recent months, in large part due to a falling participation rate. We know the population overall is increasing with migration flows, but on the other hand, Baby Boomer retirements are also currently at their peak. It is likely that Oregon's labor force is increasing overall and participation rates are at least holding steady. Employment rates by age cohort are still looking solid, as are overall job openings, so a drop in participation is somewhat unlikely.

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

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

Spending on education as reported by the State's governmental funds during fiscal year 2018 increased \$555.8 million, or 9.7 percent, compared to fiscal year 2017 and over the last ten years, education spending has increased 48.4 percent. Human services spending by the State's governmental funds was up \$507.1 million, or 4.1 percent, compared to fiscal year 2017, but is more than double the amount spent in fiscal year 2009. Governmental fund expenditures for economic and community development in fiscal year 2018 increased \$53.1 million, or 11.4 percent, compared to fiscal year 2017, and are 30.3 percent higher than in fiscal year 2009. Spending on capital improvements in fiscal year 2018 decreased \$4.6 million, or 5.9 percent from fiscal year 2017, and is down 19.3 percent from fiscal year 2009. Public safety expenditures increased \$110.8 million from

fiscal year 2017, or 7.6 percent, and are 34.4 percent higher than in fiscal year 2009. The increased education funding is due to a higher allocation of funds to school districts as the result of a ballot measure approved by voters in 2016 along with state support for capital construction at the State's public universities. The rapid growth rate in expenditures for human services is due largely to a change in the Federal match rate for the Medicaid program. Governmental fund expenditures related to debt service, have increased as the State expands its use of low-cost capital financing. Debt service expenditures have increased 74.5 percent over the last ten years.

Long-term Financial Planning

Budget for the 2017-19 Biennium

The legislatively approved budget for the 2017-19 biennium, as adjusted during the 2018 regular session, and including authorized executive branch administrative actions, is \$75.7 billion total funds, an increase of \$1.3 billion from the 2017-19 budget adopted at the end of the 2017 session. The budget increase since the 2017 session was comprised of about \$408.1 million Federal Funds, mostly in human services programs, \$772 million Other Funds, and \$150.5 million in combined General Fund and Lottery Funds. Lottery Funds are up almost \$195 million since the 2015-17 budget. Combined General Fund and Lottery Funds are up by \$2.1 billion over the 2015-17 budget, an increase of 11.1 percent. Federal Funds also increased by \$167.3 million, an increase of 0.8 percent. The other component of the state budget, Other Funds, recorded an increase of \$1.6 billion, or 5.3 percent between the 2017-19 and 2015-17 budgets.

The March 2018 revenue forecast from the Office of Economic Analysis projects total 2017-19 biennium lottery resources of \$1.4 billion, a \$110.3 million (or 8.3 percent) increase over the resource level, based on the May 2017 forecast level, that was used during the 2017 session to develop the legislatively adopted budget. With this revised lottery resource forecast, current-biennium lottery resources are now projected to increase \$177 million (or 14 percent) above the prior biennium level.

The December 2018 economic and revenue forecast projects \$20.5 billion of General Fund gross revenues for the 2017-19 biennium. The projected General Fund ending balance for 2017-19 is \$1.3 billion. General Fund resources are forecasted to increase by 10.5 percent in the 2017-19 biennium and 4.9 percent in the 2019-21 biennium.

State Bonding

In January 2018, the State Debt Policy Advisory Commission issued its updated recommended capacity limits for General Fund and Lottery Funds supported debt based upon the December 2017 revenue forecast, current market conditions, and bonding authorized during the 2017 session.

The Commission's 2018 Legislative Update Report recommended an additional \$80.8 million in General Fund supported debt capacity and \$26.2 million in Lottery Funds supported debt capacity for the remainder of the 2017-19 biennium. Recommendations for total available debt capacity were developed considering that General Fund debt service should not exceed 5 percent of General Fund revenues; Lottery Funds debt service should not exceed 25 percent of Lottery Funds revenues; and total available debt capacity is averaged evenly over future biennia.

Article XI-G and Article XI-Q general obligation bond authorizations were increased by \$30.5 million and \$32.3 million, respectively, for the Higher Education Coordinating Commission to finance grants for certain public university projects. The Department of Administrative Services' Article XI-Q general obligation bond authority was increased by an additional \$17.6 million for capital projects owned or operated by the State. The Legislature also increased the Department of Administrative Services' lottery revenue bond limit by \$21.1 million for various projects. The Housing and Community Services Department's direct revenue bond authority was increased by \$100 million and pass-through revenue bond authority was increased by \$275 million to accommodate projected awards for first-time homebuyer mortgage financing and affordable multifamily housing.

Total General Fund debt service for authorized bonding in the legislatively approved budget is estimated to be \$26 million in the current biennium and \$196.6 million in 2019-21. There are no debt service payments due on total legislatively approved lottery revenue bonds in the 2017-19 biennium and an estimated \$35.6 million in the 2019-21 biennium.

Relevant Financial Policies

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

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

The Education Stability Fund is the State's second general reserve fund. Its current reserve structure and mechanics are the result of a constitutional amendment in 2002. Amounts in the Education Stability Fund may be spent under the same conditions as those required for spending moneys in the Oregon Rainy Day Fund. However, if none of the conditions 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 starts the 2017-19 biennium with a cash balance of \$376.4 million. Because the General Fund's ending balance for 2015-17 was positive, 1 percent of budgeted appropriations, or \$179.4 million, was deposited in the Rainy Day Fund. Additionally, \$16.2 million was 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 2018 economic and revenue forecast projects the Rainy Day Fund will end the 2017-19 biennium with a cash balance of \$595.7 million.

The Education Stability Fund started the 2017-19 biennium with a cash balance of \$384.2 million. The December 2018 economic and revenue forecast projects the Education Stability Fund will end the current biennium with a cash balance of \$616.8 million, which includes deposits of \$233.1 million based on the current Lottery forecast.

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:

- Transportation Package of 2017
- High School Graduation and College and Career Readiness Act
- Health Care for All Oregon Children Program

Transportation Package of 2017

The 2017 Legislative Session was historic for transportation in Oregon due to the bipartisan passage of the largest transportation funding bill in Oregon history. Transportation was identified early in the session as one of the top priorities for both the Governor and Legislature. The Joint Committee on Transportation Preservation and Modernization worked to develop a comprehensive transportation funding bill that focused on maintenance and preservation, freight mobility and congestion, public transit and safety, multimodal transportation, and accountability.

The legislation that passed was a multi-faceted approach to improving Oregon's transportation system and included several new funding sources to improve transit service around the State. The bill also provided new funding to counties to help address their extensive maintenance and preservation needs. The 2017-19 legislatively adopted budget included \$115.2 million Other Funds expenditure limitation to begin implementation of the Transportation Package of 2017.

High School Graduation and College and Career Readiness Act

In 2016, Ballot Measure 98, also referred to as the High School Graduation and College and Career Readiness Act, was approved by Oregon voters to provide direct funding to school districts to increase high school graduation rates. School districts were required to direct funding from Measure 98 to establish or expand high school programs related to three specific areas: career and technical education; college-level educational opportunities; and dropout-prevention strategies.

During the 2017 Legislative Session, changes were made to the Act to provide additional flexibility to school districts, including allowing up to 15 percent of the total funds awarded to be used for activities for 8th graders, and removing the requirement that grant awards support activities in each of the three focus areas for smaller districts. The 2017-19 legislatively adopted budget included \$170 million General Fund appropriation to the Department of Education for distribution to school districts.

Health Care for All Oregon Children Program

The Oregon Health Authority is responsible for statewide outreach, marketing, and administering the Health Care for All Oregon Children Program. The Program was originally established in 2009 and had previously provided medical assistance coverage only to children who were lawfully present in the State.

Legislation passed during the 2017 session modified the program eligibility requirements to make all children who reside in Oregon eligible for medical assistance, regardless of immigration status, if family income is at or below 300 percent of the federal poverty guidelines. Additionally, the legislation required the Oregon Health Authority to establish a workgroup to advise the agency on outreach and marketing strategies designed to most effectively encourage the enrollment of children in the Program. The 2017-19 legislatively adopted budget included \$36.1 million General Fund appropriation to the Oregon Health Authority to administer the legislative program changes.

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, 2017. This was the twenty-sixth consecutive year that the State has achieved this prestigious award. To receive the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



George Naughton
Chief Financial Officer
State of Oregon



Government Finance Officers Association

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

Presented to

State of Oregon

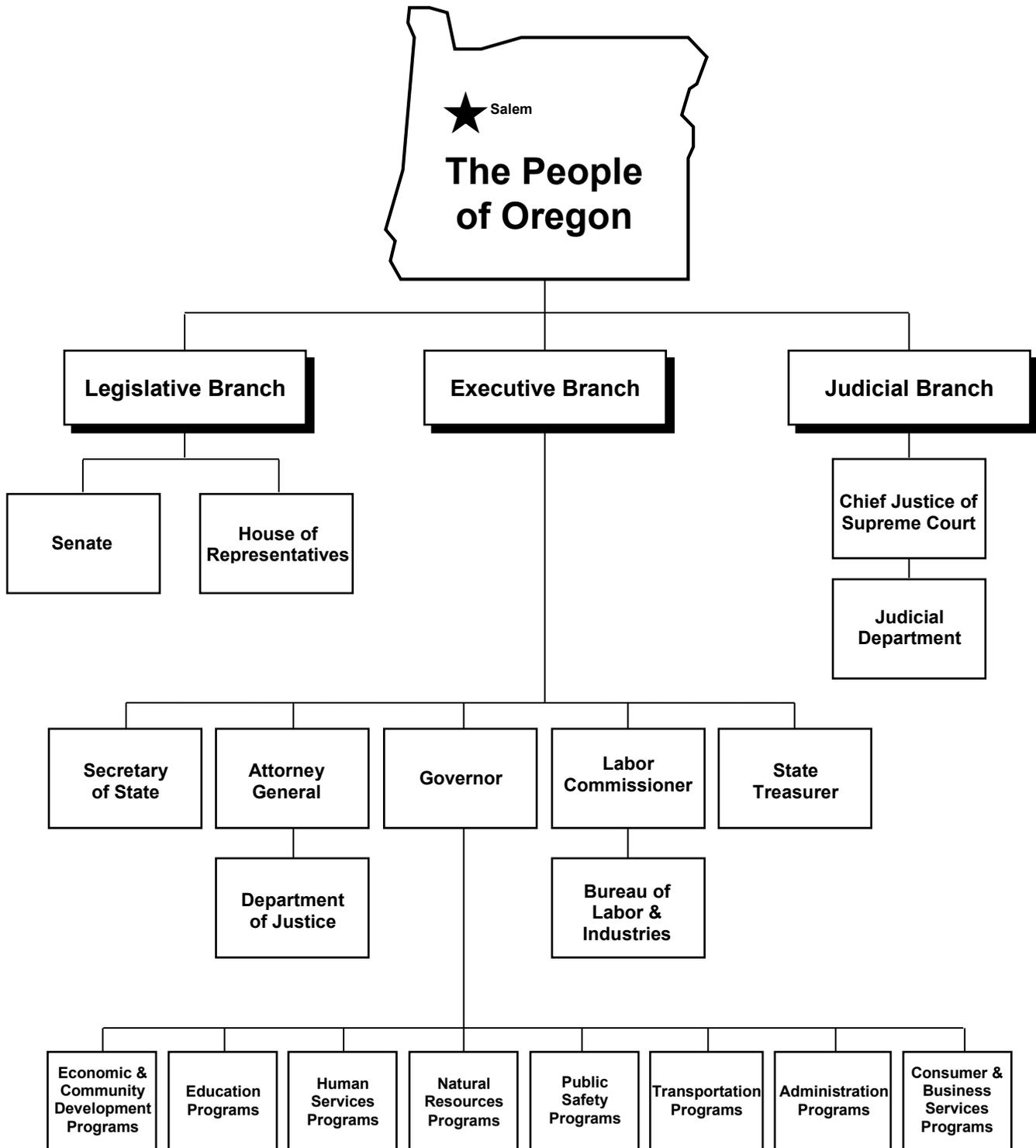
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

STATE OF OREGON ORGANIZATION CHART



Principal State Officials



EXECUTIVE

Kate Brown, Governor

Dennis Richarson, 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

Martha L. Walters, Chief Justice of the Supreme Court

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Financial Section

Dennis Richardson
Secretary of State

Leslie Cummings, Ph.D.
Deputy Secretary of State



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, 2018, 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%	97%	96%
Common School – Major Governmental Fund	100%	100%	100%
Aggregate Remaining Funds:			
Public Employees Retirement System	85%	58%	61%

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, 2018, 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

For the year ended June 30, 2018, the State of Oregon implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. As a result of this standard, the State reported a restatement of net position as of July 1, 2017, for the change in accounting principle. See Note 1 and Note 15 for further information. Our opinions are 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 schedules and information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue our report dated December 19, 2018, 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, 2018

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, 2018. 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, 2018, the State's net position on a government-wide basis was \$18.7 billion. Of this amount, the unrestricted portion was \$2.9 billion. The amount restricted for specific uses was \$5.3 billion. The State's net investment in capital assets was \$10.6 billion.
- The State's net position increased \$1.6 billion compared to the prior year, indicating the State's overall financial position has improved. Net position for governmental activities increased 9 percent, while net position for business-type activities increased 9.6 percent.
- As of June 30, 2018, the State's governmental funds reported combined ending fund balances of \$10.5 billion. Of this total, approximately 0.9 percent was considered nonspendable and included amounts related to inventories, prepaid amounts, and permanent fund principal.
- Approximately 72 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 \$7.5 billion.
- The remaining 27.1 percent of ending fund balances were classified as unrestricted and included the fund balance categories designated as committed, assigned, and unassigned. Committed fund balances are available for spending only with legislative approval, while assigned fund balances express legislative intent as indicated through the budget process. Unassigned fund balances may be spent at the government's discretion. Total unrestricted fund balances equaled \$1.2 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 \$2 billion.
- The net pension liability for the State, as the primary government and excluding discretely presented component units, has decreased from \$3.1 billion to \$2.8 billion. The State recognized pension expense of \$569 million during the current year. State contributions to this defined benefit plan during the current fiscal year were \$292.7 million.
- The State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which established standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for postemployment benefits other than pensions (OPEB). The State has three OPEB plans. Refer to Note 15 and related OPEB RSI for additional information.
- Outstanding debt (bonds and certificates of participation) decreased by \$236.1 million during fiscal year 2018. As part of an overall plan to reduce borrowing costs, the State was involved in six separate debt refunding issuances and refunded \$378.7 million of previously existing debt with \$523.4 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 five major governmental funds, including the General Fund. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements presented later in this report. The basic governmental fund financial statements can be found on pages 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 61-168 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 172, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes. This section also includes two schedules related to the State's pension plan, which is a cost-sharing multiple-employer plan: the Schedule of Proportionate Share of the Net Pension Liability/(Asset) and the Schedule of Defined Benefit Pension Plan Contributions. Lastly, this section includes six schedules related to the three State postemployment benefit plans: the Public Employees Benefit Board Plan (PEBB), the Retiree Health Insurance Premium Account (RHIPA), and the Retiree Health Insurance Account (RHIA).

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 190 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, 2018, was over \$18.7 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 \$10.6 billion. Restricted net position represents resources that are subject to external restrictions on how they may be used. At June 30, 2018, restricted net position totaled \$5.3 billion. The remaining balance of \$2.9 billion was classified as unrestricted net position.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital assets	\$ 13,904.2	\$ 13,647.7	\$ 600.2	\$ 628.3	\$ 14,504.4	\$ 14,276.0
Other assets	14,847.2	13,391.9	7,731.0	6,979.8	22,578.2	20,371.8
Total assets	28,751.4	27,039.6	8,331.2	7,608.1	37,082.6	34,647.8
Total deferred outflows	1,086.6	1,655.0	101.6	153.6	1,188.1	1,808.6
Long-term liabilities	13,721.1	14,297.8	1,899.3	1,875.0	15,620.4	16,172.9
Other liabilities	3,519.2	2,841.2	399.0	288.8	3,918.2	3,130.0
Total liabilities	17,240.3	17,139.0	2,298.3	2,163.8	19,538.6	19,302.9
Total deferred inflows	28.5	27.1	9.0	8.1	37.5	35.2
Net investment in capital assets	9,981.1	9,694.2	583.9	610.6	10,565.0	10,304.8
Restricted	5,054.2	4,316.6	216.0	215.8	5,270.2	4,532.4
Unrestricted	(2,466.1)	(2,482.3)	5,325.5	4,763.3	2,859.4	2,281.0
Total net position	\$ 12,569.2	\$ 11,528.6	\$ 6,125.5	\$ 5,589.7	\$ 18,694.6	\$ 17,118.3

Changes in net position. The State's total net position increased \$1.6 billion compared to the prior year. The net position of governmental activities increased 9 percent, while the net position of business-type activities increased 9.6 percent.

The ending net position of governmental activities for fiscal year 2018 was \$12.6 billion compared to \$11.5 billion reported in fiscal year 2017. Expenses increased \$1.2 billion, or 4.9 percent, while revenues increased \$1.6 billion, or 6.4 percent.

Both personal and corporate income tax revenues were up in fiscal year 2018. Personal income tax revenues increased \$500.3 million and corporate income taxes increased \$171.4 million, both due to an expanding economy. In addition, other taxes increased by \$281.7 million, or 10.3 percent. This is driven by an increase in motor fuel taxes and other vehicle tax revenue which increased \$119.6 million. Charges for services increased \$272.1 million, or 14.7 percent, largely due to \$106 million increased revenue from House Bill 2391 (2017) which imposes a 1.5 percent assessment on commercial health insurance premiums and premium equivalents for managed care organizations and Public Employee Benefit Board health benefit plans. Additional increases in charges for services are due to increased revenue for fighting fires on Federal service lands, record timber sales, and increased collections of prior year overpayments. Operating grants and contributions increased \$295 million from fiscal year 2017 primarily due to an increase in human services federal grant revenue of \$206.6 million, resulting from an increase to the number of clients it is serving in the Developmentally Disabled Program, and \$205.7 million to reimburse the State for the Medicaid and Children's Health Insurance Program (CHIP) expenditures.

Governmental activities expenses increased \$1.2 billion, or 4.9 percent from fiscal year 2017. The increase was largely due to a combination of increases in expenses in education and human services. Education expenses increased \$550 million due to increased funding for high school graduation rate improvement and support for capital construction at the State's public universities. Human services increased \$466.5 million due to a change in the Federal match rate for the Medicaid program as well as higher eligibility payments.

As shown in Table 2, the ending net position of business-type activities for fiscal year 2018 was \$6.1 billion, compared to \$5.6 billion reported in fiscal year 2017. For expenses, which increased by \$77.5 million, this increase was caused primarily by overall increases in expenses from lottery operations and liquor control operations. Charges for services increased \$85.7 million, or 2.7 percent. This is due primarily to a combination of increases in lottery sales and liquor sales, which increased \$56 million and \$29.3 million, respectively. The increased lottery sales are due to the Megamillions game adopting changes in October 2017 which were designed to increase jackpots and includes an increase in the minimum jackpot. Liquor sales increased due to 11 new stores opening in fiscal year 2018, plus there was a sharp increase in sales in the month of August 2017 due to the total solar eclipse.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,128.0	\$ 1,856.0	\$ 3,320.0	\$ 3,234.3	\$ 5,448.0	\$ 5,090.3
Operating grants and contributions	11,096.2	10,801.2	154.0	128.3	11,250.2	10,929.5
Capital grants and contributions	18.7	11.2	2.8	1.0	21.5	12.1
General revenues:						
Personal income taxes	8,879.6	8,379.3	-	-	8,879.6	8,379.3
Corporate income taxes	804.5	633.0	-	-	804.5	633.0
Other taxes	3,030.0	2,748.4	18.5	18.8	3,048.5	2,767.2
Unrestricted investment earnings	52.6	27.8	-	-	52.6	27.8
Total revenues	26,009.6	24,456.8	3,495.2	3,382.4	29,504.8	27,839.2
Expenses:						
Education	6,272.6	5,722.7	-	-	6,272.6	5,722.7
Human services	12,912.8	12,446.2	-	-	12,912.8	12,446.2
Public safety	1,659.1	1,604.3	-	-	1,659.1	1,604.3
Economic & community development	527.6	477.7	-	-	527.6	477.7
Natural resources	842.9	801.0	-	-	842.9	801.0
Transportation	1,660.4	1,667.7	-	-	1,660.4	1,667.7
Consumer and business services	298.5	260.4	-	-	298.5	260.4
Administration	387.3	410.7	-	-	387.3	410.7
Legislative	49.4	49.5	-	-	49.4	49.5
Judicial	456.7	433.3	-	-	456.7	433.3
Interest on long-term debt	430.2	427.7	-	-	430.2	427.7
Housing and community services	-	-	42.9	42.2	42.9	42.2
Veterans' loan	-	-	19.2	18.1	19.2	18.1
Lottery operations	-	-	608.5	578.6	608.5	578.6
Unemployment compensation	-	-	521.1	528.9	521.1	528.9
State hospitals	-	-	422.7	408.5	422.7	408.5
Liquor control	-	-	471.8	447.3	471.8	447.3
Other business-type activities	-	-	281.4	266.5	281.4	266.5
Total expenses	25,497.5	24,301.2	2,367.5	2,290.0	27,865.0	26,591.2
Increase (decrease) before contributions, special and extraordinary items, and transfers	512.0	155.5	1,127.7	1,092.4	1,639.7	1,248.0
Contributions to permanent funds	0.1	0.5	-	-	0.1	0.5
Transfers	608.5	581.5	(608.5)	(581.5)	-	-
Increase (decrease) in net position	1,120.6	737.6	519.2	510.9	1,639.8	1,248.5
Net position – beginning	11,528.6	10,678.0	5,589.7	5,067.8	17,118.3	15,745.7
Prior period adjustments	(13.9)	113.1	24.6	11.0	10.7	124.1
Cumulative effect of accounting change	(66.1)	-	(8.0)	-	(74.1)	-
Net position – beginning – as restated	11,448.6	10,791.0	5,606.3	5,078.8	17,054.9	15,869.8
Net position – ending	\$12,569.2	\$11,528.6	\$ 6,125.5	\$ 5,589.7	\$18,694.6	\$17,118.3

Figure 1 below illustrates fiscal year 2018 revenues of the State as a whole, by source. Approximately 38.1 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 32.8 percent of total revenues, while charges for services accounted for 18.5 percent.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2018

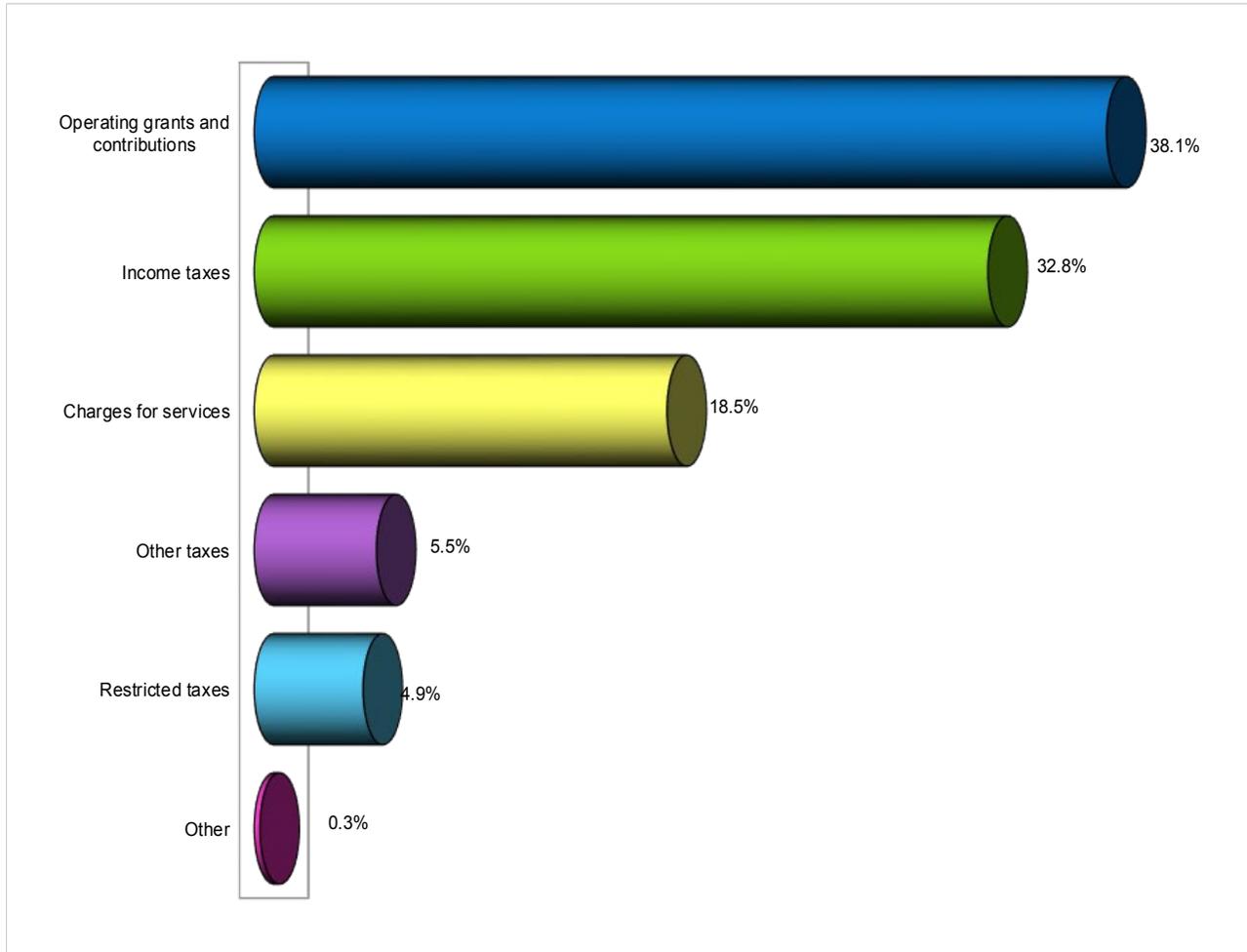
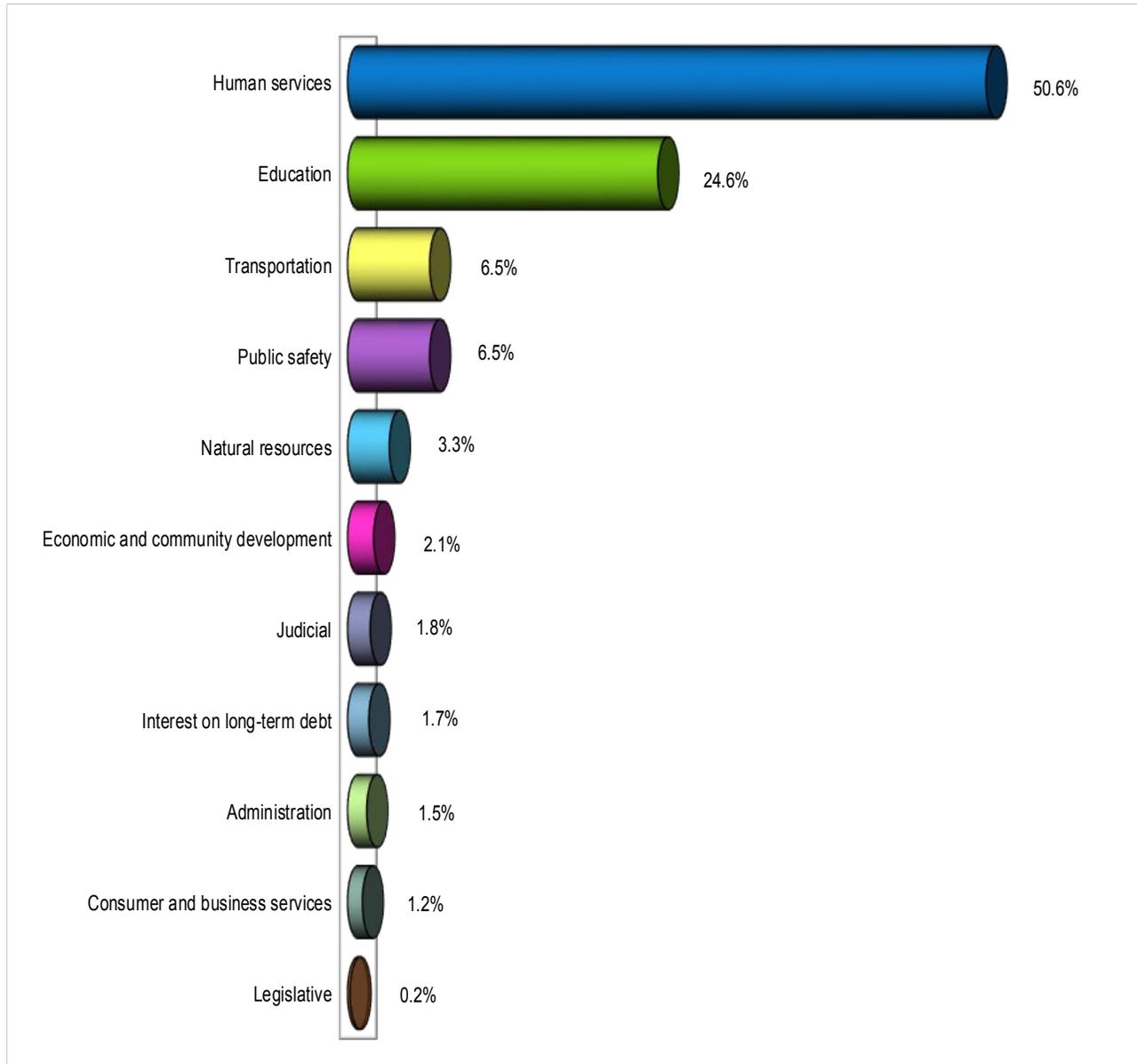


Figure 2 below shows governmental activity expenses for the State as a whole, by function. The cost of providing human services for Oregon citizens in need of assistance comprised 50.6 percent of total expenses. Elementary and secondary education accounted for 24.6 percent of the total.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2018



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 2018, the State's governmental funds reported combined ending fund balances of \$10.5 billion, up \$0.9 million compared to the prior year.

Nonspendable fund balances of \$92.9 million, or 0.9 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 \$7.5 billion, or 72 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 \$1.5 billion comprised 13.9 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 \$223.7 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 \$1.2 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 2018 with a total fund balance of \$2.9 billion. This represents a \$728.3 million increase from the prior year's ending fund balance. Total revenues grew by 10.1 percent and total expenditures grew 8.8 percent. Significant revenue contributions included personal income taxes, which rose \$694 million, or 8.4 percent, and corporate income taxes which rose by \$266.3 million, or 49.5 percent. The increased revenue from personal income tax and corporate income tax is the result of an expanding economy. Spending for human services increased \$233.2 million, or 10.8 percent, due largely to a change in the Federal match rate for the Medicaid program. Education spending increased \$478 million or 9.8 percent due a higher allocation of funds to school districts to increase high school graduation rates as a result of a ballot measure approved by voters in 2016 along with state support for capital construction at the State's public universities. Administration spending decreased \$47.1 million, or 13.6 percent, largely due to a distribution to Oregon Health & Science University for the proceeds of debt issued by the State in fiscal year 2017 for the Knight Cancer Institute. Proceeds from the issuance of long-term debt decreased \$96.7 million due to significantly lower bond sales during the fiscal year. By extension, expenditures for interest and principal on long-term debt increased \$33.8 million and \$24.9 million, respectively over the amounts recognized in fiscal year 2017.

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 \$203.9 million to \$580.3 million, attributed mostly to transfers in from other funds. The ending fund balance of the Rainy Day Fund is classified as committed fund balance.

In the Health and Social Services Fund, total revenues increased \$500.2 million, or 5.5 percent, due primarily to increases in Medicaid, Children's Health Insurance Program (CHIP), and Developmentally Disabled Program services, which resulted in higher federal grant revenues of \$350.9 million. Likewise, because of these increases, the related eligibility payments also went up. These payments are reported as Human Services expenditures, which increased \$343.7 million, or 3.7 percent, from fiscal year 2017. Healthcare provider taxes increased \$83 million, or 14.6 percent, due to an increase in the hospital assessment rate, which increased from 5.3 percent, to 6 percent, effective January 1, 2018, and also due to additions of Type A and Type B hospitals to the hospital assessment required by House Bill 2391. Tobacco settlement proceeds decreased \$72.7 million, or 51.1 percent, from the prior year due primarily to reduced sales. However, transfers to other funds increased by \$84.1 million, or 50 percent, from the prior year primarily due to distributions of tobacco settlement proceeds in the current year that were collected in the prior year. Other revenues increased \$50 million, or 44.8 percent, primarily due to revenue from the addition of Medicaid Management Information System (MMIS) Leverage-Qualified payment based on the requirements of House Bill 2391.

In the Public Transportation Fund, total revenues increased \$175.7 million, or 9.4 percent, and primarily is the result of increases in motor fuel and other vehicle taxes revenues of \$117.5 million, or 10 percent. On January 1, 2018, House Bill 2017 raised motor fuel taxes from four cents to 34 cents per gallon, the weight-mile tax on heavy trucks went up so that trucks pay their fair share for their wear and tear on the roads, and also raised the annual registration fee for cars, pickups, vans, SUVs, and similar vehicles. The federal revenue also increased by \$24.2 million, or 4.6 percent, which was primarily due to receiving more federal forest funds for distribution

to Oregon counties. Due to an increase in city and county cooperation on construction projects, service revenue went up by \$19.9 million, or 61.5 percent, compared to fiscal year 2017. Because of the reinstatement of funding due to the Secure Rural School Act, administration expenses went up by \$31.7 million compared to the prior year. Total transportation expenditures decreased \$63.1 million, or 3.5 percent, primarily due to a decrease in expenditures related to road maintenance and capital construction projects. Further, the fund did not issue any long-term debt in fiscal year 2018 because the last of the funding authorized by the Oregon Jobs and Transportation Act of 2009 was used in fiscal year 2017. In fiscal year 2018, the Oregon Department of Transportation was authorized to issue bonds from House Bill 2017, but because the projects were in the initial planning stages capital proceeds were not needed. Collectively, these were the main causes of the fund's increase in fund balance of \$9 million from the prior year.

Ending fund balance of the Educational Support Fund decreased \$109.8 million, or 5.6 percent compared to the prior year. The federal revenue increased by \$35.5 million, or 9.7 percent, due to the reinstatement and collection of federal forest revenues, and additional federal grants awarded to the Oregon Department of Education (ODE). The primary reason for the increase in education expenditures of \$74.6 million, or 12.8 percent, from the prior year is disbursements to school districts and education service districts related to the High School Graduation and College and Career Readiness program required by the Oregon Ballot Measure 98. Administration expenditures also increased by \$9.6 million, or 98.5 percent, from the prior year due to distributions of federal forest funds for schools and roads. Transfers to other funds decreased by \$36.6 million, or 8.5 percent, from the prior year because of combinations of receiving less lottery moneys during the first year of the current biennium, and the redirection of certain debt service expenditures from the Educational Support Fund to the General Fund. The net amount of other financing sources and uses decreased by \$342.4 million primarily because long-term debt was not issued in fiscal year 2018.

The Common School Fund experienced a 4.7 percent increase in fund balance for fiscal year 2018. Many of the revenues and expenditures were comparable to the prior year with the exception of investment income, natural resources expenditures. Largely due to adverse fluctuations in the fair value of investments, the Common School Fund investments produced \$128.7 million of income compared to \$191.1 million in the prior year, a decrease of \$62.4 million. Services and supplies expenditures increased \$11 million, compared to the prior year primarily due to the removal of abandoned property and clean up on certain stretches of the Columbia River. Due to a revised distribution policy adopted by the State Land Board, transfers to other funds decreased \$14.4 million compared to the prior year.

The Environmental Management Fund did not meet either the relative size or qualitative criteria to be included as a major fund in 2018.

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 2018, the Housing and Community Services Fund reported an operating income of \$86 thousand, a decrease of 96 percent due primarily to a decrease in loan interest income resulting from the payoffs of higher interest rate loans. Investment earnings increased \$3.3 million from fiscal year 2017 due to the change in fair value of investments. In addition, operating expenses increased by \$686 thousand, due primarily to the increase of salaries and wages and services and supplies expenses. The net effect was a \$3.4 million increase in net position for fiscal year 2018.

The Veterans' Loan Program reported a net increase in net position of \$9.1 million, due to revenues exceeding expenses. The primary factor contributing to this change was the \$8.7 million increase to interest income on mortgages loans and contracts related to an adjustment of the excess interest and arbitrage rebate payable.

The net position of the Lottery Operations Fund decreased \$15.2 million, or 5.3 percent, in fiscal year 2018. This was primarily due to an increase in transfers to other funds of \$10.7 million, or 1.5 percent. Excluding transfers, income increased 4.8 percent, or \$31.9 million, from the previous year due to improved sales and interest and investment income. Product sales increased \$56 million with Video LotterySM generating \$19.9 million of the growth. Sales for Scratch-itsSM in fiscal year 2018 closely mirrored sales in fiscal year 2017. Draw games reported an increase of \$32.2 million, 15.7 percent higher than the prior year. Draw game increases are attributable to the Megamillions game adopting changes in October 2017. The changes were designed to increase jackpots and include an increase to the minimum jackpot. Operating expenses increased 5.2 percent.

The majority of the increase is in prize expense and retailer commissions, which directly relate to the increase in sales for Video LotterySM and draw games.

In the Unemployment Compensation Fund, the net position increased by \$557.6 million (14.6 percent) from the prior year. This increase is primarily due to unemployment assessments and federal revenue continuing to exceed expenses related to unemployment claims, as has been the case in prior years. Investment Income increased by \$13.7 million due to the amount of cash held in the Unemployment Trust Fund grew by \$600 million and the quarterly interest rate paid on Unemployment Trust Fund deposits increased from 2.2 percent to 2.3 percent. Oregon's unemployment rate remained at or near 4.1 percent during fiscal year 2018. Therefore, revenues and expenses have remained fairly flat compared to the prior year.

In the fiscal year 2018, the other (nonmajor) proprietary funds realized a \$29 million increase in operating revenues, primarily sales revenue in the Liquor Control Fund. Operating expenses increased by \$53.9 million, and operating loss increased by \$24.9 million. Transfers from the General Fund to the State Hospital Fund for \$296.6 million helped nonmajor proprietary funds in total to ease the reduction in net position over fiscal year 2017.

At the end of fiscal year 2018, approximately 86.9 percent of the net position reported by the State's proprietary funds was classified as unrestricted and was available for spending on business-type activities. However, restrictions significantly affected the availability of resources in the Housing and Community Services Fund with 93.6 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 \$4.1 billion. The fund reported a net appreciation in the fair value of investments in the current year of \$6.1 billion, a reduction of \$1.7 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 2017-19 biennium, final estimated revenues for the General Fund increased slightly compared to the original estimate. The General Fund's final budgeted expenditures increased by \$169.5 million, or 0.9 percent.

Because of Oregon's biennial process, budget to actual comparisons are not final until the second year of the biennium. For the first year of the 2017-19 biennium, actual expenditures and other financing uses exceeded actual General Fund revenues and other financing source by \$64.2 million. Actual revenues for the first year of the biennium were 51.2 percent of the final budgeted revenues, or \$9.8 billion, while actual cash expenditures were 49.8 percent of those budgeted, or \$10 billion.

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, 2018 and 2017 is summarized in Table 3. In fiscal year 2018, the State issued general obligation bonds to finance or refinance affordable housing via the Local Innovation and Fast Track (LIFT) Housing Program through the Oregon Housing and Community Services Department, seismic rehabilitation for public schools and emergency service facilities through the Oregon Business Development Department, to provide housing loans for veterans through the Oregon Department of Veterans' Affairs, along with a variety of other facility and modernization projects.

During fiscal year 2018, 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 six separate debt refunding issuances in fiscal year 2018 and refunded \$378.7 million of previously existing debt with \$523.4 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, 2018 and 2017
(In Millions)

	2018	2017	2018 Over (Under) 2017	
			Amount	Percent
General obligation bonds	\$ 6,551.9	\$ 6,655.8	\$ (103.9)	-1.6%
Revenue bonds	4,870.3	4,960.0	(89.7)	-1.8%
Certificates of participation	246.6	289.1	(42.5)	-14.7%
Total	\$ 11,668.8	\$ 11,904.9	\$ (236.1)	-2.0%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2018, was \$14.5 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 2018 increased \$228.4 million, or 1.6 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,977.0	\$ 1,961.0	\$ 9.4	\$ 9.4	\$ 1,986.3	\$ 1,970.4
Buildings, property, and equipment	2,149.8	2,185.7	581.2	612.7	2,731.1	2,798.4
Construction in progress	816.0	815.4	6.0	2.5	822.0	817.9
Infrastructure	8,959.8	8,683.8	2.8	2.9	8,962.5	8,686.7
Works of art and other nondepreciable assets	1.7	1.8	0.8	0.8	2.5	2.6
Total	\$ 13,904.2	\$ 13,647.7	\$ 600.2	\$ 628.3	\$ 14,504.4	\$ 14,276.0

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

- The State's outstanding construction commitments related to road and bridge construction totaled \$654.1 million at June 30, 2018.
- During fiscal year 2018, the Oregon Department of Transportation completed the first phase of the Newburg-Dundee Bypass which resulted in \$165 million being reclassified out of construction in progress and recorded in infrastructure. The project will significantly reduce congestion on Oregon Highway 99W and improve livability and overall traffic flow in the surrounding communities.
- The Department of Human Services added \$68 million of internally developed software projects to construction in progress. The Integrated Eligibility project accounts for \$60.1 million which will allow fast, efficient, and accurate eligibility determinations across multiple program areas. Once complete, applicants will fill out a single application for Medicaid, Supplemental Nutrition Assistance Program

(SNAP), Temporary Assistance for Needy Families (TANF) and Employment-Related Day Care (EDRC) eligibility.

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

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

Oregon's unemployment rate for October 2018 was 3.8 percent compared to 4.2 percent in October 2017. The U.S. unemployment rate for October 2018 was 3.7 percent. Since reaching a high point of 11.9 percent in May 2009, Oregon's unemployment rate has slowly declined over the past nine 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 2 thousand per month or about 2 percent over the remainder of the 2017-19 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 economic outlook faces significant uncertainty a couple of years down the road, but there is relatively little risk to the outlook over the remainder of the current biennium. The same cannot be said for Oregon's state revenue forecast, which faces a tremendous amount of uncertainty in the near term.

Heading into the next biennium, uncertainty about the performance of the regional economy will become paramount. Growth will certainly slow to a sustainable rate in the coming years, but the path taken to get there is unknown. Capacity constraints, an aging workforce, monetary policy drags, and fading fiscal stimulus will all act to put a lid on growth a couple of years down the road. However, the exact timing and steepness of this deceleration is difficult to predict, leading to a wide range of possible revenue outcomes for the 2019-21 budget period.

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 2018 forecast for General Fund revenues for the 2017-19 biennium is \$20.5 billion. This figure is \$954 million more than the amount forecasted at the close of the 2017 legislative session. The projected General Fund ending balance for the 2017-19 biennium is \$1.3 billion. The latest revenue forecast projects increases in General Fund revenues for the next two biennia, up 4.9 percent to \$21.5 billion in 2019-21 and 14.9 percent to \$24.7 billion in 2021-23.

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Basic Financial Statements

State of Oregon

Statement of Net Position
June 30, 2018
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,623,703	\$ 5,044,295	\$ 10,667,998	\$ 718,256
Cash and Cash Equivalents - Restricted	763,432	16,393	779,824	49,847
Investments	1,167,297	32,296	1,199,593	5,122,339
Investments - Restricted	708,113	57,391	765,503	-
Securities Lending Collateral	153,505	33,242	186,748	230,057
Accounts and Interest Receivable (net)	919,179	433,306	1,352,485	1,154,533
Taxes Receivable (net)	912,791	-	912,791	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	623,627
Internal Balances	248,079	(248,079)	-	-
Due from Component Units	127,302	6,236	133,538	-
Due from Other Governments	27	6,417	6,444	6,151
Due from Primary Government	-	-	-	92,266
Inventories	73,350	43,646	116,996	44,013
Prepaid Items	9,527	2,678	12,206	87,311
Loans Receivable	36,135	67,912	104,046	-
Foreclosed and Deeded Property	100	1,869	1,969	-
Other Assets	1,237	-	1,237	-
Total Current Assets	<u>10,743,775</u>	<u>5,497,601</u>	<u>16,241,376</u>	<u>8,128,402</u>
Noncurrent Assets:				
Cash and Cash Equivalents	-	92,075	92,075	-
Cash and Cash Equivalents - Restricted	1,062,727	132,268	1,194,995	179,083
Investments	159,539	110,540	270,078	1,122,837
Investments - Restricted	9,024	187,118	196,142	3,193,609
Custodial Assets	48,480	-	48,480	-
Taxes Receivable (net)	588,026	-	588,026	-
Interfund Loans	(19)	19	-	-
Advances to Component Units	1,094,478	91,125	1,185,603	-
Net Contracts, Notes, and Other Receivables	479,511	64,590	544,100	145,698
Loans Receivable (net)	652,809	1,552,886	2,205,695	-
Pledges, Contributions, and Grants Receivable (net)	-	-	-	459,400
Net OPEB Asset	8,871	878	9,749	4,293
Derivative Instrument Assets	-	1,918	1,918	-
Other Assets	-	-	-	22,103
Capital Assets:				
Land	1,976,884	9,424	1,986,308	303,941
Buildings, Property, and Equipment	4,100,717	854,920	4,955,637	8,810,174
Construction in Progress	816,004	5,996	822,000	737,851
Infrastructure	14,644,631	3,661	14,648,292	169,242
Works of Art and Other Nondepreciable Assets	1,746	759	2,505	82,654
Less Accumulated Depreciation and Amortization	(7,635,760)	(274,587)	(7,910,347)	(4,295,342)
Total Noncurrent Assets	<u>18,007,668</u>	<u>2,833,589</u>	<u>20,841,257</u>	<u>10,935,543</u>
Total Assets	<u>28,751,443</u>	<u>8,331,190</u>	<u>37,082,633</u>	<u>19,063,945</u>
DEFERRED OUTFLOWS OF RESOURCES				
Hedging Derivatives	-	138	138	8,845
Goodwill	-	-	-	639
Loss on Refunding	101,829	5,156	106,984	23,777
Related to Pensions	965,022	94,167	1,059,189	488,459
Related to OPEB	19,721	2,091	21,812	7,290
Total Deferred Outflows of Resources	<u>1,086,572</u>	<u>101,552</u>	<u>1,188,124</u>	<u>529,010</u>

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

State of Oregon

Statement of Net Position
June 30, 2018
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,102,891	117,182	1,220,072	750,833
Obligations Under Securities Lending	153,505	33,242	186,748	230,040
Obligations Under Life Income Agreements	-	-	-	76,180
Due to Component Units	93,008	719	93,726	-
Due to Other Governments	256,916	3,407	260,323	24,147
Due to Primary Government	-	-	-	133,410
Unearned Revenue	76,814	2,979	79,794	522,091
Tax Anticipation Notes Payable	584,116	-	584,116	-
Compensated Absences Payable	142,314	13,605	155,919	153,904
Reserve for Loss and Loss Adjustment Expense	-	-	-	288,655
Claims and Judgments Payable	123,015	9,200	132,215	29,885
Lottery Prize Awards Payable	-	122,455	122,455	-
Arbitrage Rebate Payable	99	-	99	-
Custodial Liabilities	436,369	24,829	461,198	34,036
Contracts, Mortgages, and Notes Payable	30,063	4,149	34,212	17,493
Bonds/COPs Payable	500,030	66,355	566,385	24,121
Obligations Under Capital Lease	1,574	863	2,437	2,055
Pollution Remediation Obligation	18,528	-	18,528	-
Total Current Liabilities	3,519,242	398,985	3,918,227	2,286,850
Noncurrent Liabilities:				
Unearned Revenue	-	-	-	21,474
Obligations Under Life Income Agreements	-	-	-	25,574
Compensated Absences Payable	76,808	6,646	83,454	11,811
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,431,390
Claims and Judgments Payable	993,366	-	993,366	38,060
Lottery Prize Awards Payable	-	119,425	119,425	-
Arbitrage Rebate Payable	-	10,600	10,600	-
Custodial Liabilities	7,920	4,793	12,713	2,717
Contracts, Mortgages, and Notes Payable	289,158	37,645	326,803	179,557
Net Pension Liability	2,542,063	251,148	2,793,212	1,388,131
Bonds/COPs Payable	9,652,472	1,449,950	11,102,421	1,324,219
Obligations Under Capital Lease	2,700	4,649	7,349	50,412
Advances from Primary Government	-	-	-	1,185,603
Pollution Remediation Obligation	27,554	-	27,554	-
Net OPEB Obligation	-	-	-	5,259
Net OPEB Liability	31,661	3,177	34,838	10,509
Total OPEB Liability	97,380	11,168	108,548	52,481
Derivative Instrument Liabilities	-	138	138	14,501
Total Noncurrent Liabilities	13,721,081	1,899,338	15,620,419	6,741,696
Total Liabilities	17,240,323	2,298,323	19,538,646	9,028,546
DEFERRED INFLOWS OF RESOURCES				
Hedging Derivatives	-	1,918	1,918	7,051
Gain on Refunding	683	-	683	2,165
Life income agreements and pending funds	-	-	-	113,100
Loan Origination	-	4,261	4,261	-
Related to Pensions	21,241	2,098	23,340	66,907
Related to OPEB	6,577	685	7,261	4,086
Total Deferred Inflows of Resources	28,501	8,962	37,463	193,309
NET POSITION				
Net Investment in Capital Assets	9,981,128	583,878	10,565,006	3,364,827
Restricted-Nonexpendable	15,277	-	15,277	1,656,478
Restricted for:				
Health and Social Services Programs	253,245	-	253,245	-
Transportation Programs	665,837	-	665,837	-
Natural Resource Programs	829,335	66	829,401	-
Education	1,675,708	-	1,675,708	2,069,173
Community Protection	60,912	-	60,912	-
Consumer Protection	232,029	-	232,029	-
Employment Services	270,781	-	270,781	-
Workers' Compensation	-	-	-	2,010,097
Residential Assistance	98,220	2,089	100,309	-
Debt Service	49	212,670	212,719	2,974
Capital Projects	45,253	338	45,591	60,668
OPEB	8,871	878	9,749	4,293
Other Purposes	898,687	-	898,687	-
Unrestricted	(2,466,140)	5,325,538	2,859,398	1,202,588
Total Net Position	\$ 12,569,192	\$ 6,125,456	\$ 18,694,648	\$ 10,371,096

State of Oregon

Statement of Activities
For the Year Ended June 30, 2018
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Education	\$ 6,272,580	\$ 11,273	\$ 752,057	\$ -	\$ (5,509,250)
Human Services	12,912,779	738,454	8,856,012	-	(3,318,313)
Public Safety	1,659,150	85,772	194,232	12,931	(1,366,215)
Economic and Community Development	527,649	92,898	264,699	-	(170,052)
Natural Resources	842,882	454,784	286,540	1,124	(100,434)
Transportation	1,660,362	183,907	554,895	4,629	(916,931)
Consumer and Business Services	298,499	220,486	13,611	-	(64,402)
Administration	387,319	171,603	170,127	-	(45,589)
Legislative	49,415	1,824	476	-	(47,115)
Judicial	456,707	167,027	3,564	-	(286,117)
Interest on Long-term Debt	430,169	-	-	-	(430,169)
Total Governmental Activities	<u>25,497,513</u>	<u>2,128,028</u>	<u>11,096,213</u>	<u>18,684</u>	<u>(12,254,588)</u>
Business-type Activities:					
Housing and Community Services	42,904	43,082	3,650	-	3,828
Veterans' Loan	19,231	25,632	2,983	-	9,384
Lottery Operations	608,499	1,302,541	5,789	-	699,832
Unemployment Compensation	521,071	964,343	114,766	-	558,038
State Hospitals	422,663	92,003	-	-	(330,660)
Liquor Control	471,783	633,927	-	-	162,144
Other Business-type Activities	281,383	258,467	26,793	2,769	6,646
Total Business-type Activities	<u>2,367,534</u>	<u>3,319,996</u>	<u>153,982</u>	<u>2,769</u>	<u>1,109,213</u>
Total Primary Government	<u>\$ 27,865,047</u>	<u>\$ 5,448,024</u>	<u>\$ 11,250,195</u>	<u>\$ 21,454</u>	<u>\$ (11,145,375)</u>
Component Units:					
SAIF Corporation	\$ 607,823	\$ 563,234	\$ 361,198	\$ -	\$ 316,610
University of Oregon	954,686	571,609	437,739	17,521	72,182
Oregon State University	1,170,139	522,298	666,289	31,297	49,745
Portland State University	531,592	275,988	266,915	1,108	12,419
Other Component Units	3,476,198	2,791,900	941,262	44,259	301,223
Total Component Units	<u>\$ 6,740,438</u>	<u>\$ 4,725,029</u>	<u>\$ 2,673,403</u>	<u>\$ 94,185</u>	<u>\$ 752,179</u>

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

State of Oregon

Statement of Activities
For the Year Ended June 30, 2018
(In Thousands)

	<u>Primary Government</u>			Component Units
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
Changes in Net Position:				
Net (Expense) Revenue	\$ (12,254,588)	\$ 1,109,213	\$ (11,145,375)	\$ 752,179
General Revenues:				
Taxes:				
Personal Income Taxes	8,879,552	-	8,879,552	-
Corporate Income Taxes	804,453	-	804,453	-
Tobacco Taxes	263,860	-	263,860	-
Healthcare Provider Taxes	651,696	-	651,696	-
Insurance Premium Taxes	70,903	-	70,903	-
Marijuana Taxes	104,545	-	104,545	-
Other Taxes	503,298	18,455	521,753	-
Restricted for Transportation Purposes:				
Motor Fuel and Other Vehicle Taxes	1,286,863	-	1,286,863	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Workers' Compensation Insurance Taxes	66,782	-	66,782	-
Employer-Employee Taxes	82,084	-	82,084	-
Total Taxes	<u>12,714,035</u>	<u>18,455</u>	<u>12,732,490</u>	<u>-</u>
Unrestricted Investment Earnings	52,597	-	52,597	-
Contributions to Permanent Funds	50	-	50	-
Transfers - Internal Activities	<u>608,500</u>	<u>(608,500)</u>	<u>-</u>	<u>-</u>
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	<u>13,375,182</u>	<u>(590,045)</u>	<u>12,785,137</u>	<u>-</u>
Change in Net Position	<u>1,120,594</u>	<u>519,168</u>	<u>1,639,762</u>	<u>752,179</u>
Net Position - Beginning	11,528,605	5,589,690	17,118,295	9,685,007
Prior Period Adjustments	(13,929)	24,615	10,687	-
Cumulative Effect of a Change in Accounting Principles	(66,079)	(8,017)	(74,096)	(66,087)
Net Position - Beginning - As Restated	<u>11,448,597</u>	<u>5,606,288</u>	<u>17,054,886</u>	<u>9,618,920</u>
Net Position - Ending	<u>\$ 12,569,192</u>	<u>\$ 6,125,456</u>	<u>\$ 18,694,648</u>	<u>\$ 10,371,096</u>

State of Oregon

Balance Sheet
Governmental Funds
June 30, 2018
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	\$ 2,963,957	\$ 430,029	\$ 735,410
Investments	-	-	72,688
Custodial Assets	-	-	-
Securities Lending Collateral	61,532	8,733	14,885
Accounts and Interest Receivable (net)	17,213	403,123	95,143
Taxes Receivable (net)	1,216,088	189,568	67,950
Due from Other Funds	615,023	28,112	8,211
Due from Component Units	-	32,899	-
Due from Other Governments	21	-	5
Inventories	21,582	644	35,800
Prepaid Items	3,331	106	1,056
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	8,514	82,472	15,246
Loans Receivable (net)	-	290	21,340
Other Assets	-	-	-
Total Assets	\$ 4,907,260	\$ 1,175,976	\$ 1,067,734
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 338,686	\$ 285,850	\$ 93,475
Obligations Under Securities Lending	61,532	8,733	14,885
Due to Other Funds	177,314	223,846	18,372
Due to Component Units	9,454	39,399	1,083
Due to Other Governments	67,586	-	88,849
Unearned Revenue	-	-	21,247
Tax Anticipation Notes Payable	600,672	-	-
Custodial Liabilities	9,949	66,997	447
Contracts, Mortgages, and Notes Payable	-	-	-
Advances from Other Funds	432	-	-
Total Liabilities	1,265,625	624,824	238,358
Deferred Inflows of Resources:			
Unavailable Revenue	762,598	87,339	17,818
Total Deferred Inflows of Resources	762,598	87,339	17,818
Fund Balances:			
Nonspendable	24,931	802	36,878
Restricted by:			
Federal Laws and Regulations	3,578	38,471	31,130
Oregon Constitution	806,411	2,440	331,652
Enabling Legislation	47,139	203,543	54,400
Debt Covenants	11,956	36,466	357,498
Donors and Other External Parties	-	4,900	-
Committed	815,278	45,721	-
Assigned	12,038	131,471	-
Unassigned	1,157,707	-	-
Total Fund Balances	2,879,037	463,813	811,558
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,907,260	\$ 1,175,976	\$ 1,067,734

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

State of Oregon

Educational Support	Common School	Other	Total
\$ 541,846	\$ 85,776	\$ 2,157,780	\$ 6,914,797
99,968	1,588,683	212,059	1,973,398
-	34,130	14,350	48,480
11,296	10,817	35,327	142,591
98,335	14,030	223,566	851,409
384	-	26,827	1,500,817
89,957	18	117,880	859,199
81,642	-	12,762	127,302
-	-	-	27
-	-	14,216	72,243
-	-	2,155	6,647
-	300	-	300
1,094,478	-	-	1,094,478
93	-	373,169	479,494
-	-	667,314	688,944
-	-	1,237	1,237
\$ 2,017,999	\$ 1,733,755	\$ 3,858,640	\$ 14,761,362

\$ 88,746	\$ 49,537	\$ 92,915	\$ 949,209
11,296	10,817	35,327	142,591
822	251	123,250	543,855
30,338	-	12,734	93,008
48,223	-	52,258	256,916
556	-	14,528	36,332
-	-	-	600,672
-	319,408	20,210	417,010
-	-	500	500
-	-	911	1,343
179,982	380,013	352,633	3,041,435

464	-	373,957	1,242,176
464	-	373,957	1,242,176

-	-	30,315	92,927
3,774	-	859,530	936,481
271,884	1,009,649	188,198	2,610,233
1,239,936	344,092	678,173	2,567,283
295,113	-	684,566	1,385,599
5,578	-	31,793	42,271
17,852	-	582,711	1,461,563
3,416	-	76,781	223,705
-	-	(17)	1,157,690
1,837,553	1,353,741	3,132,050	10,477,751

\$ 2,017,999	\$ 1,733,755	\$ 3,858,640	\$ 14,761,362
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State of Oregon

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018
(In Thousands)**

Total fund balances of governmental funds \$ 10,477,751

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	\$ 1,966,568	
Buildings, property, and equipment	3,471,156	
Construction in progress	810,851	
Infrastructure	14,643,864	
Works of Art and Other Nondepreciable Assets	1,530	
Accumulated depreciation and amortization	<u>(7,271,062)</u>	
Total capital assets		13,622,907

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. 1,242,176

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	100,974
Deferred inflows-gain on refunding	(683)

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	(2,311,665)
Deferred outflows-related to pensions	876,786
Deferred inflows-related to pensions	(19,316)

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

Net OPEB asset	8,066
Net OPEB liability	(28,746)
Total OPEB liability	(89,238)
Deferred outflows-related to OPEB	17,813
Deferred inflows-related to OPEB	(5,994)

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. 265,992

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. 1

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	(117,854)	
Compensated absences payable	(197,008)	
Claims and judgments payable	(872,510)	
Arbitrage rebate payable	(99)	
Contracts, mortgages and notes payable	(283,321)	
Bonds and COPs payable	(10,086,428)	
Tax Anticipation Notes	16,556	
Obligations under capital leases	(986)	
Pollution remediation obligation	<u>(46,082)</u>	
Total long-term liabilities		<u>(11,587,732)</u>

Net position of governmental activities \$ 12,569,192

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, 2018
(In Thousands)**

	General	Health and Social Services	Public Transportation
REVENUES			
Personal Income Taxes	\$ 8,963,529	\$ -	\$ -
Corporate Income Taxes	804,453	-	-
Tobacco Taxes	66,151	197,832	-
Healthcare Provider Taxes	-	651,696	-
Insurance Premium Taxes	70,903	-	-
Motor Fuel and Other Vehicle Taxes	-	-	1,286,186
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Marijuana Taxes	5,323	95,350	-
Other Taxes	347,461	-	2,709
Licenses and Fees	113,962	18,043	91,881
Federal	3,660	7,905,429	553,680
Rebates and Recoveries	1,007	532,382	5,340
Charges for Services	23,635	16,283	52,104
Fines, Forfeitures, and Penalties	21,133	1,670	5,971
Rents and Royalties	700	3	6,678
Investment Income	52,597	5,106	17,472
Sales	1,254	3,721	13,792
Assessments	-	-	-
Donations and Grants	3,222	686	964
Contributions to Permanent Funds	-	-	-
Tobacco Settlement Proceeds	-	69,536	-
Unclaimed and Escheat Property Revenue	-	-	-
Other	16,353	161,475	4,646
Total Revenues	10,495,343	9,659,210	2,041,422
EXPENDITURES			
Current:			
Education	5,350,558	-	-
Human Resources	2,384,288	9,587,604	-
Public Safety	1,214,051	-	-
Economic and Community Development	51,727	-	-
Natural Resources	179,027	-	-
Transportation	18,061	-	1,733,361
Consumer and Business Services	6,027	-	-
Administration	300,137	3,151	37,457
Legislative	42,691	-	-
Judicial	359,787	1,159	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	152,928	-	1
Interest	129,921	-	-
Other Debt Service	753	86	652
Total Expenditures	10,189,956	9,592,000	1,771,471
Excess (Deficiency) of Revenues Over (Under) Expenditures	305,387	67,210	269,951
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	1,521,561	110,797	41,053
Transfers to Other Funds	(1,103,275)	(252,319)	(303,696)
Insurance Recoveries	306	-	1,036
Long-term Debt Issued	4,340	18,595	-
Debt Issuance Premium	462	1,491	-
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	423,393	(121,436)	(261,607)
Net Change in Fund Balances	728,780	(54,225)	8,344
Fund Balances - Beginning	2,150,789	515,846	802,567
Prior Period Adjustments	(4,292)	2,221	(1,194)
Fund Balances - Beginning - As Restated	2,146,497	518,067	801,373
Change in Inventories	3,761	(29)	1,841
Fund Balances - Ending	\$ 2,879,037	\$ 463,813	\$ 811,558

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

State of Oregon

Educational Support	Common School	Other	Total
\$ -	\$ -	\$ -	\$ 8,963,529
-	-	-	804,453
-	-	-	263,983
-	-	-	651,696
-	-	-	70,903
-	-	-	1,286,186
-	-	81,839	81,839
-	-	66,782	66,782
-	-	-	100,672
590	-	145,935	496,695
465	850	403,820	629,021
399,612	411	1,865,866	10,728,658
47	2	18,852	557,629
6,137	326	143,160	241,644
-	87	95,674	124,535
160	5,566	4,148	17,255
88,971	128,652	48,559	341,356
270	11	154,312	173,360
-	-	45,125	45,125
7,576	-	29,191	41,639
-	-	50	50
-	-	-	69,536
-	13,258	17	13,275
695	254	84,231	267,654
504,523	149,416	3,187,562	26,037,475
659,410	-	259,879	6,269,848
-	-	963,075	12,934,967
-	-	359,515	1,573,565
-	-	466,790	518,518
-	36,081	607,253	822,361
-	-	12,417	1,763,839
-	-	284,156	290,183
19,291	-	43,234	403,270
-	-	1,296	43,987
-	-	76,374	437,320
-	-	73,152	73,152
59,504	-	239,441	451,874
72,079	-	261,975	463,976
6	-	1,578	3,075
810,290	36,081	3,650,137	26,049,934
(305,767)	113,335	(462,575)	(12,459)
464,948	7,027	861,016	3,006,402
(267,579)	(60,833)	(327,511)	(2,315,214)
-	1,197	7,151	9,689
-	-	147,502	170,437
-	-	34,968	36,921
-	-	132,800	132,800
-	-	(154,563)	(154,563)
197,369	(52,609)	701,363	886,473
(108,397)	60,726	238,788	874,014
1,947,333	1,293,015	2,898,407	9,607,957
(1,383)	-	(4,496)	(9,145)
1,945,950	1,293,015	2,893,910	9,598,813
-	-	(648)	4,925
\$ 1,837,553	\$ 1,353,741	\$ 3,132,050	\$ 10,477,751

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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, 2018
(In Thousands)**

Net change in fund balances of total governmental funds		\$ 874,014
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	\$ 673,105	
Depreciation expense	<u>(425,240)</u>	
Excess of capital outlays over depreciation		247,865
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net position.		
		(11,274)
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.		
		1,152
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		
		(340,158)
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.		
		606,437
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.		
		40,850
Some expenses reported in the Statement of Activities do not require the use of current financial resources; thus, they are not reported as expenditures in governmental funds.		
Net OPEB asset	5,797	
Accounts and interest payable	(4,199)	
Compensated absences payable	(13,088)	
Claims and judgments payable	1,352	
Contracts, mortgages, and notes payable	13,735	
Net pension liability	(224,744)	
Pollution remediation obligation	2,736	
Net OPEB liability	8,924	
Total OPEB liability	<u>(5,296)</u>	
Total		(214,783)
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds.		
		145
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.		
		(846)
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.		
		4,925
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported within governmental activities.		
		<u>(87,731)</u>
Change in net position of governmental activities		<u>\$ 1,120,594</u>

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

Statement of Net Position
Proprietary Funds
June 30, 2018
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 9,389	\$ 84,385	\$ 328,616
Cash and Cash Equivalents - Restricted	6,616	3,445	-
Investments	-	10,683	10,816
Investments - Restricted	57,391	-	-
Securities Lending Collateral	1,192	3,176	18,391
Accounts and Interest Receivable (net)	33,108	1,515	115,221
Due from Other Funds	25	95	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	1,594
Prepaid Items	1	5	1,889
Loans Receivable	27,090	9,927	-
Foreclosed and Deeded Property	1,842	-	-
Total Current Assets	136,653	113,230	476,527
Noncurrent Assets:			
Cash and Cash Equivalents	-	-	92,075
Cash and Cash Equivalents - Restricted	61,756	64,725	-
Investments	-	-	110,540
Investments - Restricted	187,118	-	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes, and Other Receivables	-	3,767	3,875
Loans Receivable (net)	807,117	321,511	-
Net OPEB Asset	11	14	104
Derivative Instrument Assets	1,514	404	-
Capital Assets:			
Land	-	-	-
Buildings, Property, and Equipment	236	9,892	230,922
Construction in Progress	-	-	157
Infrastructure	-	-	-
Works of Art and Other Nondepreciable Assets	-	627	-
Less Accumulated Depreciation and Amortization	(184)	(5,568)	(138,832)
Total Noncurrent Assets	1,057,567	395,371	298,840
Total Assets	1,194,221	508,601	775,367
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	138	-	-
Loss on Refunding	1,942	-	-
Related to Pensions	1,184	1,360	11,628
Related to OPEB	27	26	288
Total Deferred Outflows of Resources	3,291	1,385	11,917

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	
\$ 4,139,264	\$ 482,641	\$ 5,044,295	\$ 523,205	
271	6,060	16,393	7,179	
-	10,797	32,296	-	
-	-	57,391	70,574	
74	10,410	33,242	10,915	
253,805	29,226	432,874	67,770	
432	19,087	19,638	2,722	
-	6,236	6,236	-	
6,417	-	6,417	-	
-	42,051	43,646	1,107	
-	784	2,678	2,879	
-	30,895	67,912	-	
-	27	1,869	-	
4,400,263	638,214	5,764,886	686,351	
-	-	92,075	-	
2,573	3,214	132,268	4,680	
-	-	110,540	-	
-	-	187,118	-	
-	19	19	1,043	
-	91,125	91,125	-	
56,885	63	64,590	17	
-	424,258	1,552,886	-	
-	749	878	805	
-	-	1,918	-	
-	9,424	9,424	10,317	
-	613,870	854,920	629,562	
-	5,839	5,996	5,153	
-	3,661	3,661	767	
-	132	759	215	
-	(130,003)	(274,587)	(364,698)	
59,458	1,022,352	2,833,589	287,861	
4,459,721	1,660,566	8,598,475	974,212	
-	-	138	-	
-	3,214	5,156	855	
-	79,995	94,167	88,236	
-	1,751	2,091	1,908	
-	84,960	101,552	90,999	

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Statement of Net Position
Proprietary Funds
June 30, 2018
(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	14,271	1,003	9,982
Obligations Under Securities Lending	1,192	3,176	18,391
Due to Other Funds	54	-	188,655
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	999	-	423
Compensated Absences Payable	224	236	3,093
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	122,455
Custodial Liabilities	-	3,445	-
Contracts, Mortgages, and Notes Payable	30	40	2,300
Bonds/COPs Payable	35,250	12,630	-
Obligations Under Capital Lease	-	-	863
Total Current Liabilities	52,019	20,530	346,163
Noncurrent Liabilities:			
Compensated Absences Payable	121	127	1,142
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	119,425
Arbitrage Rebate Payable	-	10,600	-
Custodial Liabilities	-	-	-
Contracts, Mortgages, and Notes Payable	471	626	12,517
Net Pension Liability	3,276	3,891	29,810
Bonds/COPs Payable	908,233	343,199	-
Obligations Under Capital Lease	-	-	4,649
Advances from Other Funds	-	-	-
Net OPEB Liability	41	49	377
Total OPEB Liability	125	108	1,360
Derivative Instrument Liabilities	138	-	-
Total Noncurrent Liabilities	912,404	358,599	169,280
Total Liabilities	964,423	379,128	515,443
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	1,514	404	-
Loan Origination	4,261	-	-
Related to Pensions	27	33	249
Related to OPEB	8	9	82
Total Deferred Inflows of Resources	5,811	445	331
NET POSITION			
Net Investment in Capital Assets	52	4,951	75,953
Restricted for:			
Natural Resource Programs	-	-	-
Residential Assistance	2,089	-	-
Debt Service	212,670	-	-
Capital Projects	-	-	-
OPEB	11	14	104
Unrestricted	12,454	125,448	195,453
Total Net Position	\$ 227,277	\$ 130,412	\$ 271,510

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
44,007	47,825	117,087	35,828
74	10,410	33,242	10,915
27,787	52,741	269,236	68,130
-	719	719	-
3,407	-	3,407	-
-	1,558	2,979	40,483
-	10,052	13,605	14,374
-	9,200	9,200	44,365
-	-	122,455	-
271	21,113	24,829	19,538
-	1,778	4,149	6,482
-	18,475	66,355	4,820
-	-	863	1,277
75,545	173,870	668,127	246,211
-	5,257	6,646	7,740
-	-	-	199,506
-	-	119,425	-
-	-	10,600	-
2,703	2,090	4,793	7,742
-	24,031	37,645	28,918
-	214,172	251,148	230,398
-	198,517	1,449,950	61,254
-	-	4,649	2,011
-	-	-	19
-	2,709	3,177	2,915
-	9,576	11,168	8,142
-	-	138	-
2,703	456,352	1,899,338	548,644
78,248	630,223	2,567,465	794,856
-	-	1,918	-
-	-	4,261	-
-	1,789	2,098	1,925
-	585	685	582
-	2,374	8,962	2,507
-	502,923	583,878	217,420
-	66	66	-
-	-	2,089	-
-	-	212,670	-
-	338	338	-
-	749	878	805
4,381,472	608,853	5,323,681	49,623
\$ 4,381,472	\$ 1,112,928	\$ 6,123,600	\$ 267,848

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.

	\$ 1,856
Net position of business-type activities	<u>\$ 6,125,456</u>

State of Oregon

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
OPERATING REVENUES:			
Assessments	\$ -	\$ -	\$ -
Licenses and Fees	-	90	-
Federal	-	-	-
Rebates and Recoveries	71	3	82
Charges for Services	6,220	2,628	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	321	-
Sales	-	-	1,302,335
Loan Interest Income	36,645	22,007	-
Other	22	395	442
Gain (Loss) on Foreclosed Property	146	208	-
Total Operating Revenues	43,104	25,651	1,302,859
OPERATING EXPENSES:			
Salaries and Wages	5,207	4,588	51,906
Services and Supplies	7,639	5,029	296,283
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	-	-
Special Payments	2,928	-	225,868
Bond and COP Interest	27,236	9,508	-
Depreciation and Amortization	8	120	33,889
Bad Debt Expense	-	-	-
Total Operating Expenses	43,018	19,245	607,947
Operating Income (Loss)	86	6,406	694,912
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	3,650	2,983	5,789
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	-	86
Insurance Recovery	-	-	17
Settlement Activities	-	-	-
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Other Interest Expense	(33)	(44)	(726)
Other Nonoperating Items	(22)	(19)	(335)
Total Nonoperating Revenues (Expenses)	3,596	2,920	4,832
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	3,682	9,326	699,744
Capital Contributions	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(184)	(188)	(714,135)
Change in Net Position	3,497	9,138	(14,391)
Net Position - Beginning	223,858	121,336	286,721
Prior Period Adjustments	-	-	-
Cumulative Effect of Change in Accounting Principles	(79)	(62)	(820)
Net Position - Beginning - As Restated	223,779	121,274	285,901
Net Position - Ending	\$ 227,277	\$ 130,412	\$ 271,510

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
\$ 953,111	\$ -	\$ 953,111	\$ -
-	8,138	8,228	-
25,523	20,261	45,784	-
-	9	166	18,115
-	271,060	279,907	1,240,190
844	503	1,348	27
-	187	508	43,514
-	654,516	1,956,851	3,835
-	19,024	77,676	-
10,933	30,870	42,661	2,994
-	-	354	-
<u>990,412</u>	<u>1,004,568</u>	<u>3,366,593</u>	<u>1,308,675</u>
-	363,076	424,777	336,729
-	222,249	531,201	930,221
-	337,393	337,393	60
-	75,888	75,888	-
521,469	150,714	900,979	19,440
-	7,987	44,731	2,451
-	15,969	49,986	30,721
-	393	393	-
<u>521,469</u>	<u>1,173,670</u>	<u>2,365,348</u>	<u>1,319,623</u>
<u>468,943</u>	<u>(169,102)</u>	<u>1,001,245</u>	<u>(10,948)</u>
89,243	6,532	108,198	9,011
-	18,455	18,455	-
-	(489)	(404)	(1,457)
-	-	17	452
-	132	132	154
-	-	-	28
-	-	-	(422)
-	(1,670)	(2,472)	(1,095)
(546)	(41)	(962)	(131)
<u>88,697</u>	<u>22,919</u>	<u>122,964</u>	<u>6,542</u>
557,640	(146,183)	1,124,209	(4,406)
-	2,769	2,769	53
-	320,624	320,624	2,183
-	(214,616)	(929,124)	(84,871)
<u>557,640</u>	<u>(37,406)</u>	<u>518,478</u>	<u>(87,041)</u>
3,823,833	1,132,776	5,588,524	363,673
-	24,615	24,615	(998)
-	(7,056)	(8,017)	(7,786)
<u>3,823,833</u>	<u>1,150,335</u>	<u>5,605,122</u>	<u>354,889</u>
<u>\$ 4,381,472</u>	<u>\$ 1,112,928</u>	<u>\$ 6,123,600</u>	<u>\$ 267,848</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.

\$ 690

Change in net position of business-type activities

\$ 519,168

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 7,079	\$ 1,154	\$ 1,296,567
Receipts from Other Funds for Services	-	1,726	-
Loan Principal Repayments	126,654	41,900	-
Loan Interest Received	35,717	11,853	-
Grant Receipts	-	-	-
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(5,025)	(4,165)	(33,504)
Payments to Suppliers	(5,422)	(2,761)	(315,948)
Payments to Other Funds for Services	-	(658)	-
Payments to Prize Winners	-	-	(230,984)
Claims Paid	-	-	-
Loans Made	(156,183)	(78,940)	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(3,659)	833	55
Net Cash Provided (Used) in Operating Activities	<u>(838)</u>	<u>(29,058)</u>	<u>716,186</u>
Cash Flows from Noncapital Financing Activities:			
Repayments on Advances Made	-	-	-
Proceeds from Bond/COP Sales	280,206	180,365	-
Advances Received	-	-	-
Principal Payments on Bonds/COPs	(203,460)	(131,315)	-
Principal Payments on Loans	(30)	(40)	(253)
Interest Payments on Bonds/COPs	(27,367)	(9,596)	-
Interest Payments on Loans	(33)	(44)	(276)
Interest Receipts on Advances Made	-	-	-
Bond/COP Issuance Costs	(1,763)	(1,754)	-
Taxes and Assessments Received	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(204)	(188)	(728,069)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>47,349</u>	<u>37,428</u>	<u>(728,598)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPs	-	-	-
Principal Payments on Loans	-	-	(2,066)
Repayments on Advances Received	5	-	-
Interest Payments on Bonds/COPs	-	-	-
Interest Payments on Loans	-	-	-
Acquisition of Capital Assets	-	(902)	(11,589)
Payments on Capital Leases	-	-	(1,217)
Proceeds from Disposition of Capital Assets	-	-	429
Insurance Recoveries for Capital Assets	-	-	17
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>5</u>	<u>(902)</u>	<u>(14,426)</u>
Cash Flows from Investing Activities:			
Purchases of Investments	(498,137)	-	(1,423)
Proceeds from Sales and Maturities of Investments	456,788	-	11,326
Interest on Investments and Cash Balances	3,224	2,984	6,587
Interest Income from Securities Lending	28	25	394
Interest Expense from Securities Lending	(22)	(19)	(335)
Interest Expense	-	-	(12)
Loan Principal Repayments	-	-	-
Loan Interest Received	-	-	-
Loans Made	-	-	-
Net Cash Provided (Used) in Investing Activities	<u>(38,119)</u>	<u>2,990</u>	<u>16,537</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>8,397</u>	<u>10,458</u>	<u>(10,301)</u>
Cash and Cash Equivalents - Beginning	<u>69,364</u>	<u>142,097</u>	<u>430,992</u>
Cash and Cash Equivalents - Ending	<u>\$ 77,761</u>	<u>\$ 152,555</u>	<u>\$ 420,691</u>

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
\$ -	\$ 924,946	\$ 2,229,747	\$ 25,263
-	66,647	68,373	1,578,498
-	-	168,554	-
-	-	47,570	-
26,848	-	26,848	-
987,043	-	987,043	-
-	(355,104)	(397,797)	(311,742)
-	(496,153)	(820,284)	(472,563)
-	(44,191)	(44,849)	(76,873)
-	-	(230,984)	-
(516,877)	(142,437)	(659,314)	(696,243)
-	-	(235,122)	-
-	(71,604)	(71,604)	-
10,982	4,903	13,113	12,273
507,995	(112,994)	1,081,291	58,614
-	-	-	380
-	35,496	496,066	-
-	15,099	15,099	-
-	(48,695)	(383,470)	-
-	(1,526)	(1,848)	(2,258)
-	(9,546)	(46,509)	-
-	(1,670)	(2,023)	(1,284)
-	-	-	28
-	(398)	(3,915)	-
-	18,459	18,459	-
43	321,298	321,341	2,659
(43)	(199,473)	(927,976)	(25,252)
-	129,044	(514,778)	(25,725)
-	-	-	4,640
-	-	-	(5,105)
-	-	(2,066)	(2,980)
-	-	5	-
-	-	-	(2,899)
-	-	-	(232)
-	(9,414)	(21,905)	(28,448)
-	(23)	(1,240)	(2,021)
-	9	437	1,311
-	-	17	452
-	2,717	2,717	-
-	(6,712)	(22,035)	(35,282)
-	-	(499,560)	(12,309)
-	-	468,114	18,449
88,531	6,504	107,831	10,372
712	53	1,213	80
(546)	(41)	(962)	(61)
-	-	(12)	-
-	48,500	48,500	-
-	19,556	19,556	-
-	(56,612)	(56,612)	-
88,697	17,961	88,067	16,530
596,692	27,299	632,545	14,137
3,545,416	464,617	4,652,485	520,927
\$ 4,142,108	\$ 491,916	\$ 5,285,031	\$ 535,064

(continued on next page)

State of Oregon

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018
(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)	\$ 86	\$ 6,406	\$ 694,912
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	8	120	33,889
Amortization of Bond/COP Premium and Discount	(786)	(337)	-
Amortization of Other Bond/COP Related Costs	(963)	-	-
Bad Debt Expense	-	-	-
Interest Receipts Reported as Operating Revenue	-	-	-
Interest Payments Reported as Operating Expense	27,367	9,596	-
Bond/COP Issuance Costs Reported as Operating Expense	1,763	1,672	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable (net)	308	(307)	(94,635)
Due from Other Funds	51	(7)	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	5
Prepaid Items	(1)	4	(189)
Net Contracts, Notes and Other Receivables	-	(1,399)	(594)
Loans Receivable	(30,136)	(35,949)	-
Foreclosed and Deeded Property	1,154	260	-
Accounts and Interest Payable	323	190	(3,070)
Due to Other Funds	33	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	(132)	-	(157)
Compensated Absences Payable	73	(7)	138
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	84,145
Arbitrage Rebate Payable	-	(10,061)	-
Custodial Liabilities	-	338	-
Contracts, Mortgages, and Notes Payable	-	-	-
Net Pension Liability	(841)	(404)	(4,572)
Net OPEB Liability (Asset)	(33)	(30)	(254)
Total OPEB Liability	(6)	(32)	122
Net Changes in Deferred Outflows of Resources:			
Loss on Refunding	-	-	-
Related to Pensions	987	887	6,498
Related to OPEB	1	3	(55)
Net Changes in Deferred Inflows of Resources:			
Loan Origination	(93)	-	-
Related to Pensions	(12)	(8)	(78)
Related to OPEB	8	9	82
Total Adjustments	(924)	(35,464)	21,274
Net Cash Provided (Used) by Operating Activities	\$ (838)	\$ (29,058)	\$ 716,186
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ (652)	\$ 26	\$ (1,192)
Capital Leases	-	-	-
Capital Assets Transferred from Governmental Activities	-	-	-
Capital Assets Transferred to Governmental Activities	-	-	-
Long-term Liabilities Transferred to Governmental Activities	-	-	-
Capital Assets Acquired Through Long-term Contracts	-	-	1,472
Foreclosed Property	1,710	-	-
Loan Modification	146	-	-
Capital Contributions	-	-	-
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 Activities Internal Service Funds
Unemployment Compensation	Other	Total		
\$ 468,943	\$ (169,102)	\$ 1,001,245	\$	(10,948)
-	15,969	49,986		30,721
-	(1,480)	(2,603)		(832)
-	-	(963)		-
-	393	393		-
-	(19,556)	(19,556)		-
-	9,546	46,509		2,899
-	398	3,833		-
9,177	17,514	(67,944)		(4,869)
(208)	(9,363)	(9,528)		15,703
-	180	180		-
(1,112)	-	(1,112)		-
-	(3,434)	(3,429)		81
-	(498)	(684)		(1,042)
4,664	-	2,671		(11)
-	5,502	(60,582)		-
-	-	1,414		-
12,451	10,668	20,561		(3,130)
14,589	(84)	14,539		(5,076)
-	(6)	(6)		-
(686)	(20)	(706)		-
-	634	345		2,612
-	1,146	1,350		2,051
-	500	500		(895)
-	-	84,145		-
-	-	(10,061)		-
178	5,078	5,593		5,825
-	-	-		819
-	(19,683)	(25,501)		(19,164)
-	(1,622)	(1,939)		(1,714)
-	166	250		192
-	473	473		395
-	43,701	52,074		45,079
-	(168)	(220)		(219)
-	-	(93)		-
-	(433)	(530)		(446)
-	585	685		582
39,052	56,108	80,046		69,562
\$ 507,995	\$ (112,994)	\$ 1,081,291	\$	58,614
\$ -	\$ 26	\$ (1,792)	\$	(1,447)
-	-	-		2,444
-	-	-		53
-	-	-		1,100
-	-	-		1,031
-	-	1,472		-
-	-	1,710		-
-	-	146		-
-	41	41		-
-	132	132		154
-	-	-		1,284

State of Oregon

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$ 4,301,913	\$ 47,896	\$ 6,707,368	\$ -
Investments:				
Fixed Income	15,429,158	1,141	47,391	-
Public Equity	30,207,234	54	-	-
Real Estate	8,326,898	-	-	-
Annuity Contracts	-	115	-	-
Private Equity	16,210,706	-	-	-
Alternative Equity	5,997,325	-	-	-
Opportunity Portfolio	1,766,087	-	-	-
Total Investments	<u>77,937,408</u>	<u>1,310</u>	<u>47,391</u>	<u>-</u>
Custodial Assets	-	6,654	-	1,809,843
Securities Lending Collateral	1,182,848	1,111	85,634	-
Receivables:				
Employer Contributions	70,074	-	-	-
Plan Member Contributions	8,890	-	-	-
Interest and Dividends	137,818	-	23,003	-
Member Loans	12,332	-	-	-
Investment Sales	2,259,152	-	-	-
Transitional Liability	493,253	-	-	-
Accounts	-	860	-	5,939
From Other Funds	10,624	10	-	-
From Other Governments	-	550	-	-
Loans	-	-	181	-
Net Contracts, Notes, and Other Receivables	-	-	-	91,303
Total Receivables	<u>2,992,144</u>	<u>1,420</u>	<u>23,184</u>	<u>97,241</u>
Prepaid Items	4,027	-	-	-
Receivership Assets	-	-	-	58,704
Capital Assets (net of \$26,125 accumulated depreciation):				
Land	944	-	-	-
Buildings, Property, and Equipment	26,327	-	-	-
Total Assets	<u>86,445,611</u>	<u>58,391</u>	<u>6,863,577</u>	<u>1,965,788</u>
LIABILITIES				
Accounts and Interest Payable	4,044,245	301	12,162	45
Obligations Under Securities Lending	1,183,028	1,111	85,634	-
Due to Other Funds	10,540	432	-	-
Due to Other Governments	-	-	-	9,645
Unearned Revenue	7,490	-	-	-
Custodial Liabilities	102,236	2,487	-	1,956,098
Contracts, Mortgages, and Notes Payable	-	1,677	-	-
Total Liabilities	<u>5,347,539</u>	<u>6,008</u>	<u>97,796</u>	<u>1,965,788</u>
NET POSITION				
Restricted - Held in Trust for:				
Pension Benefits	78,530,032	-	-	-
Other Postemployment Benefits	611,894	-	-	-
Other Employee Benefits	1,956,146	-	-	-
External Investment Pool Participants	-	-	6,765,781	-
Individuals, Organizations, and Other Governments	-	52,383	-	-
Total Net Position	<u>\$ 81,098,072</u>	<u>\$ 52,383</u>	<u>\$ 6,765,781</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, 2018
(In Thousands)**

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	\$ 1,451,400	\$ -	\$ -
Plan Members	769,115	-	-
Total Contributions	<u>2,220,514</u>	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	6,141,242	361	(27,701)
Interest, Dividends, and Other Investment Income	1,797,171	831	142,271
Total Investment Income	<u>7,938,414</u>	<u>1,193</u>	<u>114,570</u>
Less Investment Expense	699,925	5	6,413
Net Investment Income	<u>7,238,489</u>	<u>1,188</u>	<u>108,157</u>
Gifts, Grants, and Contracts	-	7	-
Income of Individuals in State Care	-	-	-
Veterans' Income	-	11,265	-
Unclaimed and Escheat Property Revenue	-	1,754	-
Other Income	4,315	1,038	-
Share Transactions:			
Participant Contributions	-	-	19,702,362
Participant Withdrawals	-	-	19,111,299
Net Share Transactions	<u>-</u>	<u>-</u>	<u>591,063</u>
Total Additions	<u>9,463,318</u>	<u>15,252</u>	<u>699,220</u>
DEDUCTIONS			
Benefits	5,301,066	-	-
Death Benefits	4,850	-	-
Contributions Refunded	13,876	-	-
Healthcare Premium Subsidies	37,163	-	-
Distribution to Other Governments	-	828	-
Special Payments to State Agencies	-	1,671	-
Distribution to Participants	-	-	134,471
Administrative Expenses	53,090	14,369	-
Payments in Accordance with Trust Agreements	-	2,538	-
Total Deductions	<u>5,410,045</u>	<u>19,406</u>	<u>134,471</u>
Change in Net Position Held in Trust For:			
Pension Benefits	3,791,419	-	-
Other Postemployment Benefits	75,818	-	-
Other Employee Benefits	186,036	-	-
External Investment Pool Participants	-	-	564,749
Individuals, Organizations, and Other Governments	<u>-</u>	<u>(4,154)</u>	<u>-</u>
Net Position - Beginning	77,044,799	56,152	6,201,032
Prior Period Adjustments	-	384	-
Cumulative Effect of Change in Accounting Principles	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Beginning - As Restated	<u>77,044,799</u>	<u>56,536</u>	<u>6,201,032</u>
Net Position - Ending	<u>\$ 81,098,072</u>	<u>\$ 52,383</u>	<u>\$ 6,765,781</u>

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

Statement of Net Position
Discretely Presented Component Units
June 30, 2018
(In Thousands)

	SAIF	University of
	Corporation	Oregon
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 86,597	\$ 269,040
Cash and Cash Equivalents - Restricted	-	-
Investments	4,779,917	-
Securities Lending Collateral	199,080	4,477
Accounts and Interest Receivable (net)	396,808	61,698
Pledges, Contributions, and Grants Receivable (net)	-	432,841
Due from Other Governments	-	-
Due from Primary Government	8,604	1,875
Inventories	2,417	4,392
Prepaid Items	-	28,977
Total Current Assets	5,473,423	803,300
Noncurrent Assets:		
Cash and Cash Equivalents - Restricted	-	85,763
Investments	-	-
Investments - Restricted	-	1,281,346
Net Contracts, Notes, and Other Receivables	-	58,216
Pledges, Contributions, and Grants Receivable (net)	-	-
Net OPEB Asset	-	1,044
Other Assets	-	-
Capital Assets:		
Land	2,922	79,405
Buildings, Property, and Equipment	113,641	2,003,261
Construction in Progress	-	97,367
Infrastructure	-	52,853
Works of Art and Other Nondepreciable Assets	-	43,291
Less Accumulated Depreciation and Amortization	(24,929)	(803,940)
Total Noncurrent Assets	91,634	2,898,606
Total Assets	5,565,057	3,701,906
DEFERRED OUTFLOWS OF RESOURCES		
Hedging Derivatives	-	290
Goodwill	-	-
Loss on Refunding	-	-
Related to Pensions	29,515	109,344
Related to OPEB	-	2,575
Total Deferred Outflows of Resources	29,515	112,209

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

State of Oregon

Oregon State University	Portland State University	Other	Total
\$ 104,650	\$ 77,486	\$ 180,483	\$ 718,256
-	-	49,847	49,847
-	-	342,422	5,122,339
13,510	7,576	5,414	230,057
106,591	43,486	545,950	1,154,533
46,981	14,066	129,739	623,627
-	-	6,151	6,151
12,860	15,981	52,947	92,266
7,305	634	29,265	44,013
12,596	7,131	38,607	87,311
<u>304,493</u>	<u>166,360</u>	<u>1,380,826</u>	<u>8,128,402</u>
43,176	-	50,144	179,083
-	-	1,122,837	1,122,837
892,214	215,354	804,695	3,193,609
20,656	114	66,712	145,698
62,994	-	396,406	459,400
1,027	491	1,731	4,293
-	250	21,853	22,103
49,293	61,255	111,066	303,941
1,816,954	859,959	4,016,359	8,810,174
77,142	19,921	543,421	737,851
48,335	31,939	36,115	169,242
29,669	3,203	6,491	82,654
(825,245)	(419,207)	(2,222,021)	(4,295,342)
<u>2,216,215</u>	<u>773,279</u>	<u>4,955,809</u>	<u>10,935,543</u>
<u>2,520,708</u>	<u>939,639</u>	<u>6,336,635</u>	<u>19,063,945</u>
26	-	8,529	8,845
-	-	639	639
-	-	23,777	23,777
109,140	53,099	187,361	488,459
2,407	1,116	1,192	7,290
<u>111,573</u>	<u>54,215</u>	<u>221,498</u>	<u>529,010</u>

(continued on next page)

Statement of Net Position
Discretely Presented Component Units
June 30, 2018
(In Thousands)
(continued from previous page)

	SAIF Corporation	University of Oregon
LIABILITIES		
Current Liabilities:		
Accounts and Interest Payable	214,671	70,272
Obligations Under Securities Lending	199,063	4,477
Obligations Under Life Income Agreements	-	53,414
Due to Other Governments	1,238	-
Due to Primary Government	8,711	34,699
Unearned Revenue	236,453	55,079
Compensated Absences Payable	5,018	25,158
Reserve for Loss and Loss Adjustment Expense	288,655	-
Claims and Judgments Payable	-	-
Custodial Liabilities	-	20,382
Contracts, Mortgages, and Notes Payable	541	2,415
Bonds/COPs Payable	-	1,024
Obligations Under Capital Lease	-	1,117
Total Current Liabilities	954,350	268,037
Noncurrent Liabilities:		
Unearned Revenue	-	1,870
Obligations Under Life Income Agreements	-	-
Compensated Absences Payable	-	1,589
Reserve for Loss and Loss Adjustment Expense	2,431,390	-
Claims and Judgments Payable	-	-
Custodial Liabilities	-	-
Contracts, Mortgages, and Notes Payable	9,121	17,068
Net Pension Liability	91,953	298,606
Bonds/COPs Payable	-	198,092
Obligations Under Capital Lease	-	47,596
Advances from Primary Government	-	499,645
Net OPEB Obligation	5,259	-
Net OPEB Liability	-	3,777
Total OPEB Liability	-	12,221
Derivative Instrument Liabilities	-	-
Total Noncurrent Liabilities	2,537,723	1,080,464
Total Liabilities	3,492,073	1,348,501
DEFERRED INFLOWS OF RESOURCES		
Hedging Derivatives	-	-
Gain on Refunding	-	-
Life income agreements and pending funds	-	-
Related to Pensions	768	2,495
Related to OPEB	-	791
Total Deferred Inflows of Resources	768	3,286
Net Position		
Net Investment in Capital Assets	91,634	797,111
Restricted-Nonexpendable	-	850,969
Restricted for:		
Education	-	776,660
Workers' Compensation	2,010,097	-
Debt Service	-	-
Capital Projects	-	49,846
OPEB	-	1,044
Unrestricted	-	(13,303)
Total Net Position	\$ 2,101,730	\$ 2,462,327

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

State of Oregon

Oregon State University	Portland State University	Other	Total
85,336	30,003	350,551	750,833
13,510	7,576	5,414	230,040
21,514	-	1,252	76,180
-	-	22,909	24,147
24,074	17,930	47,996	133,410
72,255	29,653	128,651	522,091
23,397	9,316	91,015	153,904
-	-	-	288,655
-	-	29,885	29,885
1,704	10,025	1,925	34,036
7,116	3,922	3,499	17,493
366	-	22,731	24,121
-	-	938	2,055
249,272	108,425	706,766	2,286,850
-	19,604	-	21,474
-	1,599	23,975	25,574
7,639	1,305	1,278	11,811
-	-	-	2,431,390
-	-	38,060	38,060
-	-	2,717	2,717
91,417	16,730	45,221	179,557
293,881	140,322	563,369	1,388,131
180,944	-	945,183	1,324,219
-	-	2,816	50,412
296,078	216,394	173,487	1,185,603
-	-	-	5,259
3,718	1,775	1,239	10,509
15,242	6,551	18,467	52,481
-	-	14,501	14,501
888,919	404,278	1,830,312	6,741,696
1,138,191	512,703	2,537,078	9,028,546
-	-	7,051	7,051
-	-	2,165	2,165
-	-	113,100	113,100
6,288	2,914	54,442	66,907
914	681	1,700	4,086
7,202	3,595	178,458	193,309
711,200	324,864	1,440,018	3,364,827
437,598	63,225	304,686	1,656,478
367,205	65,027	860,281	2,069,173
-	-	-	2,010,097
1,996	-	978	2,974
5,963	3,490	1,369	60,668
1,027	491	1,731	4,293
(38,101)	20,458	1,233,534	1,202,588
\$ 1,486,888	\$ 477,555	\$ 3,842,596	\$ 10,371,096

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2018
(In Thousands)

	SAIF Corporation	University of Oregon	Oregon State University
Operating Revenues:			
Federal Revenue	\$ -	\$ 93,077	\$ 203,740
Charges for Services	-	389,405	332,932
Rents and Royalties	-	-	-
Sales	-	220,303	226,754
Premiums Earned (net)	527,186	-	-
Gifts, Grants, and Contracts	-	104,257	132,808
Other Revenues	36,048	13,750	8,569
Total Operating Revenues	563,234	820,792	904,803
Operating Expenses:			
Salaries and Wages	-	664,215	774,058
Services and Supplies	-	178,872	298,473
Provider Tax	-	-	-
Loss and Loss Adjustment Expense	297,071	-	-
Policyholders' Dividends	160,094	-	-
Underwriting Expenses	150,013	-	-
Mortgage Assistance Payments	-	-	-
Depreciation and Amortization	-	65,351	56,741
Special Payments	-	46,248	40,867
Interest	-	-	-
Other Expenses	645	-	-
Total Operating Expenses	607,823	954,686	1,170,139
Operating Income (Loss)	(44,589)	(133,894)	(265,336)
Nonoperating Revenues (Expenses):			
Investment Income	361,198	135,359	60,090
State Appropriations	-	72,698	226,920
Other Grants	-	32,348	42,731
Gain/(Loss) on Disposition of Assets	-	(5,802)	(555)
Other Interest Expense	-	(30,278)	(22,263)
Other	-	(15,769)	(23,139)
Total Nonoperating Revenues (Expenses)	361,198	188,556	283,784
Income (Loss) Before Capital Contributions	316,610	54,662	18,448
Capital Contributions	-	17,521	31,297
Change in Net Position	316,610	72,182	49,745
Net Position - Beginning	1,785,121	2,404,748	1,447,722
Cumulative Effect of Change in Accounting Principles	-	(14,604)	(10,579)
Net Position - Beginning - As Restated	1,785,121	2,390,144	1,437,143
Net Position - Ending	\$ 2,101,730	\$ 2,462,327	\$ 1,486,888

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
\$ 41,828	\$ 12,820	\$ 351,465	\$ (351,465)	\$ -
194,144	2,568,392	3,484,873	1,240,156	4,725,029
-	1,245	1,245	(1,245)	-
94,313	60,427	601,797	(601,797)	-
-	-	527,186	(527,186)	-
51,412	656,748	945,225	1,728,178	2,673,403
6,074	151,659	216,100	(216,100)	-
<u>387,771</u>	<u>3,451,291</u>	<u>6,127,891</u>	<u>1,270,541</u>	<u>7,398,432</u>
351,691	2,143,727	3,933,691	-	3,933,691
116,684	1,029,232	1,623,261	-	1,623,261
-	57,009	57,009	-	57,009
-	-	297,071	-	297,071
-	-	160,094	-	160,094
-	-	150,013	-	150,013
-	24,391	24,391	-	24,391
27,556	172,250	321,898	-	321,898
35,661	21,053	143,829	-	143,829
-	28,537	28,537	-	28,537
-	-	645	-	645
<u>531,592</u>	<u>3,476,198</u>	<u>6,740,438</u>	<u>-</u>	<u>6,740,438</u>
<u>(143,821)</u>	<u>(24,907)</u>	<u>(612,547)</u>	<u>1,270,541</u>	<u>657,994</u>
6,463	101,770	664,880	(664,880)	-
114,673	133,102	547,393	(547,393)	-
52,539	36,822	164,440	(164,440)	-
(1,226)	(159)	(7,742)	7,742	-
(11,656)	(7,293)	(71,490)	71,490	-
(5,661)	17,629	(26,940)	26,940	-
<u>155,132</u>	<u>281,871</u>	<u>1,270,541</u>	<u>(1,270,541)</u>	<u>-</u>
11,311	256,963	657,994	-	657,994
1,108	44,259	94,185	-	94,185
12,419	301,223	752,179	-	752,179
469,573	3,577,843	9,685,007	-	9,685,007
(4,437)	(36,467)	(66,087)	-	(66,087)
<u>465,136</u>	<u>3,541,376</u>	<u>9,618,920</u>	<u>-</u>	<u>9,618,920</u>
<u>\$ 477,555</u>	<u>\$ 3,842,596</u>	<u>\$ 10,371,096</u>	<u>\$ -</u>	<u>\$ 10,371,096</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, 2017, financial information of SAIF is included in this report. Because SAIF has a fiscal year different from the State, balances outstanding between SAIF and the State do not agree. SAIF reports \$8.6 million as Due from Primary Government while the State reports a Due to Component Unit of \$10 million for SAIF. Additionally, SAIF reports a Due to Primary Government of \$8.7 million, but the State reports a Due from Component Unit for SAIF of \$9.3 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 State Fair Council is an independent public corporation, charged with creating a sustainable business model for the Oregon State Fair and Exposition Center that can capitalize on sponsorships, rapidly changing 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, 2017, financial information is included in this report.

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

The primary purpose of OAHAC is to administer programs targeted to help prevent or mitigate the impact of foreclosures on low and moderate income persons, to help stabilize housing markets in Oregon, to provide resources of affordable or subsidized housing, and to develop and administer programs related to housing permitted under the Emergency Economic Stabilization Act of 2008, as amended (EESA), and act as an institution eligible to receive Troubled Asset Relief Program (TARP) funds under EESA. During the most recent fiscal year OAHAC administered only the Hardest Hit Fund programs, which are part of TARP. OAHAC reports on a fiscal year ended December 31 and its financial statements are prepared in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05, *Financial Statements for Not-for-Profit Organizations*. The December 31, 2017, financial information of OAHAC is included in this report. Because OAHAC has a fiscal year different from the State, balances outstanding between OAHAC and the State do not agree. OAHAC reports \$438 thousand as Due to Primary Government but the State does not report a Due from Component Unit for OAHAC.

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

Related Organizations

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been eliminated from these statements through consolidation, except for interfund activity that represents a true exchange of goods and services between funds. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund activity within governmental and within business-type activities has been eliminated through consolidation; however, balances

State of Oregon
Notes to the Financial Statements

due and resource flows between governmental and business-type activities have not been eliminated. The *primary government* is reported separately from its *component units*.

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

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

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

State of Oregon
Notes to the Financial Statements

“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 *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.

State of Oregon
Notes to the Financial Statements

Additionally, the State reports the following fund types:

Governmental Fund Types (reported as nonmajor funds)

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

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

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

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

Proprietary Fund Types (reported as nonmajor funds)

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

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

Fiduciary Fund Types

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

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

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

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

D. Deposits and Investments

Deposits

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

Investments – Excluding Oregon Public Employees Retirement Fund

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

State of Oregon
Notes to the Financial Statements

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

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

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

Investments – Oregon Public Employees Retirement Fund

Investments in private equities are recorded at fair value, as of June 30, 2018, 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, 2018, 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, 2018, as determined by the respective general partner or account manager. (The Opportunity portfolio is an investment portfolio within the PERS Fund that utilizes investment approaches across a wide range of investment opportunities, while investments in the Alternatives portfolio represent alternative investment strategies, including infrastructure, natural resources, natural resource commodities, and hedge fund strategies.) Investments in these portfolios are reported at the net asset value as provided by the general partner. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information, including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include (1) the market approach, whereby fair value is derived by reference to observable valuation measures for comparable companies or assets, and (2) the income approach (e.g., the discounted cash flow method).

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

Derivatives

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

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

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

E. Receivables and Payables

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

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

F. Intrafund Transactions

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

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items. In governmental funds and proprietary funds, prepaid items are accounted for using the consumption method.

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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

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applicable bond/COP payable and amortized over the term of the debt. Bond/COP issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as a prepaid item and are amortized over the duration of the related bond/COP.

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

O. Pensions

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

P. Postemployment Benefits Other Than Pension (OPEB)

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

Q. Fund Equity

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

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

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

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

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

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.

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

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

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

R. Changes in Accounting Principle

For the fiscal year ended June 30, 2018, the State implemented three new accounting standards issued by the Governmental Accounting Standards Board (GASB).

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 assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. Note disclosure and required supplementary information (RSI) requirements about defined benefit OPEB also are addressed. Refer to Note 15 and related OPEB RSI schedules for additional information.

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). Refer to Note 15 for additional information.

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. Refer to Note 8 for additional information.

S. Pending Changes in Accounting Principle

Two new accounting standards are effective for the fiscal year ending June 30, 2019.

GASB Statement No. 83, *Certain Asset Retirement Obligations* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

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

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. 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.

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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.

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, 2018, \$1.4 billion in other depository balances were exposed to custodial credit risk as the balances were uninsured and uncollateralized. In addition, \$877 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

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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:

Investments held by Treasury:

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

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

Investments that are measured at NAV as a practical expedient, such as private equity and alternative equities, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the FASB measurement principles for investment companies. In the Common School Fund, private equity consists of 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.

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

In the Educational Support Fund, private equity consists of 45 current funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged buyouts, venture capital, growth equity, 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, and confirmed in opinion by the Oregon Growth Board's portfolio management group. These investments can never be redeemed with the fund. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 10-15 years.

Investments of the Oregon Short Term Fund (OSTF)

The OSTF is a short-term cash investment vehicle. A number of local governments in Oregon as well as all state agencies participate in the OSTF. Because the OSTF acts as a demand deposit account, both the cash and investments within the OSTF are shown as cash and cash equivalents on the balance sheet and statement of net position. The external portion of the OSTF is reported within an investment trust fund. The OSTF staff manages interest rate risk by limiting the maturity of the investments. The portfolio rules require that at least 50 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 a proxy for the maturity date.

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Interest rate and credit risk for the OSTF investments as of June 30, 2018 (in thousands):

Investment Type	Credit Rating	Investment Maturities			Balance at June 30, 2018
		93 Days or less	94 to 366 Days	One to Three Years	
U.S. Treasuries	Exempt	\$ 2,036,903	\$ 1,187,625	\$ 395,060	\$ 3,619,588
U.S. Federal agency debt	AAA	325,555	-	64,653	390,208
	AA	293,816	19,677	-	313,493
Total U.S. Federal agency debt		619,371	19,677	64,653	703,701
U.S. Federal agency discount notes	Not rated ³	340,006	14,839	-	354,845
Corporate commercial paper	A-1+	535,635	104,115	-	639,750
	A-1	169,997	-	-	169,997
Total corporate commercial paper		705,632	104,115	-	809,747
Corporate bonds	AAA	-	-	24,608	24,608
	AA	1,704,949	378,729	595,542	2,679,220
	A	3,033,326	839,834	1,405,773	5,278,933
Total corporate bonds		4,738,275	1,218,563	2,025,923	7,982,761
Municipal commercial paper	A-1+	235,933	-	-	235,933
Municipal bonds	AAA	-	21,864	-	21,864
	AA	267,041	29,571	-	296,612
	BBB ¹	-	9,997	-	9,997
Total municipal bonds		267,041	61,432	-	328,473
Non-U.S. government commercial paper	A-1+	309,026	24,742	-	333,768
Non-U.S. government debt	AAA	142,769	42,293	64,663	249,725
	AA	333,415	100,581	79,405	513,401
Total Non-U.S. government debt		476,184	142,874	144,068	763,126
Asset-backed securities	AAA	920,309	925,019	681,559	2,526,887
	AA	28,564	14,204	-	42,768
Total asset-backed securities		948,873	939,223	681,559	2,569,655
Negotiable certificates of deposit	AA	570,941	100,017	-	670,958
Commingled investment pool	Not rated ⁴	-	-	199,749	199,749
Time certificates of deposit	Not rated ²	3,000	6,000	-	9,000
Total		\$ 11,251,185	\$ 3,819,107	\$ 3,511,012	\$ 18,581,304

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 quality rating of the OLGIF was AA at June 30, 2018.

OSTF investment policies provide for a minimum composite weighted average credit quality rating for the fund's holdings to be the equivalent of an AA Standard and Poor's (S&P) rating. The minimum ratings for corporate notes at the time of purchase are an S&P rating of A-, Moody's rating of A3, or Fitch rating of A-. Commercial paper is required to have a minimum short-term credit rating at the time of purchase from two of three ratings services; minimum ratings are S&P of A-1, Moody's of P-1, and Fitch of F-1. Foreign government securities are required to have a minimum credit rating from S&P of AA-, Moody's of Aa3, or Fitch of AA-. Asset-backed

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

The fair value measurement for investments held in the OSTF at June 30, 2018 (in thousands):

	Level 1	Level 2	Level 3	Balance at June 30, 2018
Investments:				
U.S. Treasuries	\$ -	\$ 3,534,126	\$ -	\$ 3,534,126
U.S. Federal agency debt	-	643,729	-	643,729
U.S. Federal agency discount notes	-	39,721	-	39,721
Corporate commercial paper	-	809,747	-	809,747
Corporate bonds	-	7,982,761	-	7,982,761
Municipal commercial paper	-	49,853	-	49,853
Municipal bonds	-	124,133	-	124,133
Non-U.S. government commercial paper	-	333,768	-	333,768
Non-U.S. government debt	-	763,126	-	763,126
Asset-backed securities	-	2,569,655	-	2,569,655
Negotiable certificates of deposit	-	639,115	-	639,115
Time certificates of deposit	-	6,000	-	6,000
Total	\$ -	\$ 17,495,734	\$ -	\$ 17,495,734

The OSTF's investment in the Oregon Local Government Intermediate Term 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 93 percent of the outstanding units of OLGIF at June 30, 2018.

Investments of the Oregon Intermediate Term Pool (OITP)

The OITP provides qualified participants with a vehicle to invest funds over a long-term investment horizon. The investment objective of OITP is to maximize total return (i.e., principal and income) within stipulated risk parameters. The external portion of the OITP is reported within an investment trust fund. The OITP staff manages interest rate risk by limiting the duration of investments held by the Pool. The portfolio guidelines require that the portfolio's modified duration, a measure of interest rate risk, shall not exceed three years. The weighted average duration for the Pool at June 30, 2018, was 3.12 years. The maximum maturity for any single investment should not be greater than 10.25 years from settlement date, with exceptions for asset-backed securities, mortgage-backed securities, and commercial mortgage-backed securities. These securities use weighted average life (WAL) as a proxy for maturity and are limited to a WAL of five years, or less, at the time of purchase.

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Notes to the Financial Statements

The credit rating for the investments held within the OITP and using the weighted average modified duration method at June 30, 2018 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2018	Weighted Average Modified Duration (in years)
U.S. Federal agency debt	AA	\$ 4,521	3.84
U.S. Federal agency commercial mortgage-backed securities	Not Rated	500	0.06
U.S. Federal agency residential mortgage-backed securities	Not Rated	17,886	3.93
U.S. Treasury debt	AAA	40,731	3.08
Non-U.S. government debt	AAA	995	3.27
Asset-backed securities	AAA	2,928	3.14
Corporate bonds	AAA	2,340	
	AA	1,615	
	A	9,191	
	BBB	16,449	
Total corporate bonds		<u>29,595</u>	3.65
Commercial mortgage-backed securities	AAA	2,248	3.69
Municipal bonds	AA	1,421	
	A	1,042	
Total municipal bonds		<u>2,463</u>	3.68
External investment pool ¹	Not Rated	12,565	0.51
Total		<u>\$ 114,432</u>	

¹ The Oregon Short Term Fund (OSTF) is not rated by the credit ratings agencies. The composite credit quality rating of the OSTF's holdings was AA at June 30, 2018.

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

Fair value measurement for the OITP at June 30, 2018 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Balance at June 30, 2018
U.S. Federal agency debt	\$ -	\$ 4,521	\$ -	\$ 4,521
U.S. Federal agency commercial mortgage-backed securities	-	500	-	500
U.S. Federal agency residential mortgage-backed securities	-	17,886	-	17,886
U.S. Treasury debt	-	40,731	-	40,731
Non-U.S. government debt	-	995	-	995
Asset-backed securities	-	2,928	-	2,928
Corporate bonds	-	29,595	-	29,595
Commercial mortgage-backed securities	-	2,248	-	2,248
Municipal bonds	-	2,463	-	2,463
Total	<u>\$ -</u>	<u>\$ 101,867</u>	<u>\$ -</u>	<u>\$ 101,867</u>

Investments of the Oregon Local Government Investment Fund (OLGIF)

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

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OLGIF staff manages interest rate risk by limiting the duration of investments held by the Fund. The portfolio guidelines require that the portfolio maintain a weighted average duration, a measure of interest rate risk, of plus or minus 20 percent relative to the duration of the Barclays Capital 1-5 Year Government/Credit Index (Benchmark). The duration for the Fund and the Benchmark at June 30, 2018, was 2.64 years and 2.70 years, respectively. The maximum maturity for any single investment should not be greater than 10.25 years from settlement date, with exceptions for asset-backed securities, mortgage-backed securities, and commercial mortgage-backed securities. These securities use weighted average life (WAL) as a proxy for maturity and are limited to a WAL of five years, or less, at the time of purchase.

The credit rating for the investments held within the OLGIF and using the weighted average modified duration method at June 30, 2018 (in thousands):

Investment Type	Credit Rating	Balance at June 30, 2018	Weighted Average Modified Duration (in years)
U.S. Treasury securities	Exempt	\$ 102,680	2.57
U.S. Federal agency debt	AA	3,832	2.23
Asset-backed securities	AAA	7,381	0.59
Corporate bonds	AAA	3,084	
	AA	8,246	
	A	37,716	
	BBB	39,687	
	BB	6,531	
Total corporate bonds		<u>95,264</u>	2.95
Commercial mortgage-backed securities	AAA	8,124	2.62
Municipal bonds	AAA	873	0.10
Total		<u>\$ 218,154</u>	

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

Fund guidelines allow securities downgraded below investment grade to be retained at the discretion of the external manager. At no time should the weighted average credit quality of the Fund be more than one rating category below that of the Benchmark. At June 30, 2018, the weighted average credit quality of both the Fund and of the Benchmark was AA.

Fair value measurement for the OLGIF at June 30, 2018 (in thousands):

Investment Type	Level 1	Level 2	Level 3	Balance at June 30, 2018
U.S. Treasury securities	\$ -	\$ 102,680	\$ -	\$ 102,680
U.S. Federal agency debt	-	3,832	-	3,832
Asset-backed securities	-	7,381	-	7,381
Corporate bonds	-	95,264	-	95,264
Commercial mortgage-backed securities	-	8,124	-	8,124
Municipal bonds	-	873	-	873
Total	<u>\$ -</u>	<u>\$ 218,154</u>	<u>\$ -</u>	<u>\$ 218,154</u>

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Investments of the Governmental Funds, Managed by Treasury

The credit rating for the investments at Treasury held within the governmental funds, excluding the Common School Fund, and using the segmented time distribution method at June 30, 2018 (in thousands):

Reporting Fund ¹	Investment Type	Credit Rating ²	Investment Maturities (in years)				Balance at June 30, 2018
			Less than 1	1 to 5	6 to 10	More than 10 or none	
Public Transportation	Asset-backed securities	AAA	\$ 3,296	\$ -	\$ -	\$ -	\$ 3,296
	U.S. Federal agency debt	AA	2,011	-	-	-	2,011
	U.S. Federal agency mortgages	Not rated	-	2,279	-	-	2,279
	Collateralized mortgage-backed securities	AAA	-	2,918	-	-	2,918
	Municipal bonds	AAA	-	1,923	-	-	1,923
		AA	6,296	10,306	-	-	16,601
	Total municipal bonds		6,296	12,228	-	-	18,524
	Corporate bonds	AA	7,018	2,224	-	-	9,242
		A	18,561	2,892	-	-	21,453
		BBB	8,024	4,941	-	-	12,965
	Total corporate bonds		33,603	10,057	-	-	43,660
Total Public Transportation		45,206	27,482	-	-	72,688	
Employment Services	U.S. Treasury securities ²	Exempt	2,997	12,694	-	-	15,690
	U.S. Federal agency debt	AA	7,998	7,098	-	-	15,096
	U.S. Federal agency mortgages	Not rated	-	-	1,210	-	1,210
	Collateralized mortgage obligations	AA	3,341	-	-	-	3,341
	Asset-backed securities	AAA	10,998	8,214	-	-	19,213
	Municipal bonds	AAA	-	1,467	-	-	1,467
		AA	-	4,284	2,900	-	7,184
	Total municipal bonds		-	5,751	2,900	-	8,651
	Corporate bonds	AA	3,015	7,426	-	-	10,441
		A	26,212	10,171	597	-	36,980
		BBB	5,397	17,814	3,349	-	26,561
	Total corporate bonds		34,624	35,411	3,946	-	73,982
	Oregon Intermediate Term Pool ³	Not rated	-	18,337	-	-	18,337
Non-U.S. government debt	AAA	-	4,414	-	-	4,414	
Total Employment Services		59,958	91,919	8,056	-	159,933	
Environmental Management	Oregon Intermediate Term Pool ³	Not rated	-	1,365	-	-	1,365
Permanent	Oregon Intermediate Term Pool ³	Not rated	-	6,555	-	-	6,555
Residential Assistance	U.S. Federal agency debt	AA	-	-	-	10,036	10,036
	U.S. Treasury securities ²	Exempt	-	4,543	-	-	4,543
	Total Residential Assistance		-	4,543	-	10,036	14,579
Business Development	Oregon Intermediate Term Pool ³	Not rated	-	27,104	-	-	27,104
Total			\$ 105,164	\$ 158,967	\$ 8,056	\$ 10,036	\$ 282,223

¹ Refer to the separate Common School Fund schedule.

² Investments of \$20,233 of U.S. Treasury securities are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

³ Refer to the separate Oregon Intermediate Term Pool schedule

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Notes to the Financial Statements

Fair value measurement for the investments at Treasury held within the governmental funds, excluding the Common School Fund, at June 30, 2018 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Total
Public Transportation	Asset-backed securities	\$ -	\$ 3,296	\$ -	\$ 3,296
	U.S. Federal agency debt	-	2,011	-	2,011
	U.S. Federal agency mortgages	-	2,279	-	2,279
	Collateralized mortgage-backed securities	-	2,918	-	2,918
	Municipal bonds	-	18,524	-	18,524
	Corporate bonds	-	43,660	-	43,660
	Total Public Transportation		-	72,688	-
Employment Services	U.S. Treasury securities	-	15,690	-	15,690
	U.S. Federal agency debt	-	15,096	-	15,096
	U.S. Federal agency mortgages	-	1,210	-	1,210
	Collateralized mortgage obligations	-	3,341	-	3,341
	Asset-backed securities	-	19,213	-	19,213
	Municipal bonds	-	8,651	-	8,651
	Corporate bonds	-	73,982	-	73,982
Non-U.S. government debt	-	4,414	-	4,414	
Total Employment Services		-	141,596	-	141,596
Residential Assistance	U.S. Federal agency debt	-	10,036	-	10,036
	U.S. Treasury securities	-	4,543	-	4,543
Total Residential Assistance		-	14,579	-	14,579
Total Debt Investments		\$ -	\$ 228,863	\$ -	228,863
Investments valued at Net Asset Value (NAV):					
Employment Services	Oregon Intermediate Term Pool				18,337
Environmental Management	Oregon Intermediate Term Pool				1,365
Permanent	Oregon Intermediate Term Pool				6,555
Business Development	Oregon Intermediate Term Pool				27,104
Total Investments valued at NAV					53,360
Total					\$ 282,223

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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, 2018 (in thousands):

Investment Type	Credit Rating ¹	Investment Maturities (in years)				Balance at June 30, 2018
		Less than 1	1 to 5	6 to 10	More than 10 or none	
U.S. Treasury securities	Exempt	\$ -	\$ 4,803	\$ 13,784	\$ 16,864	\$ 35,451
U.S. Treasury strips	Exempt	6,076	-	-	-	6,076
U.S. Treasury TIPS	Exempt	-	-	-	1,077	1,077
U.S. Federal agency debt	AA	-	99	-	-	99
	Not rated	1,946	-	-	-	1,946
U.S. Federal agency mortgages	AAA	203	-	-	-	203
	Not rated	4,062	-	1,436	56,452	61,950
Total U.S. government debt		12,286	4,902	15,220	74,393	106,801
Non-U.S. government debt	A	-	2,104	1,660	2,105	5,870
	BBB	-	-	1,156	947	2,103
	BB	211	1,407	1,720	382	3,720
	B	-	608	-	377	986
	Not rated	-	-	72	-	72
Total Non-U.S. government debt		211	4,120	4,608	3,812	12,750
Corporate bonds	AAA	-	-	1,570	253	1,824
	AA	-	1,143	1,232	31	2,406
	A	2,536	5,977	4,566	3,335	16,414
	BBB	3,032	6,824	14,103	13,535	37,495
	BB	446	2,308	3,010	4,381	10,145
	B	-	38	21	32	90
Total Corporate bonds		6,014	16,290	24,503	21,566	68,374
Asset-backed securities	AAA	698	-	-	-	698
	AA	3,588	-	-	-	3,588
	A	2,777	-	-	-	2,777
	BBB	1,818	-	-	-	1,818
	BB	1,803	-	-	-	1,803
	B	769	-	-	-	769
	CCC	526	-	-	-	526
	CC	820	-	-	-	820
	C	959	-	-	-	959
	Not Rated	-	-	-	46	46
Total asset-backed securities		13,759	-	-	46	13,805
Collateralized mortgage obligations	AAA	87	-	-	-	87
	AA	388	-	-	-	388
	A	334	-	-	-	334
	BBB	2,639	-	-	-	2,639
	BB	474	-	-	-	474
	B	280	-	-	-	280
	CCC	18	-	-	-	18
	D	100	-	-	-	100
Total collateralized mortgage obligations		4,320	-	-	-	4,320

(Continued on next page)

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(Continued from previous page)

Investment Type	Credit Rating ¹	Investment Maturities (in years) (continued)				Balance at June 30, 2018
		Less than 1	1 to 5	6 to 10	More than 10 or none	
Collateralized mortgage-backed securities	AAA	2,046	-	444	3,541	6,032
	AA	1,747	-	-	320	2,067
	A	1,641	-	-	-	1,641
	BBB	-	-	-	224	224
	B	609	-	-	-	609
	CCC	581	-	-	181	762
	CC	113	-	-	14	127
	C	487	-	-	-	487
	D	388	-	-	122	511
	Not rated	723	-	-	-	723
Total collateralized mortgage-backed securities		8,336	-	444	4,402	13,183
Domestic fixed income funds	Not rated	222,421	-	-	-	222,421
		\$ 267,347	\$ 25,312	\$ 44,775	\$ 104,219	441,653
Domestic equity securities						276,151
International equity securities						330,498
Domestic equity funds						98,827
International equity funds						80,410
Private equity holdings						219,619
Domestic real estate investment trusts						3,798
International real estate investment trusts						1,637
Real estate open ended funds						39,173
Alternative equity funds						91,346
International rights and warrants						30
						1,141,489
Total						\$ 1,583,143

¹ Investments of \$35,451 in U.S. Treasury securities, \$6,076 in U.S. Treasury strips, \$1,077 in U.S. Treasury Inflation Protected Securities (TIPS), and \$13,722 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

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Fair value measurement for the investments at Treasury held by the Common School Fund at June 30, 2018 (in thousands):

Investment type	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ -	\$ 35,451	\$ -	\$ 35,451
U.S. Treasury Strips	-	6,076	-	6,076
U.S. Treasury TIPS	-	1,077	-	1,077
U.S. Federal agency debt	-	2,045	-	2,045
U.S. Federal agency mortgages	-	62,152	-	62,152
Non-U.S. government debt	-	12,750	-	12,750
Corporate bonds	-	68,374	-	68,374
Asset-backed securities	-	13,805	-	13,805
Collateralized mortgage obligations	-	4,320	-	4,320
Collateralized mortgage-backed securities	-	13,183	-	13,183
Domestic fixed income funds	-	222,421	-	222,421
Total Debt Investments	-	441,653	-	441,653
Domestic equity securities	276,151	-	-	276,151
International equity securities	330,498	-	-	330,498
Domestic equity funds	-	98,827	-	98,827
International equity funds	-	80,410	-	80,410
Domestic real estate investment trusts	3,798	-	-	3,798
International real estate investment trusts	1,637	-	-	1,637
International rights and warrants	30	-	-	30
Total Equity securities and derivatives	612,114	179,237	-	791,352
Total	\$ 612,114	\$ 620,891	\$ -	1,233,005
Investments measured at Net Asset Value (NAV)				
Private equity holdings				219,619
Real estate open ended funds				39,173
Alternative equity funds				91,346
Total investments measured at NAV				350,138
Total Investments at fair value				\$ 1,583,143

Disclosures regarding redemption and investments valued at NAV per share (or its equivalent), held by the Common School Fund, including unfunded commitments at June 30, 2018 (in thousands):

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments¹	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	\$ 219,619	\$ 31,766	N/A	N/A
Real estate open ended funds	39,173	81,073	Quarterly	15 - 45 days
Alternative equity	91,346	-	Monthly	3 - 10 days
Total	\$ 350,138	\$ 112,840		

¹ Excludes new commitments not yet funded at June 30, 2018.

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Investments of the Proprietary Funds, Managed by Treasury

The credit rating for the investments at Treasury held by proprietary funds and using the segmented time distribution method at June 30, 2018 (in thousands):

Reporting Fund	Investment Type	Credit Rating ²	Investment Maturities (in years)				Balance at June 30, 2018
			Less than 1	1 to 5	6 to 10	More than 10 or none	
Housing and Community Services ¹	U.S. Treasury securities	Exempt	\$ -	\$ -	\$ -	\$ 1,064	\$ 1,064
	U.S. Federal agency debt	AA	-	-	-	522	522
Total Housing and Community Services			-	-	-	1,586	1,586
Veterans' Loan	Oregon Intermediate Term Pool ³	Not rated	-	10,683	-	-	10,683
Lottery Operations	U.S. Treasury strips	Exempt	9,346	35,215	35,886	36,745	117,192
	U.S. Federal agency strips	Not rated	1,470	1,933	761	-	4,163
Total Lottery Operations			10,816	37,147	36,647	36,745	121,355
Special Public Works	Oregon Intermediate Term Pool ³	Not rated	-	10,797	-	-	10,797
Central Services	U.S. Treasury securities	Exempt	-	6,999	-	-	6,999
	U.S. Federal agency debt	AA	12,584	-	4,799	-	17,383
	U.S. Federal agency mortgages	Not rated	1,547	-	323	-	1,869
	Asset-backed securities	AAA	-	6,385	-	-	6,385
	Corporate bonds	AAA	-	3,928	-	-	3,928
		AA	1,005	3,482	-	-	4,487
		A	8,599	5,398	-	-	13,996
		BBB	2,267	7,907	2,876	-	13,050
Total corporate bonds			11,871	20,715	2,876	-	35,462
	Non-U.S. government debt	AAA	-	2,477	-	-	2,477
Total Central Services			26,001	36,575	7,998	-	70,574
Total			\$ 36,817	\$ 95,204	\$ 44,645	\$ 38,331	\$ 214,996

¹ \$242,923 in investments are held outside Treasury. Refer to the separate schedule.

² Investments of \$8,062 in U.S. Treasury securities and \$117,192 in U.S. Treasury Strips are explicitly guaranteed by the U.S. government and, therefore, are exempt from credit risk disclosure requirements.

³ Refer to the separate Oregon Intermediate Term Pool schedule.

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The fair value measurement for the investments at Treasury held by proprietary funds at June 30, 2018 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Balance at June 30, 2018
Housing and Community Services	U.S. Treasury securities	\$ -	\$ 1,064	\$ -	\$ 1,064
	U.S. Federal agency debt	-	522	-	522
Total Housing and Community Services		<u>-</u>	<u>1,586</u>	<u>-</u>	<u>1,586</u>
Lottery Operations	U.S. Treasury strips	-	117,192	-	117,192
	U.S. Federal agency strips	-	4,163	-	4,163
Total Lottery Operations		<u>-</u>	<u>121,355</u>	<u>-</u>	<u>121,355</u>
Central Services	U.S. Treasury securities	-	6,999	-	6,999
	U.S. Federal agency debt	-	17,383	-	17,383
	U.S. Federal agency mortgages	-	1,869	-	1,869
	Asset-backed securities	-	6,385	-	6,385
	Corporate bonds	-	35,462	-	35,462
	Non-U.S. government debt	-	2,477	-	2,477
Total Central Services		<u>-</u>	<u>70,574</u>	<u>-</u>	<u>70,574</u>
Total Debt Investments		<u>\$ -</u>	<u>\$ 193,516</u>	<u>\$ -</u>	<u>193,516</u>
Investments valued at NAV					
Veterans' Loan	Oregon Intermediate Term Pool				10,683
Special Public Works	Oregon Intermediate Term Pool				10,797
Total Investments Valued at NAV					<u>21,481</u>
Total					<u>\$ 214,996</u>

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, 2018 (in thousands):

Reporting Fund	Investment Type	Credit Rating ³	Investment Maturities (in years)				Balance at June 30, 2018	
			Less than 1	1 to 5	6 to 10	More than 10 or none		
Common School	U.S. Treasury securities ¹	Exempt	\$ 3	\$ 4	\$ -	\$ -	\$ 7	
	U.S. Treasury strips ¹	Exempt	-	15	-	-	15	
	U.S. Federal agency debt ¹	AAA	-	27	-	38	66	
	U.S. Federal agency mortgages ¹	Exempt	-	-	-	30	30	
	Municipal bonds ¹	AAA	-	5	-	-	5	
	Corporate bonds ¹	AAA	4	-	-	57	61	
Total Common School			7	51	-	126	184	
Revenue Bond	Guaranteed investment contracts	N/A	-	-	2,523	-	2,523	
Housing and Community Services	U.S. Treasury securities	Exempt	21,656	1,373	-	-	23,029	
	U.S. Federal agency debt	AA+	992	7,396	10,104	21,907	40,399	
		Not rated	167,155	-	-	-	167,155	
	Total federal agency debt			168,147	7,396	10,104	21,907	207,554
	Money market mutual funds ⁴	AAA	23,356	-	-	-	23,356	
	Municipal bonds	AA+	-	-	-	12,570	12,570	
	Swaps	Not rated	-	-	-	(230)	(230)	
Total Housing and Community Services			213,159	8,768	10,104	34,247	266,279	
Private Purpose Trust	U.S. Treasury securities	Exempt	192	-	1	17	211	
	Domestic mutual funds - debt	Not rated	-	-	-	930	930	
Total Private Purpose Trust			192	-	1	947	1,141	
Agency	U.S. Treasury securities ²	Exempt	24,800	27,099	-	-	51,899	
Total Debt Investments			\$ 238,158	\$ 35,918	\$ 12,628	\$ 35,320	322,026	
Educational Support	Private equities	N/A					99,968	
Common School	Alternative equities ¹	N/A					50	
	Mutual funds ¹	N/A					12,065	
	Domestic equity securities ¹	N/A					19,580	
	International equity securities ¹	N/A					1,060	
	Real estate	N/A					5,540	
Private Purpose Trust	Domestic equity securities	N/A					54	
	Annuity contracts	N/A					115	
Total							\$ 460,457	

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 \$75,145 in U.S. Treasury securities, \$15 in U.S. Treasury strips, and \$30 in GNMA reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government and, therefore, exempt from credit risk disclosure requirements.

⁴ Included in Cash and Cash Equivalents - Restricted on the Statement of Net Position.

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Notes to the Financial Statements

The fair value measurement for investments held outside Treasury at June 30, 2018 (in thousands):

Reporting Fund	Investment type	Level 1	Level 2	Level 3	Balance at June 30, 2018
Common School	U.S. Treasury securities	\$ 7	\$ -	\$ -	\$ 7
	U.S. Treasury strips	15	-	-	15
	U.S. Federal agency debt	-	66	-	66
	U.S. Federal agency mortgages	-	30	-	30
	Municipal bonds	-	5	-	5
	Corporate bonds	-	61	-	61
	Mutual funds	12,065	-	-	12,065
	Alternative equities	-	-	50	50
	Domestic equity securities	19,574	6	-	19,580
	International equity securities	1,060	-	-	1,060
Real Estate	-	-	5,540	5,540	
Total Common School		32,721	168	5,590	38,478
Housing and Community Services	U.S. Treasury securities	-	23,029	-	23,029
	U.S. Federal agency debt	-	207,554	-	207,554
	Money market mutual funds	23,356	-	-	23,356
	Municipal bonds	-	12,570	-	12,570
	Swaps	-	(230)	-	(230)
Total Housing and Community Services		23,356	242,923	-	266,279
Private Purpose Trust	U.S. Treasury securities	-	211	-	211
	Domestic equity securities	54	-	-	54
Total Private Purpose Trust		54	211	-	265
Total Agency		-	51,899	-	51,899
Total Debt Investments		\$ 56,131	\$ 295,200	\$ 5,590	356,920

Investments reported at NAV:

Educational Support	Private equities	99,968
Revenue Bond	Guaranteed investment contracts	2,523
Private Purpose Trust	Domestic mutual funds - debt	930
	Annuity contracts	115
Total		\$ 460,457

Disclosures regarding redemption and investments valued at NAV per share (or its equivalent), held by the Educational Support Fund, including unfunded commitments at June 30, 2018 (in thousands):

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	\$ 99,968	\$ 33,888	N/A	N/A

Interest Rate Sensitive Investments

As of June 30, 2018, the primary government held approximately \$120 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 \$2.6 billion of asset-backed securities collateralized primarily by credit card accounts, automobile loans and equipment leases.

Concentration of Credit Risk

Investment policies for fixed income investments under the management of the Treasurer generally limit investments in a single issuer to 5 percent of the portfolio, with the exception of securities of the U.S.

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Notes to the Financial Statements

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, 2018, there were no issuers that exceeded 5 percent of the primary government's holdings (excluding OPERF).

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. On June 30, 2018, 62 percent of the Housing and Community Service Fund's total investments are Federal Home Loan Bank securities, 5.6 percent are Federal National Mortgage Association (FNMA) securities.

Within the major governmental funds, the Public Transportation Fund's investments included \$9 million (12.4 percent) in Barclay's PLC, \$7 million (9.6 percent) in Berkshire Hathaway, \$4.2 million (5.8 percent) in Denver Colorado City and County, \$4 million (5.5 percent) in The Goldman Sachs Group, \$4 million (5.5 percent) in Ford Motor Company, and \$3.8 million (5.3 percent) in University of California.

The aggregated nonmajor governmental funds' total investments included \$12.2 million (5.8 percent) in Federal Home Loan Mortgage Corporation (FHLMC) and \$11.1 million (5.2 percent) in FNMA.

The Central Services Fund held \$6.6 million (9.4 percent) of its investments in FHLMC and \$5.1 million (7.3 percent) in FNMA.

Foreign Currency Risk

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

Deposits and investments exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2018 (in thousands):

Foreign Currency Denomination	Deposits and Investments (U.S. Dollars)					
	International		Non-US		Rights and Warrants	Total
	Deposits	Equity Securities	Government Debt	International Real Estate		
Argentine peso	\$ 24	\$ -	\$ 245	\$ -	\$ -	\$ 269
Australian dollar	4	17,304	-	-	2	17,309
Brazilian real	1	-	-	-	-	1
British pound sterling	88	39,380	-	-	-	39,469
Canadian dollar	19	17,339	-	428	-	17,786
Chinese yuan	177	-	72	-	-	249
Danish krone	2	3,098	-	-	-	3,100
Euro	215	97,698	-	-	20	97,934
Hong Kong dollar	90	10,451	-	1,210	-	11,751
Israeli new shekel	10	814	-	-	9	833
Japanese yen	669	84,657	-	-	-	85,327
Mexican peso	252	-	5,870	-	-	6,122
Norwegian krone	15	3,771	-	-	-	3,786
New Zealand dollar	6	312	-	-	-	319
Russian ruble	-	-	2,763	-	-	2,763
Singapore dollar	56	2,017	-	-	-	2,073
Swedish krona	70	9,054	-	-	-	9,124
Swiss franc	10	15,711	-	-	-	15,721
Total	\$ 1,709	\$ 301,608	\$ 8,950	\$ 1,637	\$ 30	\$ 313,935

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Notes to the Financial Statements

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

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

Investments in the OPERF as of June 30, 2018 (in thousands):

Investment Type	Fair Value
U.S. Treasury obligations	\$ 5,571,788
U.S. Treasury obligations - strips	164,728
U.S. Treasury obligations - TIPS	63,179
U.S. Federal agency mortgage securities	907,914
U.S. Federal agency mortgage TBAs	771,854
U.S. Federal agency debt	294,019
U.S. Federal agency strips	35,447
International debt securities	973,752
Non-government debt securities	249,630
Corporate bonds	2,087,211
Bank loans	1,400,318
Municipal bonds	16,121
Collateralized mortgage obligations	469,020
Asset-backed securities	367,949
Guaranteed investment contracts ¹	177,300
Domestic fixed income funds	1,829,957
Global fixed income funds	48,972
Total debt securities	15,429,158
Derivatives in asset positions	187,826
Domestic equity securities	13,222,581
International equity securities	10,249,387
Domestic equity funds	2,014,806
Global equity funds	577,180
International equity funds	3,330,820
Target date funds	612,042
Oregon Savings Growth Plan - self directed	12,591
Real estate and real estate investment trusts	8,326,898
Private equity	16,210,706
Alternative equity	5,997,325
Opportunity portfolio	1,766,087
Total investments	\$ 77,937,408

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, 2018, the weighted average duration of the fixed income portfolio was 3.9 years and no individual fixed income investment manager portfolios were outside the policy guidelines.

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Notes to the Financial Statements

At June 30, 2018, the OPERF held approximately \$1.4 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 \$771.9 million in to-be-announced federal agency-issued mortgage pools. An additional \$367.9 million of debt instruments are asset-backed securities backed primarily by automobiles, consumer credit receivables, heavy equipment leases, and student loan receivables.

Debt investments of the OPERF as of June 30, 2018 (in thousands):

Investment Type	Balance at June 30, 2018	Effective Weighted Duration Rate (in years)
U.S. Treasury obligations	\$ 5,571,788	6.85
U.S. Treasury obligations - strips	164,728	0.16
U.S. Treasury obligations - TIPS	63,179	5.72
U.S. Federal agency mortgage securities	907,914	3.43
U.S. Federal agency mortgage TBAs	771,854	3.57
U.S. Federal agency debt	294,019	1.47
U.S. Federal agency strips	35,447	1.23
International debt securities	947,421	3.23
Non-U.S. government debt securities	134,275	8.54
Corporate bonds	2,087,041	5.68
Bank loans	1,323,615	0.63
Municipal bonds	16,121	10.10
Collateralized mortgage obligations	469,020	3.58
Asset-backed securities	367,949	1.65
Domestic fixed income funds	1,829,957	5.10
Global fixed income funds	48,972	1.37
No effective duration:		
International debt securities	26,332	N/A
Non-U.S. government debt securities	115,356	N/A
Corporate bonds	170	N/A
Bank loans	76,703	N/A
Guaranteed investment contracts	177,300	N/A
Total debt securities	15,429,158	
Cash equivalent - Mutual Funds - STIF	877,443	30 days ¹
Cash Equivalent - Oregon Short Term Funds	2,293,820	188 Days ¹
Total subject to interest rate risk	\$ 18,600,420	

¹ Weighted average maturity, pools are not rated.

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, 2018, the fair value of below grade investments, excluding unrated securities, is \$2.3 billion, or 24.7 percent, of total securities subject to credit risk and 14.8 percent of total debt securities. The weighted quality rating average is A. Unrated securities include \$85.2 million in bank loans, \$1.9 billion in domestic and international fixed income funds, \$177.3 million in guaranteed investment contracts, and \$203.8 million in other debt securities.

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Credit ratings for debt securities within the OPERF as of June 30, 2018 (in thousands):

Credit Rating	Balance at June 30, 2018
AAA	\$ 730,219
AA	179,120
A	658,726
BBB	1,431,583
BB	496,131
B	1,362,907
CCC	420,434
CC	7,213
Not rated	2,345,274
Not rated - U.S. Federal agency ¹	<u>1,611,102</u>
Total subject to credit risk	9,242,710
U.S. government guaranteed securities	<u>6,186,448</u>
Total	<u>\$ 15,429,158</u>

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the OPERF will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. There is no formal policy regarding the holding of securities by a custodian or counterparty. As of June 30, 2018, no investments were exposed to custodial credit risk.

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:

- obligations issued or guaranteed by the U.S. government, U.S. agencies, or government-sponsored enterprises – no restriction;
- obligations of other national governments – no more than 10 percent of the debt investment portfolio per issuer;
- private mortgage-backed and asset-backed securities, unless collateral is credit independent of the issuer and the security's credit enhancement is generated internally – no more than 10 percent of the debt investment portfolio per issuer; 25 percent per issuer if the collateral exception is met; and
- other issuers, excluding investments in commingled vehicles – no more than 3 percent of the debt investment portfolio.

At June 30, 2018, 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, 2018, approximately 0.9 percent of the debt investment portfolio was invested in non-dollar denominated securities.

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Notes to the Financial Statements

The OPERF's exposure to foreign currency risk as of June 30, 2018 (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	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12
Australian dollar	1,947	-	362,090	1	12,517	-	376,555
Brazilian real	425	320	182,107	-	534	-	183,387
British pound sterling	4,607	4,461	1,777,745	1,813	5,037	-	1,793,663
Canadian dollar	1,711	429	559,376	-	7,352	-	568,869
Chilean peso	767	-	15,565	-	-	-	16,332
Chinese yuan	2,292	791	84,628	-	-	-	87,711
Colombian peso	128	-	8,977	-	-	-	9,105
Czech koruna	80	-	17,374	-	-	-	17,454
Danish krone	250	2	175,424	-	-	-	175,676
Egyptian pound	756	-	9,669	-	-	-	10,425
Euro	5,632	26,266	1,870,664	29,013	13,536	706,619	2,651,731
Hong Kong dollar	2,424	-	666,320	161	20,111	-	689,016
Hungarian forint	137	-	10,930	-	-	-	11,067
Indian rupee	878	-	167,245	-	-	-	168,123
Indonesian rupiah	209	-	43,217	-	-	-	43,425
Israeli new shekel	532	-	76,871	-	1,714	-	79,117
Japanese yen	12,917	72,418	1,530,528	86	6,433	-	1,622,383
Kenya shilling	-	-	5,182	-	-	-	5,182
Malaysian ringgit	344	6,367	76,603	2	-	-	83,316
Mexican peso	4,075	15,028	54,399	-	23,222	-	96,724
Moroccan dirham	-	-	2,020	-	-	-	2,020
New Zealand dollar	497	-	35,278	581	736	-	37,092
Nigerian naira	44	-	8,469	-	-	-	8,513
Norwegian krone	1,571	-	108,411	-	-	-	109,982
Pakistani rupee	19	-	-	-	-	-	19
Peruvian nuevo sol	2	-	-	-	-	-	2
Philippine peso	51	-	13,843	-	-	-	13,894
Polish zloty	247	-	21,905	-	-	-	22,152
Qatar riyal	3	-	479	-	-	-	483
Romanian leu	-	-	2,007	-	-	-	2,007
Singapore dollar	512	8,214	74,260	-	4,131	-	87,117
South African rand	1,206	-	182,734	-	39	-	183,979
South Korean won	1,092	-	463,584	-	19	-	464,695
Swedish krona	906	-	210,079	839	-	-	211,824
Swiss franc	326	-	441,249	1	-	-	441,576
Taiwan dollar	3,721	-	286,252	-	-	-	289,973
Thai baht	427	-	104,250	11	1,245	-	105,932
Turkish lira	686	-	61,524	-	672	-	62,882
United Arab Emirates dirham	37	-	8,442	-	-	-	8,479
Vietnamese dong	615	-	17,362	-	-	-	17,976
Total	\$ 52,081	\$ 134,298	\$ 9,737,063	\$ 32,509	\$ 97,299	\$ 706,619	\$ 10,759,868

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Fair Value Measurement

Fair value measurement levels for investments in the OPERF as of June 30, 2018 (in thousands):

Investments by Fair Value Level	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. Treasury obligations	\$ -	\$ 5,571,788	\$ -	\$ 5,571,788
U.S. Treasury obligations - strips	-	164,728	-	164,728
U.S. Treasury obligations - TIPS	-	63,179	-	63,179
U.S. Federal Agency mortgage securities	-	907,914	-	907,914
U.S. Federal Agency mortgage TBAs	-	771,854	-	771,854
U.S. Federal Agency debt	-	294,019	-	294,019
U.S. Federal Agency strips	-	35,447	-	35,447
Non-U.S. government debt securities	-	249,630	-	249,630
Corporate bonds	-	2,662,514	27,791	2,690,305
Bank loans	-	1,521,658	36,233	1,557,891
Municipal bonds	-	16,121	-	16,121
Collateralized mortgage obligations	-	476,361	1,725	478,085
Asset-backed securities	-	557,311	14,658	571,969
Domestic fixed income funds	-	1,829,957	-	1,829,957
Global fixed income funds	32,801	16,171	-	48,972
Total debt securities¹	32,801	15,138,650	80,406	15,251,857
Public Equity:				
Domestic equity securities	13,145,997	-	76,584	13,222,581
International equity securities	10,206,489	-	42,898	10,249,387
Domestic equity funds	98,629	1,916,177	-	2,014,806
Global equity funds	34,151	543,029	-	577,180
International equity funds	1,173,513	2,157,306	-	3,330,820
Target date funds	-	612,042	-	612,042
Oregon Savings Growth Plan - self directed	12,591	-	-	12,591
Total public equity	24,671,371	5,228,554	119,483	30,019,407
Real estate investment trusts	829,805	-	1	829,807
Private equity	-	-	15,840	15,840
Total investments by fair value level	\$ 25,533,977	\$ 20,367,204	\$ 215,731	\$ 46,116,912
Investments Measured at Net Asset Value (NAV)				
Real estate:				
Real estate investments				6,564,025
Real estate open ended funds				933,067
Total real estate				7,497,092
Private equity				16,194,866
Alternative equity:				
Alternative real assets				3,159,369
Alternative diversifying strategies				2,837,955
Total alternative equity				5,997,325
Opportunity portfolio:				
Opportunity private investments				663,484
Opportunity open ended funds				1,102,603
Total opportunity portfolio				1,766,087
Total investments measured at NAV				31,455,369
Total investments measured at fair value				\$ 77,572,281

¹ Guaranteed Investment Contracts 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, 2018 (in thousands):

	Fair Value	Unfunded Commitments ¹	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate:				
Real estate investments	\$ 6,564,025	\$ 1,914,185	N/A	N/A
Real estate open ended funds	933,067	-	Quarterly	15 - 90 days
Private equity	16,210,706	7,171,219	N/A	N/A
Alternative equity:				
Alternative real assets	3,159,369	2,344,990	N/A	N/A
Alternative diversifying strategies	2,837,955	-	Monthly	3 - 75 days
Opportunity portfolio:				
Opportunity private investments	663,484	479,911	N/A	N/A
Opportunity open ended funds	1,102,603	210,107	Monthly/Quarterly	5 - 90 days
Total	\$ 31,471,210	\$ 12,120,412		

¹ Excludes unfunded commitments associated with investments included in the fair value hierarchy (Levels 1, 2, and 3) and new commitments not yet funded at June 30, 2018.

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

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

Fund investments (e.g., mutual/commingled/open-ended funds), valued using a unit price that is published daily and validated with a sufficient level of observable activity are categorized in Level 1. If observable activity is limited, yet supports that the unit price or net asset value (NAV) represents an exit value of the security at the measurement date, the securities are categorized in Level 2. Investments that are measured at NAV as a practical expedient, such as most private equity, Alternative 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 15 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 five open ended funds that permit quarterly redemption of shares, subject to certain requirements being met.

Private equity consists of approximately 252 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.

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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 44 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 38 of the 44 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 10 to 14 years. Alternative diversifying strategies permit periodic redemption of shares, subject to certain requirements being met, and consist of five 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 10 to 14 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, 2018:

- \$35.7 million, or 2.7 percent of the Oregon Short Term Investment Fund, the cash collateral pool for all agencies, excluding OPERF.
- \$71 million, or 6 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, 2018.

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 fair 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, 2018, is effectively one day. On June 30, 2018, 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, 2018, 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
US Treasury and Agency Securities	\$ 2,453,840	\$ 2,404,309	\$ 223,461
Domestic Equity Securities	1,085,807	1,059,558	670,500
International Equity Securities	501,947	477,839	122,136
Domestic Fixed Income Securities	521,750	511,175	466,050
International Fixed Income Securities	2,004	1,950	2,003
Total	\$ 4,565,348	\$ 4,454,831	\$ 1,484,150

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

F. Restricted Assets

Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2018, the primary government had restricted assets of \$2 billion in deposits and \$961.6 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) 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 had four swaps at the end of the fiscal year. The fair value of the swaps on June 30, 2018, totaled \$1.1 million and the notional amount totaled \$64.5 million. The fair value of hedging derivatives is \$1.4 million. Hedging derivatives with positive fair values are shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred inflows of resources and derivative instrument assets. Hedging derivatives with negative fair values are shown on the proprietary funds statement of net position and the government-wide statement of net position under deferred outflows of resources and derivative instrument liabilities. During the fiscal year the fair value increased by \$2.3 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.

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The terms, fair values, counterparties, and credit ratings of OHCS D's outstanding swaps as of June 30, 2018 (dollars in thousands):

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Term Date	Counterparty	Counterparty Rating ²
Multifamily housing revenue bonds								
2004 B	\$ 12,850	12/16/04	3.89%	64% of 1 mo LIBOR ¹ + .27%	\$ (138)	7/1/46	Merrill Lynch Capital Services ³	A3 A- A+
Mortgage revenue bonds								
2016 B	13,140	1/1/19	1.71%	66.5% of 1 mo LIBOR + .08%	680	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%	834	7/1/37	Royal Bank of Canada	Aa3 AA- AA
	<u>\$ 40,990</u>				<u>\$ 1,376</u>			

¹ London Interbank Offered Rate

² Moody's / S&P / Fitch

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

The multifamily housing revenue bonds (MF) 2004 B swap has a call option where 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 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, 2018, the one-month LIBOR was 2.09 percent. OHCS D's variable rates as of June 30, 2018, 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, 2018 (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2019	\$ 240	\$ 600	\$ 303	\$ 1,143
2020	255	630	378	1,263
2021	265	625	371	1,261
2022	275	621	366	1,263
2023	290	617	360	1,267
2024-2028	1,615	3,012	1,695	6,321
2029-2033	16,550	2,404	1,425	20,379
2034-2038	16,010	1,037	915	17,962
2039-2043	2,995	331	474	3,800
2044-2048	2,495	80	115	2,691
Total	<u>\$ 40,990</u>	<u>\$ 9,958</u>	<u>\$ 6,402</u>	<u>\$ 57,350</u>

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OHCS D's swaps, except for the MF 2004 B swap, include provisions that require collateral to be posted if the rating on the senior bonds issued under the 1988 indenture (MRB) is not above either Baa1 (Moody's) or BBB+ (S&P). If the bonds are at or below these levels, collateral in the amount of the current swap fair value (rounded to the nearest \$10 thousand) must be posted. The minimum transfer amount is \$100 thousand or \$0 if neither rating agency rates the bonds. The total fair value on June 30, 2018, of the swaps that include these provisions is \$1.3 million. At June 30, 2018, 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 2018, the DVA did not enter into, terminate, or have any maturities of derivatives. During the fiscal year 2018, the fair value of hedging derivatives increased by \$158 thousand.

The fair value balance of the interest rate swap is reported on the proprietary funds statement of net position and the government-wide statement of net position under deferred 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, 2018, 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, 2018 (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%	\$ 404

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.

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Since the fair value of the swap as of June 30, 2018, 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 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, 2018, the interest rate on the variable rate hedged debt is 1.49 percent, while the 66.3 percent of one-month LIBOR plus 0.09 percent is 1.4 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, 2018, 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
2019	\$ -	\$ 375	\$ 222	\$ 596
2020	-	375	222	597
2021	-	374	223	597
2022	-	375	222	596
2023	-	375	222	596
2024-2028	7,280	1,679	1,000	9,959
2029-2033	10,200	984	591	11,774
2034-2037	7,660	216	133	8,010
Total	\$ 25,140	\$ 4,752	\$ 2,833	\$ 32,725

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 2008 F and MRB 2008I swap fair values were reclassified from hedging derivative instruments to investment derivative instruments when the associated bonds were called. A total of \$746 thousand was reclassified. The fair value of investment derivatives on June 30, 2018, totaled a negative \$230 thousand and is included in Investments – Restricted on the proprietary statement of net position and the government-wide statement of net position. A total of \$6 thousand from investment derivative instruments is

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included in investment income on the proprietary fund statement of revenues, expenses and changes in net position.

The terms, fair values, counterparties, and credit ratings of OHCS's outstanding swaps as of June 30, 2018 (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 2008 I	\$ 23,550	8/26/08	3.72%	64% of 1 mo LIBOR ¹ + .31%	\$ (230)	7/1/37	Bank of America, N.A. ³	Aa3 A+ AA-

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, 2018 (in thousands):

Currency	Options	Currency Forward Contracts		Total Exposure
		Net Receivables	Net Payables	
Australian dollar	\$ 2	\$ (114)	\$ 108	\$ (5)
British pound sterling	-	(76)	17	(59)
Canadian dollar	-	(76)	-	(76)
Chinese yuan	-	-	12	12
Danish krone	-	(62)	36	(26)
Euro	20	(48)	75	48
Hong Kong dollar	-	1	-	1
Israeli new shekel	9	(80)	64	(7)
Japanese yen	-	(29)	135	107
Mexican peso	-	-	38	38
New Zealand dollar	-	(161)	354	193
Norwegian krone	-	(14)	11	(4)
Singapore dollar	-	(3)	2	(1)
Swedish krona	-	(9)	83	74
Swiss franc	-	(38)	1	(37)
Total	\$ 30	\$ (709)	\$ 935	\$ 257

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, 2018 (in thousands):

Investment Derivatives	Net Appreciation in Fair Value ^{1,3}	Classification	Fair Value	Notional Value ²
Foreign exchange forwards	\$ 177	Long term instruments	\$ 227	\$ 116,453
Rights	20	Common stock	20	466
Warrants	(5)	Common stock	10	20
Total	\$ 192		\$ 257	\$ 116,938

¹ Negative values (in brackets) refer to losses.

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

³ Excludes futures margin payments.

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

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

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

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The following schedule presents the related net appreciation/(depreciation) in fair value amounts and the notional amounts of derivative instruments outstanding as of June 30, 2018 (in thousands):

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value of Investments^{1, 3}	Classification	Fair Value	Notional Value²
Credit Default Swaps Bought	\$ (301)	Public Equity	\$ (32)	\$ 37,869
Credit Default Swaps Written	304	Public Equity	(2,582)	151,061
Fixed Income Futures Long	(82,616)	Public Equity	-	3,102,750
Fixed Income Futures Short	4,672	Public Equity	-	(452,911)
Fixed Income Options Bought	(325)	Public Equity	4,584	317,777
Fixed Income Options Written	(99)	Public Equity	(4,955)	(1,065,369)
Foreign Currency Options Bought	(5,947)	Public Equity	1,051	128,331
Foreign Currency Options Written	6,271	Public Equity	(1,068)	(144,041)
Futures Options Bought	(4,139)	Public Equity	34	380
Futures Options Written	4,320	Public Equity	(180)	(391)
Foreign Exchange Forwards	20,928	Receivables/Payables	58,904	6,040,791
Index Futures Long	112,755	Public Equity	-	4,695
Index Futures Short	(94,195)	Public Equity	-	(1,893)
Pay Fixed Interest Rate Swaps	13,568	Public Equity	5,046	823,612
Receive Fixed Interest Rate Swaps	(6,215)	Public Equity	(3,931)	1,049,808
Rights	279	Public Equity	1,587	7,645
Total Return Swaps Bond	(4,733)	Public Equity	339	107,756
Total Return Swaps Equity	11,782	Public Equity	(1,521)	(129,506)
Warrants	3,062	Public Equity	17,988	2,610
Total	\$ (20,630)		\$ 75,266	\$ 9,980,974

¹ Negative values (in brackets) refer to losses.

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

³ Excludes futures margin payments.

The following table shows the fair value measurement for investment derivative instruments as of June 30, 2018 (in thousands):

Investment Derivative Instruments¹	Level 1	Level 2	Level 3	Total
Credit Default Swaps	\$ -	\$ 1,594	\$ -	\$ 1,594
Foreign Exchange Forwards	-	(45,669)	-	(45,669)
Forwards	-	-	157,723	157,723
Interest Rate Swaps	-	3,104	-	3,104
Options	34	5,635	-	5,670
Rights and Warrants	17,894	-	1,681	19,575
Total Return Swaps	-	161	-	161
Total Assets	17,928	(35,175)	159,404	142,157
Credit Default Swaps	-	(4,208)	-	(4,208)
Foreign Exchange Forwards	-	104,573	-	104,573
Interest Rate Swaps	-	(1,989)	-	(1,989)
Options	-	(6,203)	-	(6,203)
Total Return Swaps	-	(1,342)	-	(1,342)
Total Liabilities	-	90,832	-	90,832
Total	\$ 17,928	\$ 55,656	\$ 159,404	\$ 232,989

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

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

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

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

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

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

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Counterparty Credit Risk

The following schedule presents a summary of counterparty credit rating relating to derivative instruments in asset positions as of June 30, 2018:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Royal Bank of Canada (UK)	14.15%	AA-	AA	A1
State Street Bank London	12.05%	A	AA-	A1
JP Morgan Chase Bank N.A. London	10.02%	A+	AA	Aa3
HSBC Bank PLC	8.67%	A	AA-	A2
Toronto Dominion Bank	6.82%	AA-	AA-	Aa2
National Australia Bank Limited	6.68%	AA-	AA-	Aa3
UBS AG	5.69%	A+	AA-	Aa3
JP Morgan Chase Bank N.A.	5.04%	A+	AA	Aa3
Citibank N.A.	4.69%	A+	A+	A1
Royal Bank of Scotland PLC	4.11%	BBB+	BBB+	Baa2
Morgan Stanley LCH	3.34%	BBB+	A	A3
State Street Bank and Trust Company	2.86%	AA-	AA	Aa3
Westpac Banking Corporation	2.54%	AA-	AA-	Aa3
Standard Chartered Bank	2.30%	A	A+	A1
Australia and New Zealand Banking Group	2.24%	AA-	AA-	Aa3
Barclays Bank ICE	1.19%	A	A	A2
HSBC Bank USA	0.82%	AA-	AA-	Aa3
Goldman Sachs International	0.75%	A+	A	A1
Barclays Bank PLC Wholesale	0.70%	A	A	A2
Bank of Montreal	0.68%	A+	AA-	A1
Commonwealth Bank of Australia Sydney	0.67%	AA-	AA-	Aa3
JP Morgan CME	0.66%	A-	AA-	A3
Royal Bank of Canada	0.66%	AA-	AA	A1
Credit Suisse International	0.63%	A	A	A1
Bank of New York	0.43%	A	AA-	A1
Deutsche Bank AG	0.41%	BBB+	BBB+	Baa2
Morgan Stanley Co Incorporated	0.38%	BBB+	A	A3
Citigroup Global Markets CME	0.33%	BBB+	A	Baa1
Barclays Bank CME	0.12%	A	A	A2
Brown Brothers Harriman & Co.	0.10%	NR	A+	NR
Citigroup	0.08%	BBB+	A	Baa1
Morgan Stanley ICE	0.08%	BBB+	A	A3
Goldman Sachs & Co. LLC	0.05%	BBB+	A	A3
JP Morgan	0.03%	A-	AA-	A3
JP Morgan LCH	0.03%	A-	AA-	A3
Total	<u>100.00%</u>			

State of Oregon
Notes to the Financial Statements

Interest Rate Risk

As of June 30, 2018, 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, 2018 (in thousands):

Investment Type	Fair Value	Investment Maturity (in years)			
		Less Than 1	1 - 5	6 -10	More than 10
Credit Default Swaps Bought	\$ (32)	\$ -	\$ -	\$ -	\$ (32)
Credit Default Swaps Written	(2,582)	-	1,549	41	(4,172)
Fixed Income Options Bought	4,584	1,873	2,206	505	-
Fixed Income Options Written	(4,955)	(1,403)	(3,552)	-	-
Pay Fixed Interest Rate Swaps	5,046	-	(22)	5,006	62
Receive Fixed Interest Rate Swaps	(3,931)	-	(4,072)	101	40
Total Return Swaps Bond	339	339	-	-	-
Total Return Swaps Equity	(1,521)	(1,521)	-	-	-
Total	\$ (3,051)	\$ (711)	\$ (3,890)	\$ 5,653	\$ (4,102)

State of Oregon
Notes to the Financial Statements

The following schedule presents derivative instruments that were highly sensitive to interest rate changes as of June 30, 2018 (in thousands):

Investment Type	Reference Rate	Fair Value	Notional Value
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.4600%	\$ 208	\$ 2,004
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.2590%	704	16,480
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.4880%	116	4,520
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.6570%	493	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 3-month SEK LIBOR, Pay Variable 3-month SEK LIBOR	-	15,171
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.7500%	412	11,385
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.2740%	86	6,850
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.1788%	81	4,440
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.1788%	82	4,385
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.6010%	104	3,500
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.5930%	43	1,400
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.7162%	216	87,550
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.7975%	128	9,370
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.2500%	8	570
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.2500%	29	2,100
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.0600%	160	6,256
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9500%	142	17,704
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.4585%	3	3,075
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.4535%	4	3,090
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro EURIBOR, Pay Fixed 1.3700%	(189)	5,452
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9640%	5	7,100
Pay Fixed Interest Rate Swaps	Receive Variable 12-month FEDL, Pay Fixed 2.4527%	4	2,705
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9620%	5	7,050
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8695%	36	26,290
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.2500%	3,053	51,555
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9810%	4	13,540
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8510%	17	7,250
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8865%	1	240
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro LIBOR, Pay Fixed 0.1485%	(84)	91,723
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro LIBOR, Pay Fixed 0.1495%	(10)	11,454
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro LIBOR, Pay Fixed 0.1475%	(36)	38,226
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0470%	(1)	540
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0815%	(9)	5,410
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0610%	(7)	4,770
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.2035%	(21)	5,400
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.1650%	(218)	13,600
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.2000%	(239)	6,520
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8700%	12	5,500
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8550%	20	7,840
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8210%	17	5,310
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.8935%	23	12,110
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9710%	2	5,295
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9930%	-	5,275
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0125%	(2)	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9865%	1	5,275
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.9810%	-	760
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0360%	(4)	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0270%	(3)	4,820
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0580%	(6)	5,270
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.1265%	(64)	2,750
Pay Fixed Interest Rate Swaps	Receive Variable 6-month Euro LIBOR, Pay Fixed 0.1150%	(169)	128,757
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0560%	(6)	5,270
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.1240%	(13)	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.1095%	(11)	5,280
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0810%	(5)	2,720
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0820%	(5)	2,720
Pay Fixed Interest Rate Swaps	Receive Variable 3-month Australian BBSW, Pay Fixed 2.1175%	(69)	93,405
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0490%	(3)	2,730
Pay Fixed Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.0415%	(3)	2,730
Subtotal - Pay Fixed Interest Rate Swaps		<u>5,046</u>	<u>823,612</u>

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State of Oregon
Notes to the Financial Statements

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Investment Type	Reference Rate	Fair Value	Notional Value
Receive Fixed Interest Rate Swaps	Receive Fixed 0.34125%, Pay Variable 3-month Swedish STIBOR	94	15,171
Receive Fixed Interest Rate Swaps	Receive Fixed 2.93600%, Pay Variable 3-month New Zealand BBR	385	18,615
Receive Fixed Interest Rate Swaps	Receive Fixed 2.25000%, Pay Variable 3-month LIBOR	(999)	42,237
Receive Fixed Interest Rate Swaps	Receive Fixed 2.66039%, Pay Variable 3-month LIBOR	(296)	85,500
Receive Fixed Interest Rate Swaps	Receive Fixed 3.08000%, Pay Variable 3-month LIBOR	40	1,910
Receive Fixed Interest Rate Swaps	Receive Fixed 2.79550%, Pay Variable 3-month LIBOR	(8)	1,800
Receive Fixed Interest Rate Swaps	Receive Fixed 2.59300%, Pay Variable 3-month LIBOR	(31)	25,660
Receive Fixed Interest Rate Swaps	Receive Fixed 2.70550%, Pay Variable 3-month LIBOR	(80)	9,460
Receive Fixed Interest Rate Swaps	Receive Fixed 7.35050%, Pay Variable 1-month Mexican TIIE	(1,041)	63,480
Receive Fixed Interest Rate Swaps	Receive Fixed 0.14850%, Pay Variable 6-month Euro LIBOR	-	91,723
Receive Fixed Interest Rate Swaps	Receive Fixed 0.14950%, Pay Variable 6-month Euro LIBOR	-	11,454
Receive Fixed Interest Rate Swaps	Receive Fixed 0.14750%, Pay Variable 6-month Euro LIBOR	-	38,226
Receive Fixed Interest Rate Swaps	Receive Fixed 7.33000%, Pay Variable 1-month Mexican TIIE	(837)	43,524
Receive Fixed Interest Rate Swaps	Receive Fixed 2.85000%, Pay Variable 3-month LIBOR	(152)	106,950
Receive Fixed Interest Rate Swaps	Receive Fixed 1.00750%, Pay Variable 6-month EURIBOR	13	934
Receive Fixed Interest Rate Swaps	Receive Fixed 2.94500%, Pay Variable 3-month LIBOR	26	12,160
Receive Fixed Interest Rate Swaps	Receive Fixed 2.97500%, Pay Variable 3-month LIBOR	(2)	5,290
Receive Fixed Interest Rate Swaps	Receive Fixed 2.80500%, Pay Variable 3-month LIBOR	(39)	11,250
Receive Fixed Interest Rate Swaps	Receive Fixed 2.82000%, Pay Variable 3-month LIBOR	(34)	10,650
Receive Fixed Interest Rate Swaps	Receive Fixed 2.79700%, Pay Variable 3-month LIBOR	(19)	5,320
Receive Fixed Interest Rate Swaps	Receive Fixed 2.88700%, Pay Variable 3-month LIBOR	(10)	5,310
Receive Fixed Interest Rate Swaps	Receive Fixed 2.75900%, Pay Variable 3-month LIBOR	(41)	9,590
Receive Fixed Interest Rate Swaps	Receive Fixed 2.87900%, Pay Variable 3-month LIBOR	(11)	5,310
Receive Fixed Interest Rate Swaps	Receive Fixed 0.86750%, Pay Variable 6-month EURIBOR	-	1,027
Receive Fixed Interest Rate Swaps	Receive Fixed 2.00000%, Pay Variable 3-month LIBOR	(857)	57,800
Receive Fixed Interest Rate Swaps	Receive Fixed 0.11500%, Pay Variable 6-month Euro LIBOR	-	128,757
Receive Fixed Interest Rate Swaps	Receive Fixed 3.01250%, Pay Variable 3-month LIBOR	1	3,210
Receive Fixed Interest Rate Swaps	Receive Fixed 2.99950%, Pay Variable 3-month LIBOR	-	3,100
Receive Fixed Interest Rate Swaps	Receive Fixed 3.05900%, Pay Variable 3-month LIBOR	3	2,645
Receive Fixed Interest Rate Swaps	Receive Fixed 2.55556%, Pay Variable 12-month FEDL	14	2,757
Receive Fixed Interest Rate Swaps	Receive Fixed 2.50500%, Pay Variable 12-month FEDL	7	3,640
Receive Fixed Interest Rate Swaps	Receive Fixed 3.01200%, Pay Variable 3-month LIBOR	1	2,645
Receive Fixed Interest Rate Swaps	Receive Fixed 3.01550%, Pay Variable 3-month LIBOR	2	5,300
Receive Fixed Interest Rate Swaps	Receive Fixed 1.37750%, Pay Variable 6-month Norwegian NIBOR	(125)	176,839
Receive Fixed Interest Rate Swaps	Receive Fixed 2.55556%, Pay Variable 12-month FEDL	16	6,483
Receive Fixed Interest Rate Swaps	Receive Fixed 2.52893%, Pay Variable 12-month FEDL	21	6,528
Receive Fixed Interest Rate Swaps	Receive Fixed 2.53460%, Pay Variable 12-month FEDL	30	8,163
Receive Fixed Interest Rate Swaps	Receive Fixed 3.00500%, Pay Variable 3-month LIBOR	1	5,290
Receive Fixed Interest Rate Swaps	Receive Fixed 3.01300%, Pay Variable 3-month LIBOR	2	8,290
Receive Fixed Interest Rate Swaps	Receive Fixed 2.95150%, Pay Variable 3-month LIBOR	(2)	2,650
Receive Fixed Interest Rate Swaps	Receive Fixed 2.96400%, Pay Variable 3-month LIBOR	(2)	2,650
Receive Fixed Interest Rate Swaps	Receive Fixed 2.97850%, Pay Variable 3-month LIBOR	-	510
Subtotal - Receive Fixed Interest Rate Swaps		(3,931)	1,049,808
Total Interest Rate Swaps		\$ 1,115	\$ 1,873,420

State of Oregon
Notes to the Financial Statements

Foreign Currency Risk

OPERF is exposed to foreign currency risk on its derivative instruments. The following schedule presents a summary of derivative instruments subject to foreign currency risk as of June 30, 2018 (in thousands):

Currency Name	Currency Forward Contracts		Options/Rights/ Warrants	Swaps	Total Exposure
	Net Receivables	Net Payables			
Argentine peso	\$ (1,591)	\$ 111	\$ -	\$ -	\$ (1,480)
Australian dollar	(2,330)	4,092	1	(69)	1,695
Brazilian real	(1,871)	94	-	-	(1,777)
British pound sterling	(4,717)	19,149	1,813	1	16,245
Canadian dollar	(3,148)	2,459	-	-	(689)
Chinese yuan	(421)	1,029	-	-	608
Chinese yuan - offshore	(6)	93	-	-	86
Danish krone	(10)	1,279	-	-	1,269
Euro	(4,283)	25,649	1,366	(596)	22,136
Hong Kong dollar	(4)	81	-	(95)	(18)
Indian rupee	(140)	89	-	-	(51)
Japanese yen	(6,313)	15,928	86	(1,031)	8,671
Malaysian ringgit	-	-	2	-	2
Mexican peso	141	123	-	(1,878)	(1,613)
Israeli new shekel	(1,111)	3,539	-	-	2,428
New Taiwan dollar	(155)	156	-	-	1
New Zealand dollar	(8,254)	4,449	9	385	(3,411)
Norwegian krone	(3,708)	929	-	(125)	(2,903)
Polish zloty	(238)	127	-	-	(111)
Russian ruble	122	-	-	-	122
Singapore dollar	(1,107)	3,581	-	-	2,474
South African rand	(689)	20	-	-	(670)
South Korean won	(559)	901	-	-	342
Swedish krona	(4,603)	9,897	-	236	5,530
Swiss franc	(378)	11,087	1	(77)	10,633
Thailand baht	-	-	11	-	11
Turkish lira	(295)	(290)	-	-	(585)
Total Subject to Foreign Currency Risk	\$ (45,669)	\$ 104,573	\$ 3,290	\$ (3,250)	\$ 58,944

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, 2018 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Other	Total
Governmental activities						
Personal income taxes	\$ 1,057,604	\$ -	\$ -	\$ -	\$ -	\$ 1,057,604
Corporate income taxes	179,165	-	-	-	-	179,165
Inheritance taxes	44,456	-	-	-	-	44,456
Cigarette taxes	3,032	15,299	-	-	-	18,331
Marijuana taxes	-	11,992	-	-	-	11,992
Healthcare provider taxes	-	162,677	-	-	-	162,677
Motor fuel taxes	-	-	48,456	-	-	48,456
Weight mile taxes	-	-	22,662	-	-	22,662
Employer-employee taxes	-	-	-	-	11,461	11,461
Other	21,894	121	1,681	497	15,725	39,917
Gross receivables	1,306,151	190,089	72,798	497	27,186	1,596,720
Allowance for doubtful accounts	(90,063)	(521)	(4,848)	(113)	(359)	(95,903)
Total receivables, net	\$ 1,216,088	\$ 189,568	\$ 67,950	\$ 384	\$ 26,827	\$ 1,500,817

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, 2018 (in thousands):

	Health and Social Services	Public Transportation	Other	Total
Governmental activities				
Clean water state revolving fund	\$ -	\$ -	\$ 452,643	\$ 452,643
Oregon transportation infrastructure bank	-	21,340	-	21,340
Private forests program	-	-	982	982
Disabled and senior property tax assistance program	-	-	102,338	102,338
Business development	-	-	24,639	24,639
Multi-family housing units	-	-	85,575	85,575
Foreclosure prevention	-	-	21,448	21,448
Mental Health Housing Facilities	25,702	-	-	25,702
Other	33	-	2,956	2,988
Gross receivables	25,735	21,340	690,581	737,656
Allowance for doubtful accounts	(25,445)	-	(23,267)	(48,713)
Total receivables, net	\$ 290	\$ 21,340	\$ 667,314	\$ 688,944

State of Oregon
Notes to the Financial Statements

Loans receivables reported for business-type activities at June 30, 2018 (in thousands):

	Housing and Community Services	Veterans' Loans	Other	Total
Business-type activities				
Single-family mortgage program	\$ 663,572	\$ -	\$ -	\$ 663,572
Elderly and disabled housing units	81,164	-	-	81,164
Multi-family housing units	89,472	-	-	89,472
Veterans' home loans	-	331,654	-	331,654
Small energy loan program	-	-	51,281	51,281
Business development	-	-	21,762	21,762
Special public works	-	-	151,980	151,980
Wastewater financing	-	-	82,389	82,389
Safe drinking water	-	-	163,502	163,502
Oregon ports/brownfields	-	-	12,429	12,429
Gross receivables	834,207	331,654	483,343	1,649,205
Allowance for doubtful accounts	-	(217)	(28,190)	(28,407)
Total receivables, net	\$ 834,207	\$ 331,438	\$ 455,153	\$ 1,620,798

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, 2018 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	\$ 17,126	\$ 94,818	\$ 10,965	\$ 532	\$ 5,364	\$ 162,994	\$ 291,799	\$ 67,530
Due from federal government	606	202,170	83,930	69,923	-	93,812	450,441	-
Interest	133	-	286	27,884	2,075	79,562	109,939	363
Broker receivable	-	-	-	-	6,591	1,000	7,591	-
Contracts	-	-	392	-	-	748	1,140	-
Mortgages	-	8,303	-	-	-	-	8,303	-
Benefit recoveries	-	72,075	-	-	-	543	72,618	-
Medicaid drug rebate	-	130,843	-	-	-	-	130,843	-
Forest fire claims	4,000	-	-	-	-	26,688	30,688	-
Fines, forfeitures, and penalties	26,634	-	-	-	-	84,202	110,836	-
Court fines and fees	-	-	-	-	-	1,123,571	1,123,571	-
Child support recoveries	-	-	-	-	-	297,582	297,582	-
Workers' compensation assessment	-	-	-	-	-	75,709	75,709	-
Other	12,846	22	16,267	93	-	19,861	49,088	162
Gross receivables	61,345	508,230	111,840	98,431	14,030	1,966,272	2,760,148	68,054
Allowance for doubtful accounts	(35,618)	(22,635)	(1,452)	(3)	-	(1,369,537)	(1,429,245)	(268)
Total receivables, net	\$ 25,727	\$ 485,595	\$ 110,388	\$ 98,428	\$ 14,030	\$ 596,735	\$ 1,330,903	\$ 67,786

State of Oregon
Notes to the Financial Statements

Receivables reported for business-type activities at June 30, 2018 (in thousands):

	Housing and	Veterans'	Lottery	Unemployment	Other	Total
Business-type activities						
General accounts	\$ 29,538	\$ 267	\$ 115,285	\$ 257,220	\$ 25,979	\$ 428,289
Due from federal government	-	-	-	895	2,611	3,506
Interest	3,570	1,247	-	867	7,791	13,476
Contracts	-	-	3,875	8,098	-	11,973
Benefit recoveries	-	-	-	63,856	-	63,856
Fines, forfeitures, and penalties	-	-	-	1,408	-	1,408
Other	-	3,767	-	-	307	4,075
Gross receivables	33,108	5,282	119,159	332,345	36,689	526,583
Allowance for doubtful accounts	-	-	(64)	(21,655)	(7,400)	(29,119)
Total receivables, net	\$ 33,108	\$ 5,282	\$ 119,096	\$ 310,690	\$ 29,289	\$ 497,464

Receivables reported for fiduciary funds at June 30, 2018 (in thousands):

	Agency
Fiduciary fund activities	
Restitution	\$ 606,990
Gross receivables	606,990
Allowance for doubtful accounts	(515,687)
Total receivables, net	\$ 91,303

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, 2018 (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Common School	Other	Total	Internal Service
Governmental activities								
General accounts	\$ 338,686	\$ 285,850	\$ 93,475	\$ 88,746	\$ 10,388	\$ 92,915	\$ 910,060	\$ 35,383
Interest	-	-	-	-	-	-	-	445
Broker payable	-	-	-	-	39,149	-	39,149	-
Pension-related debt	-	-	-	-	-	-	-	16,629
Notes	-	-	-	-	-	500	500	18,460
Contracts - retainage	-	-	-	-	-	-	-	310
Total payables	\$ 338,686	\$ 285,850	\$ 93,475	\$ 88,746	\$ 49,537	\$ 93,415	\$ 949,709	\$ 71,227

Payables reported for business-type activities at June 30, 2018 (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	Other	Total
Business-type activities						
General accounts	\$ 610	\$ 86	\$ 9,982	\$ 44,007	\$ 45,331	\$ 100,016
Interest	13,661	917	-	-	2,493	17,071
Pension-related debt	501	666	4,035	-	25,556	30,758
Contracts	-	-	10,783	-	253	11,035
Total payables	\$ 14,772	\$ 1,669	\$ 24,800	\$ 44,007	\$ 73,634	\$ 158,881

State of Oregon
Notes to the Financial Statements

Payables reported for fiduciary funds at June 30, 2018 (in thousands):

	Pension and		Private	Investment	Agency			
	Other Employee	Benefit Trust				Purpose Trust	Trust	
Fiduciary fund activities								
General accounts	\$	4,916	\$	301	\$	5,471	\$	45
Benefits payable		399,640		-		-		-
Broker payable		3,624,979		-		6,691		-
Investment fees		12,893		-		-		-
Compensated absences payable		1,816		-		-		-
Mortgages		-		1,677		-		-
Total payables	\$	4,044,245	\$	1,978	\$	12,162	\$	45

5. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon State Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and fees for services of MUSL. For fiscal years ended June 30, 2018 and 2017, the Oregon State Lottery's share of MUSL's fees were \$40 thousand and \$55 thousand, respectively.

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

Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. government securities. The following schedule presents the summarized financial activity of MUSL as of June 30, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Assets	<u>\$ 486,936</u>	<u>\$ 561,369</u>
Liabilities	\$ 477,887	\$ 556,225
Net assets ¹ - unrestricted	<u>9,049</u>	<u>5,144</u>
Total liabilities and net assets¹	<u>\$ 486,936</u>	<u>\$ 561,369</u>
Revenue	\$ 10,422	\$ 4,345
Expenses	<u>6,517</u>	<u>6,143</u>
Excess revenues over expenses	<u>\$ 3,905</u>	<u>\$ (1,798)</u>

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

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

6. CAPITAL ASSETS

A. Primary Government

Capital Assets Activity

Capital asset activity for the primary government for the year ended June 30, 2018 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,961,021	\$ 19,413	\$ 3,549	\$ 1,976,884
Construction in progress	815,356	436,601	435,953	816,004
Works of art and other nondepreciable assets	1,753	-	7	1,746
Total capital assets not being depreciated	<u>2,778,130</u>	<u>456,013</u>	<u>439,509</u>	<u>2,794,634</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	4,026,752	186,758	112,792	4,100,717
Infrastructure	14,103,360	568,014	26,743	14,644,631
Total capital assets being depreciated	<u>18,130,112</u>	<u>754,772</u>	<u>139,536</u>	<u>18,745,349</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	1,841,012	156,653	46,777	1,950,889
Infrastructure	5,419,549	299,308	33,986	5,684,871
Total accumulated depreciation	<u>7,260,561</u>	<u>455,961</u>	<u>80,763</u>	<u>7,635,760</u>
Total capital assets being depreciated, net	<u>10,869,551</u>	<u>298,811</u>	<u>58,773</u>	<u>11,109,589</u>
Total capital assets, net	<u>\$ 13,647,680</u>	<u>\$ 754,824</u>	<u>\$ 498,282</u>	<u>\$ 13,904,223</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,424	\$ -	\$ -	\$ 9,424
Construction in progress	2,539	8,085	4,628	5,996
Works of art and other nondepreciable assets	759	-	-	759
Total capital assets not being depreciated	<u>12,722</u>	<u>8,085</u>	<u>4,628</u>	<u>16,179</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	844,833	19,290	9,204	854,920
Infrastructure	3,661	-	-	3,661
Total capital assets being depreciated	<u>848,494</u>	<u>19,290</u>	<u>9,204</u>	<u>858,580</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	232,103	49,890	8,307	273,685
Infrastructure	806	97	-	902
Total accumulated depreciation	<u>232,909</u>	<u>49,986</u>	<u>8,307</u>	<u>274,587</u>
Total capital assets being depreciated, net	<u>615,585</u>	<u>(30,696)</u>	<u>896</u>	<u>583,993</u>
Total capital assets, net	<u>\$ 628,307</u>	<u>\$ (22,611)</u>	<u>\$ 5,524</u>	<u>\$ 600,172</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 944	\$ -	\$ -	\$ 944
Total capital assets not being depreciated	944	-	-	944
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	52,108	344	-	52,452
Total capital assets being depreciated	52,108	344	-	52,452
Less accumulated depreciation for:				
Buildings, property, and equipment	23,356	2,769	-	26,125
Total accumulated depreciation	23,356	2,769	-	26,125
Total capital assets being depreciated, net	28,752	(2,425)	-	26,327
Total capital assets, net	\$ 29,696	\$ (2,425)	\$ -	\$ 27,272

Depreciation Expense

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

Governmental activities		Amount
Education	\$ 674	
Human services	14,796	
Public safety	39,657	
Economic and community development	1,669	
Natural resources	18,880	
Transportation	327,291	
Consumer and business services	1,506	
Administration	11,255	
Legislative	1,283	
Judicial	8,229	
Subtotal	425,240	
Internal service funds	30,721	
Total depreciation expense	\$ 455,961	
Business-type activities		Amount
Housing and Community Services	\$ 8	
Veterans' Loan	120	
Lottery Operations	33,889	
Other business-type activities	15,969	
Total depreciation expense	\$ 49,986	
Fiduciary fund activities		Amount
Pension and Other Employee Benefit Trust	\$ 2,769	
Total depreciation expense	\$ 2,769	

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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, 2018 (in thousands):

Project	Spent-to-Date	Remaining Commitment	Remaining Commitment Source of Funds			
			General	Federal	Lottery	Other
Road and bridge construction	\$ 365,223	\$ 654,130	\$ -	\$ 486,767	\$ -	\$ 167,363
Building improvement and maintenance	13,464	13,160	12	34	-	13,115
Correctional facility construction and upgrades	40,591	12,821	829	-	-	11,991
Natural resources facilities	5,131	3,988	-	1,232	1,807	950
Military facilities	27,326	24,069	-	10,210	-	13,859
Rural airports	5,576	1,050	-	744	-	306
Capital building improvements	14,021	37,882	-	-	-	37,882
Total construction commitments	\$ 471,332	\$ 747,100	\$ 841	\$ 498,985	\$ 1,807	\$ 245,466

Collections Not Capitalized

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

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

Insurance Recoveries

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

Governmental activities	Amount
Public safety	\$ 332
Natural resources	8,321
Transportation	1,036
Subtotal	9,689
Internal service funds	452
Total insurance recoveries	\$ 10,141
Business-type activities	
Lottery operations	\$ 17
Total insurance recoveries	\$ 17

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

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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.

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	\$ 75,654	\$ 3,751	\$ -	\$ 79,405
Construction in progress	85,030	104,321	91,984	97,367
Works of art and other nondepreciable assets	42,593	747	49	43,291
Total capital assets not being depreciated	<u>203,277</u>	<u>108,819</u>	<u>92,033</u>	<u>220,062</u>
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	1,943,907	99,210	39,855	2,003,261
Infrastructure	52,234	628	10	52,853
Total capital assets being depreciated	<u>1,996,141</u>	<u>99,838</u>	<u>39,865</u>	<u>2,056,114</u>
Less accumulated depreciation for:				
Buildings, property, and equipment	723,977	63,226	14,678	772,526
Infrastructure	29,299	2,125	10	31,414
Total accumulated depreciation	<u>753,276</u>	<u>65,351</u>	<u>14,688</u>	<u>803,940</u>
Total capital assets being depreciated, net	<u>1,242,865</u>	<u>34,487</u>	<u>25,178</u>	<u>1,252,174</u>
Total capital assets, net	<u><u>\$ 1,446,142</u></u>	<u><u>\$ 143,306</u></u>	<u><u>\$ 117,210</u></u>	<u><u>\$ 1,472,236</u></u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Oregon State University				
<i>Capital assets not being depreciated:</i>				
Land	\$ 40,396	\$ 8,897	\$ -	\$ 49,293
Construction in progress	31,665	72,212	26,735	77,142
Works of art and other nondepreciable assets	29,595	445	371	29,669
Total capital assets not being depreciated	101,656	81,554	27,106	156,104
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	1,773,068	52,840	8,955	1,816,954
Infrastructure	34,887	13,449	-	48,335
Total capital assets being depreciated	1,807,955	66,289	8,955	1,865,289
Less accumulated depreciation for:				
Buildings, property, and equipment	756,145	55,121	8,154	803,112
Infrastructure	20,513	1,620	-	22,133
Total accumulated depreciation	776,658	56,741	8,154	825,245
Total capital assets being depreciated, net	1,031,297	9,548	801	1,040,044
Total capital assets, net	\$ 1,132,953	\$ 91,102	\$ 27,907	\$ 1,196,148

	Beginning Balance	Increases	Decreases	Ending Balance
Portland State University				
<i>Capital assets not being depreciated:</i>				
Land	\$ 53,765	\$ 7,490	\$ -	\$ 61,255
Construction in progress	82,820	16,184	79,083	19,921
Works of art and other nondepreciable assets	3,162	41	-	3,203
Total capital assets not being depreciated	139,747	23,715	79,083	84,379
<i>Capital assets being depreciated:</i>				
Building, property, and equipment	751,678	116,734	8,453	859,959
Infrastructure	31,734	205	-	31,939
Total capital assets being depreciated	783,412	116,939	8,453	891,898
Less accumulated depreciation for:				
Buildings, property, and equipment	385,651	26,193	7,149	404,695
Infrastructure	13,149	1,363	-	14,512
Total accumulated depreciation	398,800	27,556	7,149	419,207
Total capital assets being depreciated, net	384,612	89,383	1,304	472,691
Total capital assets, net	\$ 524,359	\$ 113,098	\$ 80,387	\$ 557,070

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, 2018, were \$104.3 million for the primary government.

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Future minimum rental payments for operating leases in effect as of June 30, 2018 (in thousands):

Year Ending June 30,	Amount
2019	\$ 98,701
2020	85,101
2021	74,610
2022	65,867
2023	58,988
2024-2028	220,776
2029-2033	121,641
2034-2038	37,694
2039-2043	703
Total future minimum rental payments	\$ 764,081

B. Capital Leases

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

Carrying value of assets subject to an outstanding capital lease or lease purchase contract as of June 30, 2018 (in thousands):

Asset Class	Governmental Activities	Business-type Activities
Buildings, property, and equipment	\$ 16,005	\$ 6,737
Less accumulated depreciation	(11,550)	(1,203)
Total carrying value	\$ 4,456	\$ 5,534

Future minimum lease payments for capital leases and the related net present value as of June 30, 2018 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities
2019	\$ 1,685	\$ 1,240
2020	1,410	1,240
2021	1,382	1,240
2022	76	1,240
2023	-	1,240
2024-2028	-	497
Total future minimum lease payments	4,552	6,697
Less amounts representing interest	(278)	(1,185)
Present value of minimum lease payments	\$ 4,274	\$ 5,512

C. Lease Receivables

The State receives rental income from land, property, and equipment leased to non-state entities. For the year ended June 30, 2018, the State received rental income of \$3.5 million on leased assets with a cost of \$17.9 million, and a carrying value of \$15.7 million, net of \$2.8 million in accumulated depreciation. Certain leased

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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, 2018 (in thousands):

Year Ending June 30,	Amount
2019	\$ 3,454
2020	2,489
2021	1,803
2022	1,457
2023	1,158
2024-2028	4,158
2029-2033	3,708
2034-2038	2,802
2039-2043	730
Total future minimum lease revenues	\$ 21,760

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 due to a delay in receiving federal fund reimbursements and State Active Duty National Guard Activations. The ODF needed funds to cover large fire costs that were paid by the department upfront and then reimbursed at a later date by external parties. Tax Anticipation Notes (TANs) were issued in October 2017 to cover seasonal cash needs within the 2018 fiscal year.

Short-term debt activity for the year ended June 30, 2018 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Military treasury loan	\$ 3,000	\$ 1,000	\$ 3,500	\$ 500
Forestry treasury loan	-	50,000	50,000	-
Tax anticipation notes ¹	-	577,925	-	577,925
Total short-term debt activity	\$ 3,000	\$ 628,925	\$ 53,500	\$ 578,425

¹ Excludes premium received on issuance of tax anticipation notes.

B. General Obligation Bonds

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

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Obligations issued for highway construction pursuant to Article XI, Section 7, are financed through an appropriation from the General Fund. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Issuance of general obligation bonds to finance higher education building projects is authorized in Article XI-F (1) and these bonds are repaid with university resources. Article XI-G authorizes financing of higher education facilities and institution activities. Debt service requirements for these higher education obligations are financed through an appropriation from the General Fund. Article XI-H authorizes the

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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.

Debt service requirements for general obligation bonds as of June 30, 2018 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal ¹	Interest	Principal ²	Interest
2019	\$ 319,280	\$ 278,561	\$ 30,230	\$ 18,845
2020	343,430	263,940	30,715	17,906
2021	365,205	244,176	32,995	16,903
2022	364,070	226,110	28,215	15,824
2023	387,106	206,530	26,125	14,831
2024-2028	1,857,065	717,467	120,605	60,783
2029-2033	869,151	358,493	101,400	40,145
2034-2038	704,250	162,476	79,510	24,705
2039-2043	290,560	32,587	64,355	11,615
2044-2048	11,935	410	28,795	2,544
2049-2053	-	-	475	10
Total	\$ 5,512,053	\$ 2,490,749	\$ 543,420	\$ 224,109

¹ Includes \$1.6 billion in pension bond debt.

² Includes a total of \$48.4 million of bonds with variable interest rates adjusted daily or weekly based on the rates determined by the remarketing agent, not to exceed 12 percent. The interest rates at the end of the fiscal year were 1.49 percent for \$25.1 million of these bonds, and 1.55 percent for \$23.3 million.

C. Revenue Bonds

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

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

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

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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.

Debt service requirements for revenue bonds as of June 30, 2018 (in thousands):

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal ¹	Interest	Principal ²	Interest
2019	\$ 150,790	\$ 161,116	\$ 36,125	\$ 27,706
2020	152,685	154,883	29,120	28,623
2021	159,080	148,243	32,040	27,918
2022	169,070	140,906	31,665	27,107
2023	176,555	132,867	33,835	26,242
2024-2028	973,460	526,533	175,080	115,268
2029-2033	911,150	283,692	185,615	85,636
2034-2038	657,685	74,401	176,145	55,800
2039-2043	198,045	6,967	137,395	30,334
2044-2048	-	-	92,485	10,357
2049-2053	-	-	8,040	437
Total	\$ 3,548,520	\$ 1,629,610	\$ 937,545	\$ 435,426

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 1.89 percent for \$265.7 million, and 1.93 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 1.49 percent for \$43.1 million of these bonds, 1.57 percent for \$15 million, 1.58 percent for \$12.9 million, and 1.6 percent for \$77.6 million.

D. Certificates of Participation

ORS 283.085 through 283.092 authorize the State to enter into financing agreements through the issuance of certificates of participation. The State has issued certificates of participation to provide funds for the acquisition of computer and telecommunication systems, 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, 2018 (in thousands):

Year ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 29,960	\$ 12,493
2020	22,365	11,228
2021	15,145	10,380
2022	15,740	9,628
2023	15,150	8,830
2024-2028	55,930	34,362
2029-2033	59,445	18,509
2034-2038	27,065	2,293
Total	\$ 240,800	\$ 107,723

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E. Changes in Long-Term Debt

The beginning balance of revenue bonds in both the governmental activities and the business-type activities and the beginning balance of accreted interest in the governmental activities have been restated for an error discovered during the current year. Refer to Note 19 for additional information.

Changes in long-term debt for governmental activities for the year ended June 30, 2018 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds/certificates payable:					
General obligation bonds	\$ 5,613,246	\$ 174,277	\$ 275,470	\$ 5,512,053	\$ 319,280
Revenue bonds	3,707,010	132,800	291,290	3,548,520	150,790
Certificates of participation	281,735	-	40,935	240,800	29,960
Adjusted by amounts:					
For issuance discounts	(1,852)	-	(1,273)	(579)	-
For issuance premiums	876,852	37,721	75,836	838,738	-
Accreted interest	19,998	-	7,027	12,971	-
Total bonds/certificates payable	\$ 10,496,989	\$ 344,798	\$ 689,285	\$ 10,152,502	\$ 500,030

Changes in long-term debt for business-type activities for the year ended June 30, 2018 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds/certificates payable:					
General obligation bonds	\$ 522,215	\$ 177,785	\$ 156,580	\$ 543,420	\$ 30,230
Revenue bonds	859,130	305,305	226,890	937,545	36,125
Adjusted by amounts:					
For issuance discounts	(177)	-	(28)	(149)	-
For issuance premiums	26,752	12,976	4,240	35,489	-
Total bonds/certificates payable	\$ 1,407,920	\$ 496,066	\$ 387,682	\$ 1,516,305	\$ 66,355

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, 2018 (dollars in thousands):

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

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

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

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In the event the bonds cannot be remarketed, they will be purchased as specified by the respective SBPA. Under the SBPAs for Series 95 and 98B (Series 95 & 98B SBPAs), U.S. Bank National Association will commit to purchase any series 95 or 98B unremarketed bonds, subject to certain conditions set forth in the SBPAs.

If a tender advance did occur under the Series 95 and 98B SBPAs, it would accrue interest at the bank's base rate (either the prime lending rate plus 1 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; 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 paid off on the earliest to occur of (a) the date the applicable bonds are paid in full; (b) the conversion date of all or a portion of the applicable bonds to a fixed rate, an indexed rate, or a non-covered interest rate; or (c) the effective date of delivery of a substitute alternative liquidity facility. Tendered bonds that are unremarketed by the 91st day after the purchase date of the tender advance must be paid in full over a four year period in eight equal (or nearly equal) semi-annual installments, unless and until the bonds are remarketed or redeemed. If repayment of any tender advance does not occur within the specified timeframe contained in the Series 95 and 98B SBPAs, a default would have occurred.

No tender advances or draws were necessary to purchase unremarketed bonds under the Series 95 and 98B SBPAs for fiscal year 2018. Therefore, no tender advances or draws were outstanding as of June 30, 2018.

Oregon Housing and Community Services Department

Included in Oregon Housing and Community Services Department's (OHCS) long-term debt is \$148.6 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.). There were no bank bonds on June 30, 2018.

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

Series	Outstanding		Liquidity Provider	Expiration Date	Commitment		Remarketing Agent	Remarketing Fee
	Amount				Fee			
MF 2004 B	\$ 12,850		Bank of America, N.A.	8/18/2020	0.5000%		Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.08%
MRB 2015 C	33,600		State Street Bank and Trust Company	9/1/2020	0.5500%		J.P. Morgan Securities, LLC	0.07%
MRB 2016 B	13,140		State Street Bank and Trust Company	9/1/2020	0.5500%		Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2016 C	15,000		State Street Bank and Trust Company	9/1/2020	0.5500%		Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%
MRB 2017 C	44,000		State Street Bank and Trust Company	9/1/2020	0.4500%		J.P. Morgan Securities, LLC	0.07%
MRB 2018 B	30,000		State Street Bank and Trust Company	6/5/2021	0.3800%		Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.07%

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

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obligation for payment of this debt. Accordingly, this debt is not reported in the accompanying financial statements.

No-commitment debt outstanding as of June 30, 2018 (in thousands):

Primary Government	Amount
Oregon Business Development Department	\$ 435,785
Oregon Facilities Authority	2,907,444
Housing and Community Services Department	280,015
Total no-commitment debt	\$ 3,623,244

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, 2017, and June 30, 2018:

On September 6, 2017, the Oregon Department of Transportation issued \$132.8 million in 2017 Series C Revenue Bonds with an average interest rate of 4.9 percent. These bonds refunded \$151 million of outstanding 2007 Series C Revenue Bonds with an average interest rate of 4.6 percent. The current refunding was undertaken to reduce the total debt service payments over the next 9 years by \$20.8 million and resulted in an economic gain of \$19.4 million.

On October 11, 2017, the Oregon Department of Veterans' Affairs issued \$74.7 million of general obligation bonds, of which \$41.8 million was used to refund previously issued general obligation bonds. The current refunding of these bonds decreases the total debt service over the next 14 years by approximately \$299 thousand and results in an economic gain of approximately \$459 thousand.

On October 12, 2017, the Oregon Housing and Community Services Department issued \$110.2 million in 2017 Series D and E Mortgage Revenue Bonds with an average interest rate of 2.4 percent. The proceeds from 2017 Series E bonds were used to refund \$23.5 million of 2008 Series F Mortgage Revenue Bonds with an average interest rate of 3.9 percent. The current refunding was undertaken to reduce the total debt service payments over the next 21 years by \$12.9 million and resulted in an economic gain of \$7.4 million.

On December 20, 2017, the Oregon Department of Veterans' Affairs issued \$103.1 million of general obligation bonds, of which \$73.9 million was used to refund previously issued general obligation bonds. The current refunding of these bonds increased the total debt service over the next 16 years by approximately \$11.6 million and resulted in an economic loss of approximately \$9.8 million. The refunding replaced unhedged variable rate debt with fixed rate debt issued in a low interest rate environment. Also as part of the refunding, approximately \$8.3 million in excess mortgage interest was transferred from the refunded bonds to the refunding bonds for tax compliance purposes.

On December 28, 2017, the Oregon Housing and Community Services Department issued \$71.3 million in 2017 Series F, G and H Mortgage Revenue Bonds with an average interest rate of 3.1 percent. The proceeds from 2017 Series G and H bonds were used to refund \$61.4 million of various mortgage revenue bonds with an average interest rate of 3.9 percent. The current refunding was undertaken to reduce the total debt service payments over the next 21 years by \$5.3 million and resulted in an economic gain of \$3.9 million.

On April 10, 2018, the Oregon Business Development Department issued \$31.3 million in 2018 Series A Revenue Bonds with an average interest rate of 3.3 percent. These bonds refunded \$27.1 million of various series outstanding revenue bonds with an average interest rate of 4.1 percent. The current refunding was undertaken to reduce the total debt service payments over the next 15 years by \$8.1 million and resulted in an economic gain of \$2.4 million.

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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, 2018, \$1.4 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, 2018 (in thousands):

	Beginning Balance¹	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 203,923	\$ 16,207	\$ 1,008	\$ 219,121	\$ 142,314
Claims and judgments payable	1,118,628	772,358	774,605	1,116,381	123,015
Arbitrage rebate payable	249	42	192	99	99
Custodial liabilities	387,600	2,077,750	2,021,061	444,289	436,369
Contracts, mortgages, and notes payable	337,675	9,678	28,132	319,221	30,063
Obligations under capital lease	4,148	2,444	2,318	4,274	1,574
Pollution remediation obligation	48,366	14,121	16,405	46,082	18,528
Total other long-term liabilities	\$ 2,100,589	\$ 2,892,600	\$ 2,843,721	\$ 2,149,467	\$ 751,962

¹ As part of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the category Net OPEB obligation is no longer presented under Other Long-term Liabilities. Refer to the accounting changes described in Note 19.

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, the Environmental Management Fund, and the Public Transportation Fund.

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Changes in other long-term liabilities for business-type activities for the year ended June 30, 2018 (in thousands):

	Beginning Balance¹	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 18,925	\$ 5,362	\$ 4,035	\$ 20,251	\$ 13,605
Claims and judgments payable	8,700	142,937	142,437	9,200	9,200
Lottery prize awards payable	157,735	320,931	236,787	241,880	122,455
Arbitrage rebate payable	20,661	-	10,061	10,600	-
Custodial liabilities	24,267	262,601	257,246	29,622	24,829
Contracts, mortgages, and notes payable ²	44,001	1,792	3,999	41,793	4,149
Obligations under capital lease	6,315	-	803	5,512	863
Derivative instruments liability	1,864	-	1,726	138	-
Total other long-term liabilities	\$ 282,468	\$ 733,623	\$ 657,094	\$ 358,996	\$ 175,101

¹ As part of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the category Net OPEB obligation is no longer presented under Other Long-term Liabilities. Refer to the accounting changes described in Note 19.

² The beginning balance of licensing agreements has been reported with contracts, mortgages, and notes payable.

Changes in other long-term liabilities for fiduciary fund activities for the year ended June 30, 2018 (in thousands):

	Beginning Balance¹	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities					
Custodial liabilities	\$ 1,868,019	\$ 11,302,123	\$ 11,109,321	\$ 2,060,821	\$ 1,966,394
Contracts, mortgages, and notes payable	1,165	656	144	1,677	86
Total other long-term liabilities	\$ 1,869,184	\$ 11,302,779	\$ 11,109,465	\$ 2,062,498	\$ 1,966,481

¹ As part of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the category Net OPEB obligation is no longer presented under Other Long-term Liabilities. Refer to the accounting changes described in Note 19.

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 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	\$ 501,837	\$ -	\$ 18,419	\$ 483,418	\$ 18,341
Oregon Department of Energy Loans (SELP)	38,423	-	1,887	36,536	1,968
Advances from primary government	\$ 540,260	\$ -	\$ 20,306	519,954	20,309
Other current liabilities owed to primary government				14,390	14,390
Total				\$ 534,344	\$ 34,699
Oregon State University					
Higher Education Coordinating Commission Loans	\$ 315,804	\$ 153	\$ 15,828	\$ 300,129	\$ 15,296
Oregon Department of Energy Loans (SELP)	12,761	-	795	11,966	721
Advances from primary government	\$ 328,565	\$ 153	\$ 16,623	312,095	16,017
Other current liabilities owed to primary government				8,057	8,057
Total				\$ 320,152	\$ 24,074
Portland State University					
Higher Education Coordinating Commission Loans	\$ 205,965	\$ 79	\$ 10,445	\$ 195,599	\$ 10,559
Oregon Department of Energy Loans (SELP)	36,405	-	2,492	33,913	2,561
Advances from primary government	\$ 242,370	\$ 79	\$ 12,937	229,512	13,120
Other current liabilities owed to primary government				4,809	4,809
Total				\$ 234,324	\$ 17,930

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, 2018, the State recognized an estimated liability of \$46.1 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, 2018.

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

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

As of June 30, 2018, 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 \$1.1 billion of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for revenues used for payment of prizes and expenses of the Lottery. Proceeds from lottery revenue bonds provide financing for economic development within the State, as well as for the improvement and expansion of state parks and school facilities. The bonds are payable solely from the pledged revenues and are payable through 2037. Total principal and interest remaining to be paid on the bonds is \$1.5 billion. In fiscal year 2019, principal and interest payments on the bonds are expected to require approximately 18.6 percent of unobligated net lottery proceeds. Principal and interest paid for the current year and total unobligated net lottery proceeds recognized were \$128 million and \$712.2 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 \$2.4 billion of highway user tax revenue bonds. Proceeds from the bonds provide financing for the construction, reconstruction, improvement, repair, maintenance and operation, and use of public highways, roads, streets, and roadside rest areas for the State. The bonds are payable solely from the pledged revenues and are payable through November 2042. Total principal and interest remaining to be paid on the bonds is \$3.7 billion. Fiscal year 2019 principal and interest payments on the bonds are expected to require approximately 29.8 percent of pledged revenues. Principal and interest paid for the current year and total pledged revenues recognized were \$174.4 million and \$623.4 million, respectively.

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12. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2018 (in thousands):

Due to Other Funds	Due from Other Funds				
	General	Health and Social Services	Public Transportation	Educational Support	Common School
General	\$ -	\$ 26,207	\$ 957	\$ 80,951	\$ -
Health and Social Services	196,169	-	-	8,764	-
Public Transportation	3,515	-	-	-	-
Educational Support	518	-	-	-	-
Common School	3	-	-	-	-
Nonmajor Governmental Funds	82,785	332	7,254	243	18
Housing and Community Services	-	-	-	-	-
Lottery Operations	188,475	-	-	-	-
Unemployment Compensation	24,526	-	-	-	-
Nonmajor Enterprise Funds	50,961	1,563	-	-	-
Internal Service Funds	68,069	10	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Private Purpose Trust	-	-	-	-	-
Total	\$ 615,023	\$ 28,112	\$ 8,211	\$ 89,957	\$ 18

Advances from Other Funds	Advances to Other Funds			
	Common School	Nonmajor Enterprise Funds	Internal Service Funds	Total
General	\$ -	\$ -	\$ 432	\$ 432
Nonmajor Governmental Funds	300	-	611	911
Internal Service Funds	-	19	-	19
Total	\$ 300	\$ 19	\$ 1,043	\$ 1,363

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
\$ 62,120	\$ 12	\$ 51	\$ -	\$ 6,070	\$ 948	\$ -	\$ -	\$ 177,314
5,557	-	-	-	12,981	375	-	-	223,846
14,857	-	-	-	-	-	-	-	18,372
297	-	-	-	-	7	-	-	822
248	-	-	-	-	-	-	-	251
31,234	13	-	-	-	1,372	-	-	123,250
54	-	-	-	-	-	-	-	54
180	-	-	-	-	-	-	-	188,655
3,250	-	-	-	-	-	-	10	27,787
68	-	44	-	-	21	84	-	52,741
16	-	-	-	35	-	-	-	68,130
-	-	-	-	-	-	10,540	-	10,540
-	-	-	432	-	-	-	-	432
\$ 117,880	\$ 25	\$ 95	\$ 432	\$ 19,087	\$ 2,722	\$ 10,624	\$ 10	\$ 892,194

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Interfund transfers reported in the fund financial statements as of June 30, 2018 (in thousands):

Transfers to Other Funds	Transfers from Other Funds			
	General	Health and Social Services	Public Transportation	Educational Support
General	\$ -	\$ 47,613	\$ 4,080	\$ 422,393
Health and Social Services	106,003	-	-	37,879
Public Transportation	5,922	3	-	-
Educational Support	265,732	-	-	-
Common School	57,635	-	-	-
Nonmajor Governmental Funds	127,741	54,121	36,973	1,786
Housing and Community Services	-	-	-	-
Veterans' Loan	-	-	-	-
Lottery Operations	712,153	-	-	-
Nonmajor Enterprise Funds	181,322	9,033	-	-
Internal Service Funds	65,053	27	-	2,889
Total	\$ 1,521,561	\$ 110,797	\$ 41,053	\$ 464,948

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

In the 2017 legislative session, House Bill 3470 was passed requiring \$108.3 million to be transferred to the General Fund for general governmental purposes. The sources of the transferred moneys were \$59.6 million from the Central Services Fund, \$46 million from the Community Protection Fund, and \$2.7 million from the Other Enterprise Fund.

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Transfers from Other Funds (continued)

Common School	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
\$ 5,030	\$ 327,537	\$ 296,569	\$ 53	\$ 1,103,275
-	93,791	14,643	3	252,319
-	297,599	-	171	303,696
-	1,571	-	276	267,579
-	3,198	-	-	60,833
1,997	102,549	2,025	319	327,511
-	184	-	-	184
-	173	-	14	188
-	1,982	-	-	714,135
-	15,564	7,351	1,346	214,616
-	16,867	35	-	84,871
\$ 7,027	\$ 861,016	\$ 320,624	\$ 2,183	\$ 3,329,209

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 D) 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 D 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 D's various bond funds for the year ended June 30, 2018 (in thousands):

Condensed statement of net position	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Assets:				
Current assets	\$ 112,408	\$ 38,168	\$ 90,030	\$ 10,541
Noncurrent assets	143,125	77,366	755,357	79,262
Total assets	<u>255,533</u>	<u>115,534</u>	<u>845,388</u>	<u>89,803</u>
Deferred outflows of resources	425	183	1,574	-
Liabilities:				
Interfund payables	3	2	3	-
Other current liabilities	4,697	1,535	37,275	5,855
Noncurrent liabilities	40,208	10,373	717,572	79,149
Total liabilities	<u>44,907</u>	<u>11,910</u>	<u>754,849</u>	<u>85,004</u>
Deferred inflows of resources	12	5	3,895	297
Net position:				
Restricted-Expendable	4	2	88,217	4,503
Unrestricted	211,034	103,800	-	-
Total net position	<u>\$ 211,038</u>	<u>\$ 103,802</u>	<u>\$ 88,217</u>	<u>\$ 4,503</u>

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Condensed statement of revenues, expenses, and changes in net position	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Operating activities:				
Loan interest income	\$ 5,361	\$ 2,715	\$ 22,743	\$ 3,645
Other operating revenue	326	-	203	-
Operating expenses	(8,004)	(4,820)	(25,616)	(3,318)
Operating income (loss)	(2,316)	(2,105)	(2,670)	328
Total nonoperating revenues (expenses)	1,485	495	2,597	165
Transfers from other funds	893	4,118	5,146	-
Transfers to other funds	(4,715)	(3,580)	(4,300)	-
Change in net position	(4,654)	(1,073)	773	492
Beginning net position (as restated)	215,692	104,875	87,444	4,010
Ending net position	\$ 211,038	\$ 103,802	\$ 88,217	\$ 4,503

Condensed statement of cash flows	Special Public Works Fund	Water/ Wastewater Financing Fund	Mortgage Revenue Bonds	Housing Revenue Bonds
Net cash provided (used) by:				
Operating activities	\$ (6,207)	\$ (4,144)	\$ (66,424)	\$ 18,583
Noncapital financing activities	4,764	(6,764)	112,821	(19,418)
Investing activities	(81)	5,151	(44,739)	1,160
Net increase (decrease)	(1,524)	(5,757)	1,659	325
Beginning cash and cash equivalents	88,566	36,762	27,857	2,085
Ending cash and cash equivalents	\$ 87,042	\$ 31,005	\$ 29,515	\$ 2,410

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Condensed statement of net position	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Assets:		
Current assets	\$ 15,767	\$ 11,426
Capital assets	-	7
Other noncurrent assets	96,739	105,663
Total assets	<u>112,506</u>	<u>117,096</u>
Deferred outflows of resources	<u>480</u>	<u>336</u>
Liabilities:		
Interfund payables	-	92
Other current liabilities	4,040	3,190
Noncurrent liabilities	76,355	36,287
Total liabilities	<u>80,396</u>	<u>39,569</u>
Deferred inflows of resources	<u>984</u>	<u>609</u>
Net position:		
Net investment in capital assets	-	7
Restricted-Expendable	31,606	69,953
Unrestricted	-	7,293
Total net position	<u>\$ 31,606</u>	<u>\$ 77,254</u>

Condensed statement of revenues, expenses, and changes in net position	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Operating activities:		
Loan interest income	\$ 5,914	\$ 4,332
Other operating revenue	23	104
Operating expenses	(4,646)	(3,669)
Operating income (loss)	<u>1,292</u>	<u>767</u>
Total nonoperating revenues (expenses)	304	498
Transfers from other funds	281	-
Transfers to other funds	(750)	(48)
Change in net position	1,127	1,217
Beginning net position (as restated)	<u>30,479</u>	<u>76,037</u>
Ending net position	<u>\$ 31,606</u>	<u>\$ 77,254</u>

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Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:		
Operating activities	\$ 33,525	\$ 12,993
Noncapital financing activities	(35,390)	(9,989)
Capital and related financing activities	-	(1)
Investing activities	1,886	1,642
Net increase (decrease)	21	4,644
Beginning cash and cash equivalents	843	28,635
Ending cash and cash equivalents	\$ 865	\$ 33,279

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, 2018, 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, 2018, there were 21,392 active plan members, 127,501 inactive plan members or their beneficiaries currently receiving benefits, and 12,413 inactive plan members entitled to but not yet receiving benefits, for a total of 161,306 Tier One members. As of June 30, 2018, there were 35,136 active plan members, 13,908 inactive plan members or their beneficiaries currently receiving benefits, and 15,261 inactive plan members entitled to but not yet receiving benefits, for a total of 64,305 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, 2018, there were 119,469 active plan members, 4,454 inactive plan members or their beneficiaries currently receiving benefits, 5,013 inactive plan members entitled to but not yet receiving benefits, and 13,306 inactive plan members not eligible for refund or retirement, for a total of 142,242 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

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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 2 percent for all benefit recipients.

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

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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, 2017, and ending June 30, 2019, expressed as a percentage of covered payroll:

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

State agencies' employer contributions to PERS for fiscal years ended June 30, 2018, totaled approximately \$292.7 million. Member contributions paid by the State on behalf of employees for the year ended June 30, 2018, were \$76.8 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, 2017, was approximately \$9 million.

The respective employer contributions to PERS for the fiscal year ended June 30, 2018, for University of Oregon, Oregon State University, and Portland State University are approximately, \$28.2 million, \$27.9 million, and \$12 million.

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D. Net Pension Liability

At June 30, 2018, the State reported a liability of \$2.8 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. 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, 2017, measurement date (MD), the State's proportionate share, 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, 2018, the State recognized pension expenses of \$569 million. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 135,081	\$ -
Changes in assumptions	509,153	-
Net difference between projected and actual earnings on investments	28,777	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	93,484	23,340
Total (prior to post-MD contributions)	<u>766,494</u>	<u>23,340</u>
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	743,155
Contributions subsequent to the MD	292,695	N/A
Net deferred outflow/(inflow) of resources		<u><u>\$ 1,035,850</u></u>

The \$292.7 million reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2019.

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):

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 152,144
2020	377,945
2021	262,429
2022	(55,325)
2023	5,962
	<u><u>\$ 743,155</u></u>

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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	\$ 122,935	\$ 158	\$ 188	\$ 1,442	\$ 10,357	\$ 12,146	\$ 135,081
Changes in assumptions	463,373	597	709	5,434	39,040	45,780	509,153
Net difference between projected and actual earnings on investments	26,189	34	40	307	2,206	2,587	28,777
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,779	100	119	915	6,571	7,705	93,484
Contributions subsequent to the MD	266,746	294	303	3,531	21,821	25,949	292,695
Total deferred outflows related to pensions	\$ 965,022	\$ 1,184	\$ 1,360	\$ 11,628	\$ 79,995	\$ 94,167	\$ 1,059,189
Deferred Inflows:							
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 21,241	\$ 27	\$ 33	\$ 249	\$ 1,789	\$ 2,098	\$ 23,340
Total deferred inflows related to pensions	\$ 21,241	\$ 27	\$ 33	\$ 249	\$ 1,789	\$ 2,098	\$ 23,340

Actuarial Assumptions

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

Valuation date	December 31, 2015
Experience Study Report	2014, published September 23, 2015
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 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>

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	\$ 4,760.1	\$ 2,793.2	\$ 1,148.5

Changes in Plan Provisions

The results of the December 31, 2015, actuarial valuation reflect the Oregon Supreme Court ruling in Moro v. State of Oregon, issued on April 30, 2015. The Moro decision reversed a significant portion of the reductions

the 2013 Oregon Legislature made to future system COLA through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid compared to those developed in the most recent actuarial valuation prior to the Moro decision, and consequently increased plan liabilities. The employers' long-term contribution effort reflects the impact of the Moro decision and interest on the liability as current active members get closer to retirement.

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2 percent assumed rate effective January 1, 2018.

Pension Plan Fiduciary Net Position

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

E. Separately Financed Specific Liability

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP, effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately from the SLGRP and is reduced by contributions and increased for interest charges at the assumed interest rate, which was 7.2 percent in fiscal year 2018. 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, 2018, for the State, as the primary government, is \$319.4 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. Established under Oregon Revised Statute (ORS) 238.420, the plan provides a payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To be eligible to receive the RHIA subsidy, the member must (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan.

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

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employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired on or after September 29, 1991.

The Legislature has sole authority to amend the benefit provisions and employer obligations of the RHIPA plan. At June 30, 2018, the following employees were covered by the benefit terms:

	RHIA	RHIPA
Inactive employees or beneficiaries currently receiving benefit payments	46,033	1,228
Inactive employees entitled to but not yet receiving benefit payments	15,215	-
Active employees	56,200	15,090
	117,448	16,318

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

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

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

Funding

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

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

RHIA		RHIPA	
Tier 1 - Tier 2	OPSRP	Tier 1 - Tier 2	OPSRP
0.50%	0.43%	0.49%	0.38%

State agencies' employer contributions to PERS for RHIA and RHIPA for fiscal year ended June 30, 2018, totaled approximately \$11.2 million and \$10.4 million, respectively. The actual contribution equaled the contractually required contribution for both RHIA and RHIPA for the fiscal year.

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

Net OPEB Asset and Net OPEB Liability

RHIA

At June 30, 2018, the State reported an asset of \$9.7 million for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015. The State's portion of the net OPEB asset was determined by comparing the State's actual, legally required contributions made to the Plan during the fiscal year with the total actual contributions made in the fiscal year by all employers. Certain component units are considered by the OPEB plan to be part of the State and the State determined those component units' proportionate share of the net OPEB asset and allocated it to them. At the June 30, 2017, measurement date (MD), the State's proportionate share, excluding those component units, was 23.4 percent. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

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For the year ended June 30, 2018, the State recognized OPEB expenses of \$236 thousand. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 4,515
Changes in proportion and differences between employer contributions and proportionate share of contributions	211	-
Total (prior to post-MD contributions)	211	4,515
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	(4,305)
Contributions subsequent to the MD	11,210	N/A
Net deferred outflow/(inflow) of resources		\$ 6,905

The \$11.2 million reported as deferred outflows of resources related to OPEB resulting from state contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2019.

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

Fiscal Year	Amount
2019	\$ (1,051)
2020	(1,051)
2021	(1,074)
2022	(1,129)
	\$ (4,305)

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

Deferred Outflows and Deferred Inflows	Business-type Activities						Total Primary Government
	Governmental Activities	Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Outflows:							
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 192	\$ -	\$ -	\$ 2	\$ 16	\$ 19	\$ 211
Contributions subsequent to the MD	10,126	14	13	149	908	1,084	11,210
Total deferred outflows related to OPEB	\$ 10,318	\$ 14	\$ 13	\$ 151	\$ 924	\$ 1,103	\$ 11,421
Deferred Inflows:							
Net difference between projected and actual earnings on investments	\$ 4,109	\$ 5	\$ 6	\$ 48	\$ 347	\$ 407	\$ 4,515
Total deferred inflows related to OPEB	\$ 4,109	\$ 5	\$ 6	\$ 48	\$ 347	\$ 407	\$ 4,515

RHIPA

At June 30, 2018, the State reported a net OPEB liability of \$34.9 million. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2015. Certain component units are considered by the OPEB plan to be part of the State and the State determined those component units' proportionate share of the net OPEB liability

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and allocated it to them. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

For the year ended June 30, 2018, the State recognized OPEB expenses of \$3.4 million. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ 379
Total (prior to post-MD contributions)	<u>-</u>	<u>379</u>
Net deferred outflow/(inflow) of resources before contributions subsequent to MD	-	(379)
Contributions subsequent to the MD	10,392	N/A
Net deferred outflow/(inflow) of resources		<u><u>\$ 10,013</u></u>

The \$10.4 million reported as deferred outflows of resources related to OPEB resulting from state contributions subsequent to the measurement date will be recognized as a decrease to the net OPEB liability in the year ended June 30, 2019.

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

Fiscal Year	Amount
2019	\$ (95)
2020	(95)
2021	(95)
2022	(95)
	<u><u>\$ (379)</u></u>

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

	Business-type Activities						Total Primary Government
	Governmental Activities	Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Outflows and Deferred Inflows							
Deferred Outflows:							
Contributions subsequent to the MD	\$ 9,403	\$ 13	\$ 12	\$ 137	\$ 827	\$ 989	\$ 10,392
Total deferred outflows related to OPEB	<u>\$ 9,403</u>	<u>\$ 13</u>	<u>\$ 12</u>	<u>\$ 137</u>	<u>\$ 827</u>	<u>\$ 989</u>	<u>\$ 10,392</u>
Deferred Inflows:							
Net difference between projected and actual earnings on investments	\$ 344	\$ -	\$ 1	\$ 4	\$ 29	\$ 35	\$ 379
Total deferred inflows related to OPEB	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ 29</u>	<u>\$ 35</u>	<u>\$ 379</u>

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Changes in Net OPEB Liability

The schedule of changes in net OPEB liability and related ratios measured as of June 30, 2017, is as follows (dollars in millions):

Total OPEB Liability

Service cost	\$ 1.5
Interest on total OPEB liability	5.0
Changes in benefit terms	-
Changes in assumptions	-
Differences between expected and actual experience	-
Benefit payments	<u>(4.3)</u>
Net change in total OPEB liability	2.2
Total OPEB liability - Beginning	<u>68.7</u>
Total OPEB liability - Ending	<u><u>\$ 70.9</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 11.9
Net investment and other income	2.0
Benefit payments	(4.3)
Administrative expense	<u>(0.3)</u>
Net change in plan fiduciary net position	9.3
Plan fiduciary net position - Beginning	<u>15.0</u>
Plan fiduciary net position - Ending	<u><u>\$ 24.3</u></u>
Net OPEB Liability	<u><u>\$ 46.6</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	34.3%
Covered payroll	\$ 1,327.1
Net OPEB liability as a percentage of covered payroll	3.5%

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Actuarial Assumptions

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

	RHIA	RHIPA
Valuation date	December 31, 2015	December 31, 2015
Experience study report	2014, published September 23, 2015	2014, published September 23, 2015
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50 percent	2.50 percent
Long-term expected rate of return	7.50 percent	7.50 percent
Discount rate	7.50 percent	7.50 percent
Projected salary increases	3.50 percent	3.50 percent
Retiree healthcare participation	Healthy retirees: 38 percent; Disabled retirees: 20 percent	Varies by service at decrement, increasing from 10 percent at eight years of service to 38 percent at 30 years of service.
Healthcare cost trend rate	Not Applicable	Applied at beginning of plan year, starting with 6.3 percent for 2016, decreasing to 5.3 percent for 2019, increasing to 6.5 percent for 2029, and decreasing to an ultimate rate of 4.4 percent for 2094 and beyond.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70 percent for males and 95 percent for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.</p>	<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>

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

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

Asset Class	Target	Compound Annual Return (Geometric)
Core fixed income	8.00%	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 OPEB liability was 7.5 percent for both RHIA and RHIPA plans. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA and RHIPA plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA and RHIPA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Net OPEB Liability/(Asset)	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
RHIA	\$ 1.4	\$ (9.7)	\$ (19.2)
RHIPA	38.5	34.9	31.5

The following table presents the net OPEB liability/asset for the RHIA and RHIPA plans calculated using the healthcare cost trend rates, as well as what the net OPEB liability/asset would be if it were calculated using

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healthcare cost trend rates that are one percent lower or one percent higher than the current trend rates (in millions):

<u>Net OPEB Liability/(Asset)</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
RHIA	\$ (9.7)	\$ (9.7)	\$ (9.7)
RHIPA	30.1	34.9	40.3

Changes in Plan Provisions

The PERS Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.2 percent assumed rate effective January 1, 2018.

RHIA and RHIPA Plans' Fiduciary Net Position

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

B. Public Employees Benefit Board (PEBB)

Plan Description

The State participates in a defined benefit postemployment healthcare plan administered by the Public Employees Benefit Board (PEBB). This plan offers healthcare assistance to eligible retired employees and their beneficiaries. Chapter 243 of the Oregon Revised Statutes gives the Board the authority to establish and amend the benefit provisions of the PEBB Plan. The PEBB Plan is considered a single-employer plan for financial reporting purposes, although certain discretely presented component units and related organizations, which are described in Note 1, do participate in the PEBB plan. As a result, the State reports only a portion of the overall total OPEB liability under the primary government section of the Statement of Net Position. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. PEBB does not issue a separate, publicly available financial report.

As of June 30, 2018, membership in the PEBB Plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	903
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>50,812</u>
	<u>51,715</u>

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

Funding

The PEBB's funding policy provides for employer contributions in amounts sufficient to fund the cost of active employee health benefits, including the retiree rate subsidy, on a pay-as-you-go basis. For the year ended June 30, 2018, retired plan members contributed \$12 million through their required contributions. The average monthly contributions was \$1,105. Active employees do not contribute to the plan.

Total OPEB Liability

At June 30, 2018, the State reported a total OPEB liability of \$108.5 million. The total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. Certain component units are considered by the OPEB plan to be part of the State and the State determined those component units' proportionate share of the OPEB liability and allocated it to them. Each governmental fund, excluding the debt service funds, is responsible for liquidating the liability not reported in the proprietary funds.

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For the year ended June 30, 2018, the State recognized OPEB expenses of \$11.4 million. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 2,367
Net deferred outflow/(inflow) of resources		\$ (2,367)

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

Fiscal Year	Amount
2019	\$ (329)
2020	(329)
2021	(329)
2022	(329)
2023	(329)
Thereafter	(723)
	\$ (2,367)

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

Deferred Outflows and Deferred Inflows	Business-type Activities						Total Primary Government
	Governmental Activities	Housing and Community Services	Veterans' Loan	Lottery Operations	Other	Total	
Deferred Inflows:							
Change in assumptions	\$ 2,124	\$ 3	\$ 2	\$ 30	\$ 209	\$ 244	\$ 2,367
Total deferred inflows related to OPEB	\$ 2,124	\$ 3	\$ 2	\$ 30	\$ 209	\$ 244	\$ 2,367

Changes in Total OPEB Liability

The schedule of changes in the total OPEB liability measured as of June 30, 2018, is as follows (in millions):

Balance as of June 30, 2017	\$ 144.8
Changes for the year	
Service cost	9.3
Interest on total OPEB liability	5.4
Effect of changes to Benefit Terms	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(3.7)
Benefit payments	(7.2)
Balance as of June 30, 2018	\$ 148.6

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Actuarial Assumptions

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

Valuation date	July 1, 2017
Experience study report	July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Salary increases	3.50 percent
Discount rate	3.87 percent
Healthcare cost trend rates	0.8 percent for 2018, 5.1 percent for 2019, 5.3 percent for 2020, an average of 5.6 percent between fiscal years 2021 and 2046, and the rate grades down from 5.6 percent to 4.2 percent between fiscal years 2047 and 2097.
Withdrawal, retirement, and mortality rates	December 31, 2016 Oregon PERS valuation
Election and lapse rates	30 percent of eligible employees 60 percent spouse coverage for males, 35 percent for females 7 percent annual lapse rate

Discount Rate

The discount rate used to measure the total OPEB liability for PEBB was 3.87 percent which reflect the Bond Buyer 20-year General Obligation Bond Index.

The following table presents the total OPEB liability for the PEBB plan calculated using the discount rate of 3.87 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower (2.87 percent) or one percent higher (4.87 percent) than the current rate (in millions):

Total OPEB Liability	1% Decrease (2.87%)	Current Discount (3.87%)	1% Increase (4.87%)
PEBB	\$ 118.1	\$ 108.5	\$ 99.8

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

Total OPEB Liability	1% Decrease	Current Trend Rate	1% Increase
PEBB	\$ 95.6	\$ 108.5	\$ 124.0

Changes in Plan Provisions

Due to significant changes in the tiering structure of PEBB's premiums in 2018, the retiree election rate assumption was increased from 15 percent to 30 percent. Additionally, spousal election assumptions were lowered from 85 percent to 60 percent for male members and 60 percent to 35 percent for female members. The updated assumptions are consistent with the consulting actuary's experience with comparable governmental entities in Oregon. Spouses are now assumed to maintain coverage upon the retiree's death or age 65, whereas in the prior actuarial valuation 50 percent of spouses were assumed to drop coverage at that time. Future dental coverage assumptions have been increased; 85 percent of active members who elect medical coverage upon retirement are also assumed to elect dental coverage upon retirement (formerly 80 percent).

C. Collective Amount of OPEB Expense

For the year ended June 30, 2018, the aggregate amount of OPEB expense recognized by the primary government was \$15 million.

D. Discretely Presented Component Units

The employer contributions to RHIA for the fiscal year ended June 30, 2018, for University of Oregon, Oregon State University, and Portland State University are approximately, \$890 thousand, \$1.2 million, and \$520 thousand, respectively.

The employer contributions to RHIPA for the fiscal year ended June 30, 2018, for University of Oregon, Oregon State University, and Portland State University are approximately, \$888 thousand, \$1.1 million, and \$477 thousand, respectively.

16. DEFERRED COMPENSATION PLANS

The Oregon Savings Growth Plan (OSGP) is a deferred compensation plan available to eligible state employees. Employee contributions are deposited into the Deferred Compensation Fund established by Oregon Revised Statute 243.411. To participate, an employee enters into an individual agreement with the State to defer current earnings to be paid at a future date. The Public Employees Retirement System (PERS) administers the plan. As trustee of the assets, PERS contracts with Voya Financial to maintain OSGP participant records. The Oregon State Treasury, as custodian of the assets, contracts with State Street Bank and Trust Company to provide financial services. PERS may assess a charge to participants not to exceed 2 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, 2018, 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, 2018, the fair value of the investments was \$1.9 billion.

17. RISK FINANCING

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

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

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

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

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

Risk Management purchases workers' compensation insurance for the State from SAIF Corporation, a discretely presented component unit, utilizing retrospective paid loss plans. These plans are ten years in length and have cash flow and investment earnings advantages. The accumulated claim loss liability for the plans was approximately \$89.6 million as of June 30, 2018. Independent actuaries determine biennial loss forecasts.

Periodically, Risk Management reevaluates claims liabilities taking into consideration recently settled claims, the frequency of claims, and other economic and social factors. Contracted actuaries estimate claims and allocated and unallocated expenses using the last 20 to 25 years of State claims experience and the projected numbers of employees, payroll, vehicles, and other property. Liabilities include an amount of claims and legal expenses that have been incurred but not reported (IBNR) and are discounted at an annual rate of 2 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, 2018, and 2017 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2018	\$ 188,110	\$ 53,604	\$ (52,405)	\$ 189,308
2017	170,562	66,414	(48,866)	188,110

The June 30, 2018, 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.

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

Contracted actuaries and consultants estimate the claims liability. IBNR expenses are estimated by using claims lag triangles from the plans to develop completion factors. For the most recent months, incurred claims are estimated based upon reviewing the most recent claims experience per employee and adjusting for trend and seasonality to the projection month. Since most of the claims will be paid out within the year, the estimated amounts are not discounted. 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 and 2017, but the amount of claims for the other plans did not exceed the self-insured coverage for the past three years.

For fiscal years 2016, 2017, and 2018, PEBB agreed to a risk sharing arrangement with a fully insured plan. The risk sharing arrangement is based on a projected expected claims level. 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. PEBB paid settlements for the three fiscal years with the final payment of \$720 thousand made in August 2018.

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Changes in the balance of aggregate claims liabilities for the healthcare plans for the years ended June 30, 2018 and 2017 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2018	\$ 56,657	\$ 641,743	\$ (643,837)	\$ 54,563
2017	63,718	630,423	(637,484)	56,657

The June 30, 2018, 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, 2018, 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, 2018 and 2017 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2018	\$ 873,861	\$ 77,010	\$ (78,362)	\$ 872,510
2017	931,958	19,879	(77,976)	873,861

The June 30, 2018, 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 \$9.2 million is carried at its face amount, and no interest discount is assumed.

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Changes in the balance of aggregate claims liabilities for the SRHIA for the years ended June 30, 2018 and 2017 (in thousands):

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claims Payments	Ending Balance
2018	\$ 8,700	\$ 142,937	\$ (142,437)	\$ 9,200
2017	9,200	133,101	(133,601)	8,700

The June 30, 2018, balance of claims liabilities for SRHIA is included in claims and judgments payable on the statement of net position of proprietary funds under Other.

E. SAIF Corporation Workers' Compensation Insurance

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

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

The reserve for loss and LAE decreased \$104.9 million in calendar year 2017, which was net of favorable development of \$283.4 million. Loss reserves decreased \$111.5 million as compared to the prior year. The loss reserves for the 2017 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 2017 was well below the assumption. LAE reserves increased \$6.6 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 2017 was \$268.8 million. The related discount was \$97.5 million as of December 31, 2017.

Anticipated salvage and subrogation of \$34.6 million was included as a reduction of the reserve for loss and LAE at December 31, 2017.

SAIF's exposure to asbestos claims arose from the sale of workers' compensation policies. As of December 31, 2017, SAIF had provided reserves of \$15.9 million for loss and LAE related to asbestos claims. Amounts paid for asbestos-related claims as of the end of the year was \$432 thousand.

Changes in the balance of the liability for loss and LAE related to workers compensation insurance underwritten by SAIF for 2017 and 2016 (in thousands):

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Loss and Loss Adjustment Expense Payments	Ending Balance
2017	\$ 2,824,916	\$ 297,071	\$ (401,942)	\$ 2,720,045
2016	2,908,618	286,329	(370,031)	2,824,916

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, 2018 (in thousands):

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	\$ 1,752
Unemployment Compensation	Fines and forfeitures	178
Nonmajor Enterprise Funds	Charges for services	3,061
Nonmajor Enterprise Funds	Sales	7,517
Internal Service Funds	Fines and forfeitures	12
Internal Service Funds	Charges for services	12
Total discounts and allowances		<u><u>\$ 12,532</u></u>

19. FUND EQUITY

A. Net Position Restricted by Enabling Legislation

The following schedule summarizes the State's net position at June 30, 2018, that is restricted by enabling legislation (in thousands). All of the legislative restrictions are in governmental activities.

	Restricted Net Position
Expendable net position restricted for:	
Health and social service programs	\$ 179,704
Public transportation programs	13,445
Natural resource programs	107,665
Education	366,897
Community protection	30,655
Consumer protection	229,438
Employment services	192,814
Residential assistance	31,361
Other programs	39,963
Nonexpendable net position restricted for:	
Education	900
Residential assistance	10,839
Workers' compensation	1,000
Total net position restricted by enabling legislation	<u><u>\$ 1,204,682</u></u>

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B. Changes to Beginning Equity

As of June 30, 2018, the beginning fund balance was restated as follows (in thousands):

	Beginning Balance	Prior Period Adjustments	Accounting Changes	Beginning Balance- Restated
Governmental funds and activities				
General	\$ 2,150,789	\$ (4,292)	\$ -	\$ 2,146,497
Health and Social Services	515,846	2,221	-	518,067
Public Transportation	802,567	(1,194)	-	801,373
Educational Support	1,947,333	(1,383)	-	1,945,950
Common School	1,293,015	-	-	1,293,015
Other (nonmajor)	2,898,407	(4,496)	-	2,893,910
Capital assets, net of depreciation	13,363,235	20,264	-	13,383,498
Other noncurrent assets	258	2,111	-	2,369
Noncurrent liabilities	(14,543,207)	(26,161)	(75,614)	(14,644,982)
Deferred inflows and outflows of resources	2,736,689	-	17,320	2,754,009
Internal service funds	363,673	(998)	(7,786)	354,889
Total governmental funds and activities	\$ 11,528,605	\$ (13,929)	\$ (66,079)	\$ 11,448,597
Proprietary funds and business-type activities				
Housing and Community Services	\$ 223,858	\$ -	\$ (79)	\$ 223,779
Veterans' Loan	121,336	-	(62)	121,274
Lottery Operations	286,721	-	(820)	285,901
Unemployment Compensation	3,823,833	-	-	3,823,833
Other (nonmajor)	1,132,776	24,615	(7,056)	1,150,335
Internal service funds adjustment	1,166	-	-	1,166
Total proprietary funds and business-type activities	\$ 5,589,690	\$ 24,615	\$ (8,017)	\$ 5,606,288
Fiduciary funds				
Pension and Other Employee Benefit Trust	\$ 77,044,799	\$ -	\$ -	\$ 77,044,799
Private Purpose Trust	56,152	384	-	56,536
Investment Trust	6,201,032	-	-	6,201,032
Total fiduciary funds	\$ 83,301,983	\$ 384	\$ -	\$ 83,302,367

Significant prior period adjustments were made in enterprise funds and the governmental activities. In the prior year, the Special Public Works Fund and the Other Nonmajor Enterprise Fund reported bonds payable of \$19 million and \$7.4 million, respectively, for Lottery revenue bonds. However, because all Lottery revenue bonds are to be recorded within the governmental activities portion of the government-wide statement of net position, prior period adjustments were recorded in those enterprise funds and the governmental activities. The Energy Loan Fund reported \$2.3 million to correct an error in its calculation of its allowance for doubtful accounts. In addition, several agencies made corrections to their capital asset balances. Most notably being a \$13.9 million prior period adjustment because certain eligible costs were not capitalized in the prior year at the Oregon Department of Transportation, and a \$7 million prior period adjustment at the Oregon Department of Fish and Wildlife to correct errors in its depreciation calculations.

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All accounting changes reported in the governmental activities and proprietary funds and business-type activities are the result of implementing GASB Statement No. 75. This statement establishes standards for recognizing and measuring other postemployment benefit (OPEB) assets, liabilities, deferred inflows of resources, and deferred outflow of resources related to OPEB, and OPEB expense.

C. Fund Balances-Governmental Funds

The following table displays in detail the June 30, 2018, fund balances that are reported in the aggregate on the governmental funds balance sheet (in thousands):

	General	Health and Social Services	Public Transportation	Educational Support	Common School	Other	Total
Nonspendable:							
Not in spendable form	\$ 24,912	\$ 751	\$ 36,838	\$ -	\$ -	\$ 14,588	\$ 77,089
Legally or contractually required to be maintained intact	19	52	40	-	-	15,727	15,838
Restricted for:							
Public health and welfare	-	285,819	-	-	-	-	285,819
Roads and bridges	-	-	774,680	-	-	-	774,680
Conservation and natural resources	132,238	-	-	-	-	886,485	1,018,724
K-12 and higher education	29,604	-	-	1,816,284	1,353,741	-	3,199,629
Education stabilization	529,423	-	-	-	-	-	529,423
Business development	35,871	-	-	-	-	64,598	100,469
Community protection	2,269	-	-	-	-	268,660	270,929
Licensing and regulation	-	-	-	-	-	235,175	235,175
Employment related programs	-	-	-	-	-	273,577	273,577
Low income housing assistance	-	-	-	-	-	161,441	161,441
Debt service	-	-	-	-	-	312,170	312,170
Capital projects	-	-	-	-	-	168,857	168,857
Other purposes	139,677	-	-	-	-	71,298	210,975
Committed to:							
Public health and welfare	-	45,721	-	-	-	-	45,721
Conservation and natural resources	-	-	-	-	-	51,190	51,190
Education	17,728	-	-	17,852	-	-	35,580
Business development	1,235	-	-	-	-	45,054	46,290
Community protection	11,494	-	-	-	-	107,079	118,573
Licensing and regulation	-	-	-	-	-	35,738	35,738
Employment related programs	-	-	-	-	-	158,511	158,511
Low-income housing assistance	-	-	-	-	-	183,975	183,975
Stabilization	580,276	-	-	-	-	-	580,276
Other purposes	204,546	-	-	-	-	1,165	205,710
Assigned to:							
Public health and welfare	-	131,471	-	-	-	-	131,471
Conservation and natural resources	-	-	-	-	-	10,766	10,766
Education	-	-	-	3,416	-	-	3,416
Community protection	-	-	-	-	-	21,472	21,472
Employment related programs	-	-	-	-	-	2,224	2,224
Low-income housing assistance	-	-	-	-	-	35,246	35,246
Other purposes	12,038	-	-	-	-	7,073	19,110
Unassigned:	1,157,707	-	-	-	-	(17)	1,157,690
Total fund balances	\$ 2,879,037	\$ 463,813	\$ 811,558	\$ 1,837,553	\$ 1,353,741	\$ 3,132,050	\$ 10,477,751

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

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

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

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

D. Deficit Net Position

The Energy Loan Fund, a nonmajor enterprise fund, reports a deficit net position of \$13.2 million as of June 30, 2018.

The Legal Services Fund, an internal service fund, reports a deficit net position of \$32.4 million as of June 30, 2018.

The Audit Services Fund, an internal service fund, reports a deficit net position of \$652 thousand as of June 30, 2018.

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, 2018, was \$580.3 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, 2018, was \$529.4 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, 2018, the State had extended nonexchange financial guarantees of \$7.2 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, 2048.

21. TAX ABATEMENTS

As of June 30, 2018, the State provides material tax abatements through four programs. Details of each program are provided below:

- The Electronic Commerce Zone Investment program (Oregon Revised Statutes (ORS) 285C.095, 285C.100, 315.507) provides an income tax credit to qualified businesses engaged in electronic commerce in an approved enterprise zone. The credit is equal to 25 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 over 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,

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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.

- 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) provides an income tax credit based upon the certified cost of a facility used to process or use renewable energy resources, or to achieve energy efficiency that exceeds industry or regulatory standards by 10 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, 2018 (in thousands):

<u>Tax Abatement Program</u>	<u>Amount</u>
Electronic Commerce Zone Investment	\$ 1,600
Oregon Investment Advantage	7,800
Energy Conservation Projects	3,700
Business Energy Program	27,000
Total	<u>\$ 40,100</u>

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

22. SETTLEMENT ACTIVITIES

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

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

	Governmental Activities	Business-type Activities
Capitalized product received through the ULA Services and non-capitalized product received through the ULA	\$ 749	\$ -
	<u>557</u>	<u>132</u>
Total settlement revenue	<u>\$ 1,306</u>	<u>\$ 132</u>

Since inception, the State of Oregon has realized total savings of \$29.9 million as a result of this settlement agreement, including \$2.5 million of Oracle product that has been capitalized.

23. COMMITMENTS

The State has significant commitments as of June 30, 2018, 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, 2018, and the anticipated sources of funding (in thousands):

Purpose	General Fund	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	\$ 380,436	\$ 136,783	\$ 5,489	\$ 105,725	\$ 628,433
Grant and loan commitments	290,555	363,511	76,845	1,203,590	1,934,501
Personal services contracts	193,179	60,873	1,929	108,442	364,423
Public defense contracts	152,650	-	-	-	152,650
Systems development	113,211	74,740	299	40,963	229,214
Equipment purchases	22	75	-	162	259
Total commitments	<u>\$ 1,130,054</u>	<u>\$ 635,982</u>	<u>\$ 84,561</u>	<u>\$ 1,458,882</u>	<u>\$ 3,309,479</u>

Encumbrance balances in the governmental funds as of June 30, 2018 (in thousands):

Governmental Funds	Amount
General	\$ 5,514
Health and Social Services	1,662
Educational Support	10,203
Other Nonmajor	9,640
Total encumbrances	<u>\$ 27,019</u>

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, 2018, the OPERF had \$10.8 billion in commitments to purchase private equity investments, \$2.1 billion to purchase real estate investments, \$690 million to purchase Opportunity Fund investments, and \$2.7 billion to purchase Alternative Equity portfolio investments. As of June 30, 2018, the CSF had \$113 million in commitments to purchase private equity and real estate open ended fund investments while OGA and OGF had \$33.9 million, and \$202 thousand, respectively, in commitments to purchase private equity investments. These amounts are unfunded and are not recorded in the financial statements.

24. CONTINGENCIES

A. Litigation

Portland Harbor Superfund

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

The Oregon Department of Transportation (ODOT) and the Oregon Department of State Lands (DSL) have received General Notice Letters from the EPA informing them that the State, by and through those agencies, is a potentially responsible party (PRP) under CERCLA for cleanup costs at the site.

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

In September 2018, the EPA signed an Administrative Settlement and Order on Consent which obligates four PRP parties to undertake pre-remedial design sampling to investigate the current state of sediment contamination in the site. This sampling investigation will be completed in mid-2019.

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

The Portland Harbor Superfund will also involve a separate allocation of liability for injuries to natural resources caused by contamination at the site, which is an additional type of recovery under the Superfund law known as natural resource damages (NRD). The NRD claim will be asserted against all PRPs, including ODOT and DSL, by the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies, and the State, acting through its trustee, the Oregon Department of Fish and Wildlife. The trustees have initiated a cooperative injury assessment process funded by thirty parties 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 and ODOT as additional insureds. These insurance carriers have agreed to participate in funding the State's defense in Portland Harbor proceedings, but have reserved their rights to deny indemnity coverage. In October 2015, the State filed suit in state court against its primary insurance carrier, Pacific Indemnity Company (PIC), asserting that PIC is obligated to fund a greater proportion of the State's defense costs in Portland Harbor than it has so far. Other insurance carriers whose policies are in issue have joined the lawsuit. As of October 2018, the State has reached a binding agreement in principle with Pacific Indemnity and several other insurers regarding their obligation to pay for most of the State's defense costs, but that agreement has not yet been reduced to a written agreement. The State remains in litigation over defense costs with two additional insurers.

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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 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. 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. The State brought summary judgment motions against the claims, but the court denied them. The case is now proceeding to trial scheduled for October 24, 2019. 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.

Community Care Organization

In February 2017, a coordinated care organization in Oregon, Family Care, Inc. (FamilyCare) filed a lawsuit challenging its 2017 contract rates; FamilyCare has since amended its complaint four times to add new claims. The fourth amended complaint includes the following claims against OHA: (a) breach of express and implied terms in the 2016 settlement agreement by using the amounts paid under the settlement agreement to limit FamilyCare's 2017 and 2018 rates; (b) breach of express and implied terms of the dispute resolution agreement; (c) intentional interference with FamilyCare's business relations; (d) a claim under Oregon's Administrative Procedures Act alleging, among other things, that FamilyCare's 2017 and 2018 rates are not actuarially sound as required by federal law; (e) a federal civil rights claim alleging taking of FamilyCare's property rights to business goodwill and "reasonable expectation to actuarially sound rates" and retaliation against FamilyCare for exercise of its first amendment rights; and (f) breach of contract for failure to provide actuarially sound rates. FamilyCare seeks specific performance and money damages in the amount of at least \$111 million plus attorney fees, and seeks a judicial declaration that would effectively prohibit OHA from paying FamilyCare at the 2017 or 2018 contract rates. Through the course of litigation some of the claims have been eliminated, but the general theories, themes and damages remain. Some of the court's decisions on motions for summary judgment have been taken up on immediate appeal. The trial court action has been stayed pending the outcome of those appeals.

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Tax Challenge

In the 2018 Legislative Session, the Legislative Assembly enacted Senate Bill (SB) 1528 which, among other things, disconnected the Oregon definition of taxable income from a deduction provided under the federal Tax Cuts and Jobs Act in section 199A(a) of the Internal Revenue Code (IRC). Otherwise, that change under the federal Tax Cuts and Jobs Act would have resulted in changing the Oregon definition of taxable income for tax years beginning January 1, 2018, thereby resulting in the loss of approximately \$258.4 million in General Fund revenue for the 2017-2019 biennium, due to the federal tax law changes. SB 1528's disconnection from IRC section 199A(a) prevented that loss. Two State senators have filed a lawsuit in the Oregon Tax Court asserting that the bill is a revenue raising measure that did not originate in the House and did not pass a supermajority in violation of the requirements of the Oregon Constitution for a bill that raises revenue. The State asserts that bill does not constitute a bill for raising revenue as that phrase has been interpreted by the Oregon courts. Motions for summary judgment were filed and oral arguments on the motions occurred October 19, 2018. The matter is under advisement by the court.

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, 2018, totaled approximately \$11.9 million.

C. Federal Issues

The State receives significant financial assistance from the federal government. Entitlement to these resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2018, there is no indication that such audits will result in a material liability.

In fiscal year 2018, The Oregon Health Authority recorded liabilities for payment issues in the Medicaid Management Information System related to the dual eligible population. As of the close of the reporting period, there continues to be research on the scope of the retroactive termination and other possible issues and the potential financial impacts of those issues is indeterminate.

25. SUBSEQUENT EVENTS

A. Long-term Debt Issues

Long-term debt issued, including refundings, since July 1, 2018 (in thousands):

<u>Type of Debt</u>	<u>Amount</u>
General Obligation Bonds	
Department of Veterans' Affairs	\$ 43,630
Revenue Bonds	
Housing and Community Services Department	211,305

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B. Bond Calls

Bond calls that have occurred since July 1, 2018 (in thousands):

<u>Type of Call</u>	<u>Amount</u>
General Obligation Bonds	
Department of Veterans' Affairs	\$ 7,195
Housing and Community Services Department	4,045
Revenue Bonds	
Housing and Community Services Department	26,280

C. Interest Rate Swaps

On July 1, 2018, the Oregon Housing and Community Services Department (OHCS D) terminated the notional amounts of swap related to the Mortgage Revenue Bond (MRB) series listed below (dollars in thousands). The termination was made pursuant to an optional par termination provisions included in the swap agreement.

<u>Bond Series</u>	<u>Notional Amount</u>
2008 Series I	\$ 1,600

On September 6, 2018, OHCS D entered into a swap transaction for MRB 2015 Series C. The notional amount of the swap is \$33.6 million, the effective date is September 6, 2018, and the termination date is July 1, 2045. OHCS D will pay the counterparty (Royal Bank of Canada) a fixed rate of 2.75 percent and receive a variable payment of 70 percent of the London Interbank Offered Rate (LIBOR) one month rate plus 0.05 percent.

On September 6, 2018, OHCS D entered into a swap transaction for MRB 2017 Series C. The notional amount of the swap is \$44 million, the effective date is July 1, 2019, and the termination date is July 1, 2039. OHCS D will pay the counterparty (Bank of America, N.A.) a fixed rate of 2.41 percent and receive a variable payment of 70 percent of the LIBOR one month rate plus 0.05 percent.

D. Debt Guarantees

Under Article XI-K of the Oregon Constitution, \$846.2 million in bonds for school districts (SD) were issued and guaranteed following the fiscal year ended June 30, 2018, as noted below (dollars in thousands). Ultimately, the debt service payments remain the responsibility of the respective district.

<u>School District</u>	<u>Series</u>	<u>Amount</u>
Marion Cty SD 24J (Salem Keizer)	2018	\$ 383,230
Benton Cty SD 509J (Corvallis)	2018A	42,969
Benton Cty SD 509J (Corvallis)	2018B	117,030
Tillamook Cty SD 101 (Nestucca Valley)	2018A	2,928
Tillamook Cty SD 101 (Nestucca Valley)	2018B	22,770
Linn Cty SD 7J (Harrisburg)	2018A	2,107
Linn Cty SD 7J (Harrisburg)	2018B	6,835
Clackamas Cty SD 12 (North Clackamas)	2018	110,353
Clackamas Cty SD 62 (Oregon City)	2018A	44,756
Clackamas Cty SD 62 (Oregon City)	2018B	106,365
Clackamas Cty SD 62 (Oregon City)	2018C	6,875
Total debt guarantees		<u>\$ 846,218</u>

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Required Supplementary Information

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Budgeted Appropriated Funds

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

General Fund

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

Federal Funds

This fund accounts for budgeted expenditures made with Federal Revenue.

Lottery Funds

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

Other Funds

This fund accounts for budgeted expenditures other than those funded by General, Federal, and Lottery funds.

State of Oregon

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2019
As of June 30, 2018
(In Thousands)**

	General Fund			
	2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	\$17,158,059	\$17,158,059	\$ 8,624,694	\$ (8,533,365)
Corporate Income Taxes	1,071,477	1,071,477	736,786	(334,691)
Tobacco Taxes	134,612	134,612	66,167	(68,445)
Motor Fuels Taxes	-	-	-	-
Weight Mile Taxes	-	-	-	-
Vehicle Registration Taxes	-	-	-	-
Other Taxes	422,833	422,833	257,185	(165,648)
Licenses and Fees	282,304	282,304	101,809	(180,495)
Federal	-	-	-	-
Charges for Services	10,875	10,875	5,457	(5,418)
Fines and Forfeitures	2,889	2,889	3,781	893
Rents and Royalties	-	-	46	46
Investment Income	50,187	50,187	30,149	(20,038)
Sales	36,613	36,613	572	(36,040)
Donations and Grants	-	-	-	-
Pension Bond Debt Service Assessments	-	-	-	-
Other	11,488	15,246	281	(14,965)
Total Revenues	19,181,336	19,185,095	9,826,927	(9,358,167)
Expenditures:				
Education	10,278,362	10,376,530	5,197,319	(5,179,211)
Human Services	5,377,176	5,374,222	2,765,792	(2,608,429)
Public Safety	2,492,990	2,523,951	1,249,836	(1,274,114)
Economic and Community Development	97,775	123,545	54,539	(69,005)
Natural Resources	227,123	261,107	129,018	(132,089)
Transportation	24,884	23,456	12,715	(10,742)
Consumer and Business Services	13,247	13,461	6,112	(7,349)
Administration	265,354	263,255	133,701	(129,554)
Legislative	324,986	305,945	49,624	(256,321)
Judicial	754,250	760,203	368,739	(391,464)
Total Expenditures	19,856,147	20,025,674	9,967,396	(10,058,278)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(674,810)	(840,579)	(140,468)	700,111
Other Financing Sources (Uses):				
Transfers from Other Funds	320,017	320,017	275,858	(44,159)
Transfers to Other Funds	-	-	(199,594)	(199,594)
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	\$ (354,794)	\$ (520,562)	(64,204)	\$ 456,358
Budgetary Fund Balances - Beginning			1,473,269	
Prior Period Adjustments			(4)	
Budgetary Fund Balances - Beginning - As Restated			1,473,266	
Prior Biennium Transactions			(16,067)	
Budgetary Fund Balances - Ending			\$ 1,392,994	

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Federal Funds				Lottery Funds			
2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	Variance Over/ (Under)	2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	Variance Over/ (Under)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,337,712	16,665,568	8,930,403	(7,735,165)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	23,576	23,576	15,808	(7,768)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,337,712	16,665,568	8,930,403	(7,735,165)	23,576	23,576	15,808	(7,768)
1,168,608	1,179,657	392,488	(787,170)	543,466	632,938	222,959	(409,979)
16,356,219	16,747,968	8,045,580	(8,702,388)	12,462	12,499	6,077	(6,422)
530,030	567,736	180,803	(386,933)	8,310	8,146	4,076	(4,070)
337,828	331,266	158,798	(172,468)	151,597	150,495	66,422	(84,073)
301,188	300,883	100,422	(200,460)	208,060	218,444	67,145	(151,299)
115,235	115,075	26,709	(88,366)	120,644	113,597	55,052	(58,545)
18,080	18,843	7,507	(11,336)	-	-	-	-
17,379	17,875	3,634	(14,240)	26,088	23,426	11,847	(11,578)
-	-	-	-	-	-	-	-
1,339	1,344	458	(887)	-	-	-	-
18,845,907	19,280,648	8,916,399	(10,364,249)	1,070,627	1,159,545	433,578	(725,967)
(2,508,195)	(2,615,079)	14,005	2,629,084	(1,047,051)	(1,135,969)	(417,771)	718,199
1,493	1,505	20,707	19,202	2,724,793	2,965,523	1,141,916	(1,823,607)
(176,847)	(176,963)	(70,233)	106,730	(1,560,297)	(1,692,918)	(334,772)	1,358,146
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ (2,683,549)</u>	<u>\$ (2,790,537)</u>	(35,522)	<u>\$ 2,755,016</u>	<u>\$ 117,445</u>	<u>\$ 136,636</u>	389,373	<u>\$ 252,738</u>
		(68,650)				218,575	
		173				200	
		(68,477)				218,773	
		11,971				(190,063)	
		<u>\$ (92,029)</u>				<u>\$ 418,084</u>	

(continued on next page)

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**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2019
As of June 30, 2018
(In Thousands)
(continued from previous page)**

	Other Funds			
	2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	\$ -	\$ -	\$ -	\$ -
Corporate Income Taxes	-	-	-	-
Tobacco Taxes	399,624	399,624	182,660	(216,964)
Motor Fuels Taxes	1,274,112	1,274,112	533,976	(740,136)
Weight Mile Taxes	742,502	742,502	302,716	(439,787)
Vehicle Registration Taxes	754,789	754,789	328,162	(426,626)
Other Taxes	1,711,608	1,778,127	906,379	(871,748)
Licenses and Fees	764,964	781,955	487,537	(294,418)
Federal	1,109,066	1,109,066	487,971	(621,095)
Charges for Services	4,578,021	4,596,911	1,611,101	(2,985,810)
Fines and Forfeitures	164,026	165,107	89,946	(75,162)
Rents and Royalties	115,164	115,172	57,396	(57,776)
Investment Income	169,883	169,883	58,041	(111,842)
Sales	634,958	637,024	165,386	(471,637)
Donations and Grants	33,800	33,581	20,278	(13,303)
Pension Bond Debt Service Assessments	390,935	390,935	186,719	(204,216)
Other	2,153,628	2,260,233	1,753,467	(506,767)
Total Revenues	14,997,079	15,209,022	7,171,736	(8,037,286)
Expenditures:				
Education	435,479	1,163,363	195,244	(968,119)
Human Services	8,174,156	7,388,451	3,204,380	(4,184,071)
Public Safety	749,339	812,038	311,406	(500,632)
Economic and Community Development	867,227	977,869	237,747	(740,123)
Natural Resources	938,351	1,191,724	409,941	(781,782)
Transportation	3,556,982	3,836,399	1,353,190	(2,483,209)
Consumer and Business Services	392,206	393,158	167,601	(225,557)
Administration	1,554,396	1,628,952	697,867	(931,084)
Legislative	9,423	33,237	3,437	(29,800)
Judicial	275,795	267,962	35,175	(232,787)
Total Expenditures	16,953,354	17,693,153	6,615,988	(11,077,165)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,956,275)	(2,484,131)	555,748	3,039,879
Other Financing Sources (Uses):				
Transfers from Other Funds	5,691,717	5,846,499	3,294,277	(2,552,223)
Transfers to Other Funds	(7,439,227)	(7,595,943)	(3,168,377)	4,427,566
Long-term Debt Issued	709,145	753,861	157,800	(596,061)
Debt Issuance Premium	-	-	16,689	16,689
Loan Proceeds	-	-	1,000	1,000
Gain (Loss) on Disposition of Assets	-	-	1,147	1,147
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (2,994,640)</u>	<u>\$ (3,479,713)</u>	858,283	<u>\$ 4,337,997</u>
Budgetary Fund Balances - Beginning			4,436,916	
Prior Period Adjustments			214	
Budgetary Fund Balances - Beginning - As Restated			4,437,129	
Prior Biennium Transactions			(837,261)	
Budgetary Fund Balances - Ending			<u>\$ 4,458,151</u>	

Total All Budgeted Appropriated Funds			
2017-2019 Original Budget	2017-2019 Final Budget	1st Year Actual	Variance Over/ (Under)
\$17,158,059	\$ 17,158,059	\$ 8,624,694	\$ (8,533,365)
1,071,477	1,071,477	736,786	(334,691)
534,236	534,236	248,827	(285,409)
1,274,112	1,274,112	533,976	(740,136)
742,502	742,502	302,716	(439,787)
754,789	754,789	328,162	(426,626)
2,134,441	2,200,960	1,163,565	(1,037,395)
1,047,268	1,064,259	589,346	(474,913)
17,446,778	17,774,634	9,418,375	(8,356,259)
4,588,896	4,607,786	1,616,558	(2,991,228)
166,915	167,996	93,727	(74,269)
115,164	115,172	57,442	(57,730)
243,646	243,646	103,998	(139,648)
671,570	673,636	165,959	(507,678)
33,800	33,581	20,278	(13,303)
390,935	390,935	186,719	(204,216)
2,165,116	2,275,480	1,753,748	(521,732)
50,539,703	51,083,261	25,944,874	(25,138,386)
12,425,915	13,352,490	6,008,010	(7,344,479)
29,920,014	29,523,140	14,021,829	(15,501,311)
3,780,668	3,911,870	1,746,120	(2,165,750)
1,454,427	1,583,176	517,506	(1,065,669)
1,674,722	1,972,157	706,527	(1,265,631)
3,817,745	4,088,527	1,447,666	(2,640,861)
423,534	425,462	181,220	(244,242)
1,863,217	1,933,506	847,049	(1,086,457)
334,409	339,182	53,061	(286,121)
1,031,384	1,029,509	404,371	(625,138)
56,726,034	58,159,019	25,933,360	(32,225,659)
(6,186,331)	(7,075,759)	11,514	7,087,273
8,738,020	9,133,544	4,732,757	(4,400,787)
(9,176,371)	(9,465,824)	(3,772,976)	5,692,848
709,145	753,861	157,800	(596,061)
-	-	16,689	16,689
-	-	1,000	1,000
-	-	1,147	1,147
\$ (5,915,537)	\$ (6,654,178)	1,147,931	\$ 7,802,108
		6,060,110	
		583	
		6,060,691	
		(1,031,421)	
		\$ 6,177,200	

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

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

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

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual-Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2017-2019 biennium as of June 30, 2018. 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 RSI Note 1) with actual data on a budgetary basis.

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2018, is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net position.

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses (In Thousands)

GAAP Fund	Budgetary Balances Classified into GAAP Fund Structure					Timing Differences	Basis Differences	Non- Budgeted Funds	GAAP Balances
	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds				
General	\$ (64,204)	\$ 1,962	\$ 220,591	\$ 2,420	\$ 160,768	\$ (103,630)	\$ 4,413,375	\$ (3,741,734)	\$ 728,780
Health and Social Services	-	(68,566)	2,484	319,282	253,200	(89,105)	(87,715)	(130,606)	(54,225)
Public Transportation	-	751	-	25,753	26,505	(77,112)	56,939	2,011	8,344
Educational Support	-	67,545	99,522	38,778	205,845	(237,294)	2,201	(79,150)	(108,397)
Common School	-	-	-	(10,114)	(10,114)	(763)	(1,760)	73,363	60,726
Nonmajor Governmental	-	(37,244)	66,776	266,062	295,594	(143,402)	(5,804)	92,400	238,788
Housing and Community Services	-	-	-	(2,136)	(2,136)	(307)	(173)	6,113	3,497
Veterans' Loan	-	-	-	(4,939)	(4,939)	(184)	485	13,776	9,138
Lottery Operations	-	-	-	-	-	-	-	(14,391)	(14,391)
Unemployment Compensation	-	-	-	-	-	-	-	557,640	557,640
Nonmajor Enterprise	-	30	-	(42,009)	(41,979)	(47,838)	(4,437)	56,848	(37,406)
Internal Service	-	-	-	263,520	263,520	(290,911)	(14,855)	(44,795)	(87,041)
Pension and Other Employee Benefit Trust	-	-	-	1,667	1,667	1,157,376	(44,781)	2,939,011	4,053,273
Private Purpose Trust	-	-	-	-	-	-	-	(4,154)	(4,154)
Investment Trust	-	-	-	-	-	-	-	564,749	564,749
Totals	\$ (64,204)	\$ (35,522)	\$ 389,373	\$ 858,283	\$ 1,147,931	\$ 166,831	\$ 4,313,477	\$ 291,081	\$ 5,919,319

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

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

¹ 10-year trend information will be presented prospectively.

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

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

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

¹ 10-year trend information will be presented prospectively.

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

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

	<u>2017²</u>
Retiree Health Insurance Account (RHIA)	
Proportion of the net OPEB liability/(asset)	23.3603%
Proportionate share of the net OPEB liability/(asset)	\$ (9,749)
Covered payroll	2,293,042
Employer net OPEB liability/(asset) as a percentage of covered payroll	(0.4%)
Plan fiduciary net position as a percentage of the total OPEB liability	108.9%

¹ 10-year trend information will be presented prospectively.

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

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

	2018
Retiree Health Insurance Account (RHIA)	
Contractually required contributions	\$ 11,210
Contributions in relation to the contractually required contributions	11,210
Contribution deficiency	-
Covered payroll	2,188,520
Contributions as a percentage of covered payroll	0.51%

¹ 10-year trend information will be presented prospectively.

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

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

¹ 10-year trend information will be presented prospectively.

Notes to schedule of OPEB plan contributions:

Actuarial assumptions and methods used to set the actuarially determined contributions

	RHIPA
Actuarial valuation	December 31, 2015
Effective	July 2017 - June 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	10 years
Asset valuation method	Market value
Remaining amortization periods	20 years
Actuarial assumptions:	
Inflation rate	2.50 percent
Healthcare cost trend rate	Graded from 6.3 percent in 2016 to 4.4 percent in 2094.
Projected salary increases	3.50 percent
Investment rate of return	7.50 percent

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

Retiree Health Insurance Premium Account (RHIPA)

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

Plan Fiduciary Net Position

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

Net OPEB Liability **\$ 46.6**

Plan fiduciary net position as a percentage of the total OPEB liability	34.3%
Covered payroll	\$ 1,327.1
Net OPEB liability as a percentage of covered payroll	3.5%

¹ 10-year trend information will be presented prospectively.

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

		2018²
Public Employees Benefit Board (PEBB)		
Proportion of the total OPEB liability		73.0657%
Proportionate share of the total OPEB liability	\$	108,548
Covered-employee payroll		2,381,726
Government's total OPEB liability as a percentage of covered-employee payroll		4.6%

¹ 10-year trend information will be presented prospectively.

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

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

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

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

Public Employees Benefit Board (PEBB)

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

¹ 10-year trend information will be presented prospectively.

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

Change of assumptions

Due to significant changes in the tiering structure of PEBB's premiums in 2018, the retiree election rate assumption was increased from 15 percent to 30 percent. Additionally, spousal election assumptions were lowered from 85 percent to 60 percent for male members and 60 percent to 35 percent for female members. The updated assumptions are consistent with the consulting actuary's experience with comparable governmental entities in Oregon. Spouses are now assumed to maintain coverage upon the retiree's death or age 65, whereas in the prior actuarial valuation 50 percent of spouses were assumed to drop coverage at that time. Future dental coverage assumptions have been increased; 85 percent of active members who elect medical coverage upon retirement are also assumed to elect dental coverage upon retirement (formerly 80 percent).



Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

Agricultural Resources Fund

This fund accounts for programs related to the promotion, inspection, and regulation of the State's agricultural industry. Funding for these programs include licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Federal grants, donations, and transfers from other funds comprise the main funding sources for these programs.

Community Protection Fund

This fund accounts for a variety of activities that help to ensure the safety of the State's citizens and their property through the courts, police, military, and correctional facilities. The main funding sources for these programs include federal grants, fines, and state court fees.

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Public utilities taxes and business license fees comprise the main funding sources.

Employment Services Fund

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

Environmental Management Fund

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

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants provide the main source of revenue for these programs.

Residential Assistance Fund

This fund accounts for programs that help to meet the housing and energy needs of low-income Oregonians. Major funding sources include federal grants, senior citizen property tax repayments, and public utilities taxes.

Other Special Revenue Funds

This fund accounts for a variety of small programs that are funded mainly by federal grants and charges for services.

Debt Service Funds

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

Revenue Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term revenue bonds not reported in proprietary funds. The portion of these bonds that is not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

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

General Obligation Bond Fund

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

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund

The permanent fund is used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs. These earnings provide funding for programs such as the upkeep on fish hatcheries, scholarship funds for injured workers, special library book purchases, and homes for the developmentally disabled.

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018
(In Thousands)**

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	\$ 32,619	\$ 69,660	\$ 414,095
Investments	-	27,104	-
Custodial Assets	-	-	-
Securities Lending Collateral	491	2,148	8,562
Accounts and Interest Receivable (net)	3,751	530	68,672
Taxes Receivable (net)	-	-	-
Due from Other Funds	129	8,686	26,975
Due from Component Units	-	-	-
Inventories	122	30	1,028
Prepaid Items	54	-	-
Net Contracts, Notes, and Other Receivables	19	65	177,790
Loans Receivable (net)	-	3,832	-
Other Assets	-	1,237	-
Total Assets	\$ 37,185	\$ 113,291	\$ 697,122
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 865	\$ 795	\$ 32,897
Obligations Under Securities Lending	491	2,148	8,562
Due to Other Funds	6	-	69,443
Due to Component Units	251	438	-
Due to Other Governments	-	124	4,647
Unearned Revenue	10	-	3,492
Custodial Liabilities	505	-	1,490
Contracts, Mortgages, and Notes Payable	-	-	500
Advances from Other Funds	-	-	-
Total Liabilities	2,128	3,506	121,032
Deferred Inflows of Resources:			
Unavailable Revenue	19	65	177,790
Total Deferred Inflows of Resources	19	65	177,790
Fund Balances:			
Nonspendable	202	32	1,089
Restricted by:			
Federal Laws and Regulations	22	17,018	13,038
Oregon Constitution	169	24,893	14,688
Enabling Legislation	31,555	8,816	35,184
Debt Covenants	-	13,870	204,429
Donors and Other External Parties	-	-	1,321
Committed	7	45,054	107,079
Assigned	3,084	37	21,472
Unassigned	-	-	-
Total Fund Balances	35,037	109,721	398,300
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 37,185	\$ 113,291	\$ 697,122

State of Oregon

Special Revenue Funds

Consumer Protection	Employment Services	Environmental Management	Nutritional Support	Residential Assistance	Other Special Revenue
\$ 268,791	\$ 212,202	\$ 527,799	\$ 1,452	\$ 147,905	\$ 35,247
-	159,933	1,365	-	14,579	-
14,295	-	55	-	-	-
5,607	3,085	11,038	36	3,083	813
6,434	61,902	52,973	18,980	6,071	336
10,845	11,710	1,181	-	3,091	-
3,401	5,179	14,783	-	7,624	10
-	8,886	-	-	-	-
83	1,639	9,804	78	24	1,408
715	1,253	72	-	21	26
4,451	85,771	66,866	19	38,187	1
-	-	451,843	-	211,639	-
-	-	-	-	-	-
\$ 314,623	\$ 551,560	\$ 1,137,777	\$ 20,566	\$ 432,223	\$ 37,841
\$ 2,071	\$ 9,308	\$ 22,992	\$ 11,808	\$ 6,995	\$ 643
5,607	3,085	11,038	36	3,083	813
11,231	3,364	27,511	93	154	1,695
-	11,300	552	4	-	189
4,913	473	35,406	3,644	3,050	-
-	-	10,947	31	47	-
14,650	611	2,942	-	-	12
-	-	-	-	-	-
-	-	911	-	-	-
38,472	28,140	112,300	15,616	13,330	3,353
4,451	86,113	67,312	19	38,187	1
4,451	86,113	67,312	19	38,187	1
805	2,994	9,725	78	44	55
704	80,754	684,377	3,984	49,651	9,982
-	-	8,206	-	-	-
233,334	192,823	100,967	869	67,399	6,139
-	-	89,173	-	22,148	14,359
1,136	-	3,761	-	22,245	3,115
35,738	158,511	51,190	-	183,975	799
-	2,224	10,766	-	35,246	38
(17)	-	-	-	-	-
271,700	437,306	958,166	4,931	380,707	34,487
\$ 314,623	\$ 551,560	\$ 1,137,777	\$ 20,566	\$ 432,223	\$ 37,841

(continued on next page)

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018
(In Thousands)**
(continued from previous page)

	Debt Service Funds		
	Revenue Bond	Certificates of Participation	General Obligation Bond
ASSETS			
Cash and Cash Equivalents	\$ 187,520	\$ 602	\$ 68,977
Investments	2,523	-	-
Custodial Assets	-	-	-
Securities Lending Collateral	-	-	-
Accounts and Interest Receivable (net)	-	-	511
Taxes Receivable (net)	-	-	-
Due from Other Funds	49,935	-	236
Due from Component Units	-	-	3,876
Inventories	-	-	-
Prepaid Items	14	-	-
Net Contracts, Notes, and Other Receivables	-	-	-
Loans Receivable (net)	-	-	-
Other Assets	-	-	-
Total Assets	\$ 239,992	\$ 602	\$ 73,600
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ -	\$ -	\$ -
Obligations Under Securities Lending	-	-	-
Due to Other Funds	1,877	-	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Custodial Liabilities	-	-	-
Contracts, Mortgages, and Notes Payable	-	-	-
Advances from Other Funds	-	-	-
Total Liabilities	1,877	-	-
Deferred Inflows of Resources:			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable	14	-	-
Restricted by:			
Federal Laws and Regulations	-	-	-
Oregon Constitution	116,930	-	-
Enabling Legislation	-	-	-
Debt Covenants	121,171	601	73,467
Donors and Other External Party	-	-	-
Committed	-	-	-
Assigned	-	-	133
Unassigned	-	-	-
Total Fund Balances	238,115	602	73,600
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 239,992	\$ 602	\$ 73,600

Capital Projects	Permanent	Total
\$ 181,082	\$ 9,830	\$ 2,157,780
-	6,555	212,059
-	-	14,350
-	462	35,327
3,407	-	223,566
-	-	26,827
921	-	117,880
-	-	12,762
1	-	14,216
-	-	2,155
-	-	373,169
-	-	667,314
-	-	1,237
<u>\$ 185,411</u>	<u>\$ 16,847</u>	<u>\$ 3,858,640</u>

\$ 4,541	\$ -	\$ 92,915
-	462	35,327
7,872	4	123,250
-	-	12,734
-	-	52,258
-	-	14,528
-	-	20,210
-	-	500
-	-	911
<u>12,413</u>	<u>466</u>	<u>352,633</u>

-	-	373,957
-	-	373,957

1	15,277	30,315
-	-	859,530
23,311	-	188,198
32	1,055	678,173
145,349	-	684,566
166	50	31,793
360	-	582,711
3,781	-	76,781
-	-	(17)
<u>172,998</u>	<u>16,381</u>	<u>3,132,050</u>

<u>\$ 185,411</u>	<u>\$ 16,847</u>	<u>\$ 3,858,640</u>
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State of Oregon

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018
(In Thousands)**

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
REVENUES			
Employer-Employee Taxes	\$ -	\$ -	\$ -
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	21,290	3,559	28,255
Federal	7,110	13,131	198,209
Rebates and Recoveries	144	22	2,815
Charges for Services	9,937	385	46,202
Fines, Forfeitures, and Penalties	59	327	57,963
Rents and Royalties	-	-	1,547
Investment Income	448	1,220	4,519
Sales	26	2,196	2,467
Assessments	-	-	-
Donations and Grants	423	19,529	2,513
Contributions to Permanent Funds	-	-	-
Unclaimed Property Revenue	-	-	17
Other	295	1,085	26,102
Total Revenues	39,731	41,454	370,611
EXPENDITURES			
Current:			
Education	-	-	-
Human Resources	-	-	2,394
Public Safety	-	2,637	356,878
Economic and Community Development	-	66,153	57,809
Natural Resources	44,590	13	-
Transportation	-	-	12,377
Consumer and Business Services	-	-	-
Administration	-	2,972	7,689
Legislative	-	-	-
Judicial	-	-	76,374
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	60
Interest	-	-	12
Other Debt Service	-	-	468
Total Expenditures	44,590	71,775	514,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,859)	(30,321)	(143,450)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	5,588	43,730	123,324
Transfers to Other Funds	(852)	(4,519)	(106,752)
Insurance Recoveries	-	-	67
Long-term Debt Issued	-	-	43,209
Debt Issuance Premium	-	-	6,441
Refunding Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	4,736	39,211	66,288
Net Change in Fund Balances	(123)	8,890	(77,162)
Fund Balances - Beginning	35,178	102,542	475,985
Prior Period Adjustments	(49)	(1,721)	(487)
Fund Balances - Beginning - As Restated	35,129	100,822	475,497
Change in Inventories	31	8	(35)
Fund Balances - Ending	\$ 35,037	\$ 109,721	\$ 398,300

State of Oregon

Special Revenue Funds

Consumer Protection	Employment Services	Environmental Management	Nutritional Support	Residential Assistance	Other Special Revenue
\$ -	\$ 81,839	\$ -	\$ -	\$ -	\$ -
-	66,782	-	-	-	-
81,501	-	25,596	-	38,838	-
172,614	2,456	175,599	-	47	-
7,089	198,276	139,801	1,144,039	119,606	7,856
40	247	670	14,394	518	-
2,869	24,298	45,283	1,495	6,474	6,217
3,047	31,862	1,050	-	1,367	-
-	267	2,048	-	-	286
3,330	3,708	18,190	12	9,030	222
13	374	147,744	-	-	1,430
-	45,125	-	-	-	-
-	-	4,234	-	724	1,560
-	-	-	-	-	-
-	-	-	-	-	-
434	960	4,880	-	94	570
270,937	456,194	565,095	1,159,939	176,698	18,142
3,232	55,482	-	201,166	-	-
4,199	-	-	956,482	-	-
-	-	-	-	-	-
-	143,350	-	-	198,579	899
3,442	-	559,156	-	52	-
41	-	-	-	-	-
148,671	131,722	-	-	3,749	-
23,190	1,066	-	25	534	7,758
-	-	-	-	-	1,296
-	-	-	-	-	-
-	-	-	-	-	-
-	-	162	-	-	100
-	-	612	-	-	533
-	-	106	-	200	63
182,775	331,620	560,036	1,157,673	203,114	10,649
88,163	124,574	5,059	2,266	(26,416)	7,493
74,482	24	70,440	175	46,742	1,251
(41,902)	(60,976)	(43,430)	(1,198)	(3,157)	(2,221)
12	-	7,072	-	-	-
-	-	9,535	-	-	11,810
-	-	1,309	-	-	1,974
-	-	-	-	-	-
-	-	-	-	-	-
32,593	(60,952)	44,925	(1,023)	43,585	12,813
120,756	63,621	49,984	1,243	17,169	20,306
150,919	373,213	907,739	3,610	363,630	14,189
-	1	145	-	5	(5)
150,918	373,214	907,884	3,610	363,635	14,184
26	470	298	78	(98)	(4)
\$ 271,700	\$ 437,306	\$ 958,166	\$ 4,931	\$ 380,707	\$ 34,487

(continued on next page)

State of Oregon

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018
(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	10,081	2,423	-
Rebates and Recoveries	-	-	-
Charges for Services	-	-	-
Fines, Forfeitures, and Penalties	-	-	-
Rents and Royalties	-	-	-
Investment Income	2,840	24	2,354
Sales	-	-	-
Assessments	-	-	-
Donations and Grants	-	-	-
Contributions to Permanent Funds	-	-	-
Unclaimed Property Revenue	-	-	-
Other	-	-	44,174
Total Revenues	12,921	2,447	46,528
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	128,537	3,741	106,841
Interest	151,489	3,055	106,274
Other Debt Service	740	-	-
Total Expenditures	280,767	6,796	213,115
Excess (Deficiency) of Revenues Over (Under) Expenditures	(267,845)	(4,349)	(166,587)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	314,319	4,340	169,240
Transfers to Other Funds	(35,976)	-	(213)
Insurance Recoveries	-	-	-
Long-term Debt Issued	-	-	-
Debt Issuance Premium	20,089	-	-
Refunding Debt Issued	132,800	-	-
Refunded Debt Payment to Escrow Agent	(154,563)	-	-
Total Other Financing Sources (Uses)	276,669	4,340	169,027
Net Change in Fund Balances	8,824	(9)	2,440
Fund Balances - Beginning	229,192	611	71,210
Prior Period Adjustments	100	-	(50)
Fund Balances - Beginning - As Restated	229,292	611	71,160
Change in Inventories	-	-	-
Fund Balances - Ending	\$ 238,115	\$ 602	\$ 73,600

<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
\$ -	\$ -	\$ 81,839
-	-	66,782
-	-	145,935
-	-	403,820
18,244	-	1,865,866
3	-	18,852
-	-	143,160
-	-	95,674
-	-	4,148
2,627	34	48,559
61	-	154,312
-	-	45,125
208	-	29,191
-	50	50
-	-	17
5,637	-	84,231
<u>26,780</u>	<u>85</u>	<u>3,187,562</u>
-	-	259,879
-	1	963,075
-	-	359,515
-	-	466,790
-	-	607,253
-	-	12,417
-	13	284,156
-	-	43,234
-	-	1,296
-	-	76,374
73,152	-	73,152
-	-	239,441
-	-	261,975
-	-	1,578
<u>73,152</u>	<u>14</u>	<u>3,650,137</u>
(46,372)	71	(462,575)
6,611	750	861,016
(26,301)	(15)	(327,511)
-	-	7,151
82,948	-	147,502
5,156	-	34,968
-	-	132,800
-	-	(154,563)
<u>68,415</u>	<u>735</u>	<u>701,363</u>
<u>22,043</u>	<u>805</u>	<u>238,788</u>
152,683	17,707	2,898,407
(305)	(2,131)	(4,496)
<u>152,378</u>	<u>15,576</u>	<u>2,893,910</u>
(1,423)	-	(648)
<u>\$ 172,998</u>	<u>\$ 16,381</u>	<u>\$ 3,132,050</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, 2018
(In Thousands)**

	Energy Loan	Business Development	Special Public Works	State Hospitals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 6,863	\$ 23,548	\$ 86,150	\$ 3,789
Cash and Cash Equivalents - Restricted	6,060	-	-	-
Investments	-	-	10,797	-
Securities Lending Collateral	346	543	2,212	87
Accounts and Interest Receivable (net)	493	51	4,162	2,822
Due from Other Funds	-	-	-	18,994
Due from Component Units	6,100	-	-	-
Inventories	-	-	-	1,058
Prepaid Items	-	-	-	430
Loans Receivable	6,176	1,647	9,086	-
Foreclosed and Deeded Property	-	-	-	27
Total Current Assets	<u>26,038</u>	<u>25,789</u>	<u>112,408</u>	<u>27,208</u>
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	2,090	-	891	-
Advances to Other Funds	-	-	-	-
Advances to Component Units	91,125	-	-	-
Net Contracts, Notes, and Other Receivables	-	-	-	-
Loans Receivable (net)	35,832	17,602	142,230	-
Net OPEB Asset	1	2	4	622
Capital Assets:				
Land	-	-	-	15
Buildings, Property, and Equipment	264	-	-	476,156
Construction in Progress	-	-	-	3
Infrastructure	-	-	-	3,661
Works of Art and Other Nondepreciable Assets	-	-	-	-
Less Accumulated Depreciation and Amortization	(264)	-	-	(70,598)
Total Noncurrent Assets	<u>129,047</u>	<u>17,604</u>	<u>143,125</u>	<u>409,859</u>
Total Assets	<u>155,085</u>	<u>43,393</u>	<u>255,533</u>	<u>437,067</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Refunding	3,214	-	-	-
Related to Pensions	93	216	415	67,230
Related to OPEB	2	4	10	1,502
Total Deferred Outflows of Resources	<u>3,309</u>	<u>220</u>	<u>425</u>	<u>68,732</u>

State of Oregon

	Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$	57,993	\$ style="text-align: right;">63,379	\$ style="text-align: right;">19,152	\$ style="text-align: right;">30,776	\$ style="text-align: right;">127,010	\$ style="text-align: right;">63,980	\$ style="text-align: right;">482,641
	-	-	-	-	-	-	6,060
	-	-	-	-	-	-	10,797
	929	1,187	442	710	2,650	1,304	10,410
	549	10,729	3,991	1,428	1,626	3,374	29,226
	-	-	-	-	57	35	19,087
	-	-	-	-	-	136	6,236
	32,459	-	-	-	-	8,534	42,051
	-	-	-	-	-	354	784
	-	-	-	5,254	7,455	1,277	30,895
	-	-	-	-	-	-	27
	91,930	75,295	23,586	38,168	138,799	78,994	638,214
	-	-	4	229	-	-	3,214
	-	-	-	-	-	19	19
	-	-	-	-	-	-	91,125
	-	-	63	-	-	-	63
	-	-	-	77,135	140,307	11,152	424,258
	61	1	1	2	1	54	749
	1,481	-	4,648	-	-	3,280	9,424
	34,730	-	53,616	-	-	49,103	613,870
	-	-	5,719	-	-	116	5,839
	-	-	-	-	-	-	3,661
	25	-	107	-	-	-	132
	(17,034)	-	(10,290)	-	-	(31,816)	(130,003)
	19,263	1	53,868	77,366	140,308	31,909	1,022,352
	111,193	75,296	77,454	115,534	279,107	110,903	1,660,566
	-	-	-	-	-	-	3,214
	6,121	142	103	178	88	5,408	79,995
	110	3	2	4	2	111	1,751
	6,231	145	105	183	90	5,519	84,960

(continued on next page)

State of Oregon

**Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2018
(In Thousands)**
(continued from previous page)

	Energy Loan	Business Development	Special Public Works	State Hospitals
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	1,846	5	463	6,927
Obligations Under Securities Lending	346	543	2,212	87
Due to Other Funds	17	2	3	20,500
Due to Component Units	-	-	-	719
Unearned Revenue	1,040	-	-	-
Compensated Absences Payable	15	37	88	8,096
Claims and Judgments Payable	-	-	-	-
Custodial Liabilities	-	-	-	-
Contracts, Mortgages, and Notes Payable	5	3	9	1,266
Bonds/COPs Payable	15,990	-	1,925	-
Total Current Liabilities	19,259	590	4,700	37,596
Noncurrent Liabilities:				
Compensated Absences Payable	8	20	48	4,360
Custodial Liabilities	2,090	-	-	-
Contracts, Mortgages, and Notes Payable	80	44	138	19,779
Net Pension Liability	278	614	1,108	177,859
Bonds/COPs Payable	149,847	-	38,860	-
Net OPEB Liability	4	8	14	2,250
Total OPEB Liability	6	18	40	8,353
Total Noncurrent Liabilities	152,312	704	40,208	212,601
Total Liabilities	171,571	1,293	44,907	250,197
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	2	5	9	1,486
Related to OPEB	1	1	3	495
Total Deferred Inflows of Resources	3	7	12	1,981
NET POSITION				
Net Investment in Capital Assets	-	-	-	409,238
Restricted for:				
Natural Resource Programs	-	-	-	-
Capital Projects	-	-	-	-
OPEB	1	2	4	622
Unrestricted	(13,182)	42,311	211,034	(156,238)
Total Net Position	\$ (13,181)	\$ 42,314	\$ 211,038	\$ 253,621

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/Wastewater Financing	Safe Drinking Water	Other	Total
29,735	1,168	3,440	225	17	4,000	47,825
929	1,187	442	710	2,650	1,304	10,410
29,292	84	44	2	-	2,797	52,741
-	-	-	-	-	-	719
269	-	249	-	-	-	1,558
860	16	13	37	13	875	10,052
-	9,200	-	-	-	-	9,200
809	-	-	-	-	20,304	21,113
112	1	255	4	3	121	1,778
-	-	-	560	-	-	18,475
62,005	11,656	4,443	1,537	2,683	29,401	173,870
463	9	7	20	7	315	5,257
-	-	-	-	-	-	2,090
1,753	22	26	56	43	2,091	24,031
17,378	369	281	463	243	15,577	214,172
-	-	-	9,810	-	-	198,517
220	5	4	6	3	197	2,709
617	12	14	18	8	490	9,576
20,431	416	332	10,373	305	18,671	456,352
82,436	12,072	4,775	11,910	2,988	48,072	630,223
145	3	2	4	2	130	1,789
44	1	1	1	1	38	585
189	4	3	5	3	168	2,374
19,202	-	53,800	-	-	20,683	502,923
-	-	-	-	-	66	66
-	-	338	-	-	-	338
61	1	1	2	1	54	749
15,535	63,364	18,642	103,800	276,206	47,379	608,853
\$ 34,798	\$ 63,366	\$ 72,781	\$ 103,802	\$ 276,207	\$ 68,183	\$ 1,112,928

State of Oregon

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018
(In Thousands)**

	Energy Loan	Business Development	Special Public Works	State Hospitals
OPERATING REVENUES:				
Licenses and Fees	\$ -	\$ -	\$ -	\$ 3
Federal	-	-	-	-
Rebates and Recoveries	-	-	-	9
Charges for Services	-	42	-	90,436
Fines, Forfeitures, and Penalties	103	-	-	-
Rents and Royalties	-	106	-	57
Sales	-	-	-	1,090
Loan Interest Income	7,026	870	5,361	-
Other	-	23	326	408
Total Operating Revenues	7,129	1,041	5,687	92,003
OPERATING EXPENSES:				
Salaries and Wages	390	853	1,781	325,657
Services and Supplies	169	197	755	84,195
Cost of Goods Sold	-	-	-	-
Distributions to Other Governments	-	-	4,130	-
Special Payments	3	-	-	91
Bond and COP Interest	5,946	-	1,337	-
Depreciation and Amortization	-	-	-	11,316
Bad Debt Expense	393	-	-	-
Total Operating Expenses	6,901	1,049	8,004	421,259
Operating Income (Loss)	228	(9)	(2,316)	(329,256)
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	252	411	1,505	-
Other Taxes	-	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-	(18)
Settlement Activities	-	-	-	-
Other Interest Expense	(6)	(3)	(10)	(1,386)
Other Nonoperating Items	(2)	(3)	(10)	-
Total Nonoperating Revenues (Expenses)	245	405	1,485	(1,404)
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	473	397	(831)	(330,660)
Capital Contributions	-	-	-	-
Transfers from Other Funds	-	-	893	296,569
Transfers to Other Funds	(3,305)	(210)	(4,715)	(10,817)
Change in Net Position	(2,832)	186	(4,654)	(44,908)
Net Position - Beginning	(8,558)	42,144	196,723	304,711
Prior Period Adjustments	(1,795)	-	18,998	-
Cumulative Effect of Change in Accounting Principles	5	(17)	(29)	(6,181)
Net Position - Beginning - As Restated	(10,348)	42,127	215,692	298,530
Net Position - Ending	\$ (13,181)	\$ 42,314	\$ 211,038	\$ 253,621

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 5,054	\$ -	\$ -	\$ -	\$ -	\$ 3,081	\$ 8,138
-	-	20,261	-	-	-	20,261
-	-	-	-	-	-	9
-	137,827	18,315	-	-	24,440	271,060
383	-	-	-	-	17	503
-	-	24	-	-	-	187
628,141	-	-	-	-	25,285	654,516
-	-	-	2,715	2,638	414	19,024
350	28,358	86	-	-	1,320	30,870
633,927	166,185	38,686	2,715	2,638	54,557	1,004,568
24,383	593	406	803	361	7,850	363,076
68,944	15,493	35,010	156	19	17,311	222,249
308,713	-	-	-	-	28,680	337,393
67,782	-	-	3,157	107	712	75,888
310	142,937	-	-	7,110	263	150,714
-	-	-	704	-	-	7,987
1,061	-	1,448	-	-	2,145	15,969
-	-	-	-	-	-	393
471,193	159,023	36,864	4,820	7,596	56,961	1,173,670
162,735	7,162	1,822	(2,105)	(4,958)	(2,404)	(169,102)
-	977	276	502	2,300	309	6,532
18,455	-	-	-	-	-	18,455
(467)	-	-	-	-	(4)	(489)
-	-	-	-	-	132	132
(123)	(2)	(2)	(4)	(3)	(132)	(1,670)
-	(6)	(2)	(3)	(14)	(2)	(41)
17,865	970	272	495	2,283	302	22,919
180,600	8,132	2,094	(1,610)	(2,675)	(2,101)	(146,183)
-	-	2,769	-	-	-	2,769
3,937	-	62	4,118	15,007	38	320,624
(187,101)	(22)	(15)	(3,580)	(13)	(4,837)	(214,616)
(2,564)	8,109	4,910	(1,073)	12,319	(6,900)	(37,406)
37,746	55,270	67,841	104,889	263,892	68,119	1,132,776
-	-	46	-	-	7,367	24,615
(383)	(14)	(16)	(14)	(4)	(403)	(7,056)
37,362	55,256	67,871	104,875	263,888	75,083	1,150,335
\$ 34,798	\$ 63,366	\$ 72,781	\$ 103,802	\$ 276,207	\$ 68,183	\$ 1,112,928

State of Oregon

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018
(In Thousands)**

	Energy Loan	Business Development	Special Public Works	State Hospitals
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 103	\$ 148	\$ -	\$ 19,038
Receipts from Other Funds for Services	-	-	-	63,816
Payments to Employees for Services	(330)	(735)	(1,736)	(307,374)
Payments to Suppliers	(58)	(26)	(91)	(49,887)
Payments to Other Funds for Services	(781)	(154)	(249)	(31,026)
Claims Paid	-	-	-	-
Distributions to Other Governments	-	-	(4,130)	-
Other Receipts (Payments)	369	-	-	294
Net Cash Provided (Used) in Operating Activities	(697)	(767)	(6,207)	(305,139)
Cash Flows from Noncapital Financing Activities:				
Proceeds from Bond/COP Sales	-	-	35,496	-
Advances Received	-	-	-	15,099
Principal Payments on Bonds/COPs	(17,470)	-	(24,790)	-
Principal Payments on Loans	(5)	(3)	(9)	(1,266)
Interest Payments on Bonds/COPs	(6,984)	-	(1,703)	-
Interest Payments on Loans	(6)	(3)	(10)	(1,386)
Bond/COP Issuance Costs	-	-	(398)	-
Taxes and Assessments Received	-	-	-	-
Transfers from Other Funds	-	-	893	296,569
Transfers to Other Funds	(3,302)	(211)	(4,715)	(10,817)
Net Cash Provided (Used) in Noncapital Financing Activities	(27,767)	(216)	4,764	298,199
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	-	-	-	(457)
Payments on Capital Leases	-	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-	-
Capital Contributions	-	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-	(457)
Cash Flows from Investing Activities:				
Interest on Investments and Cash Balances	250	408	1,518	-
Interest Income from Securities Lending	2	3	13	-
Interest Expense from Securities Lending	(2)	(3)	(10)	-
Loan Principal Repayments	15,161	2,597	12,606	-
Loan Interest Received	7,515	873	5,063	-
Loans Made	-	(3,256)	(19,271)	-
Net Cash Provided (Used) in Investing Activities	22,927	622	(81)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(5,537)	(361)	(1,524)	(7,398)
Cash and Cash Equivalents - Beginning	20,549	23,908	88,566	11,187
Cash and Cash Equivalents - Ending	\$ 15,012	\$ 23,548	\$ 87,042	\$ 3,789

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 633,535	\$ 180,234	\$ 40,526	\$ -	\$ -	\$ 51,362	\$ 924,946
-	-	-	-	-	2,831	66,647
(20,522)	(546)	(402)	(664)	(320)	(22,477)	(355,104)
(369,432)	(15,439)	(33,115)	(36)	(3)	(28,065)	(496,153)
(8,918)	(69)	(1,170)	(268)	(11)	(1,546)	(44,191)
-	(142,437)	-	-	-	-	(142,437)
(63,186)	-	-	(3,177)	(107)	(1,005)	(71,604)
67	(1,260)	86	-	-	5,349	4,903
171,544	20,483	5,924	(4,144)	(440)	6,449	(112,994)
-	-	-	-	-	-	35,496
-	-	-	-	-	-	15,099
-	-	-	(6,435)	-	-	(48,695)
(112)	(1)	(2)	(4)	(3)	(121)	(1,526)
-	-	-	(859)	-	-	(9,546)
(123)	(2)	(2)	(4)	(3)	(132)	(1,670)
-	-	-	-	-	-	(398)
18,459	-	-	-	-	-	18,459
4,387	-	62	4,118	15,269	-	321,298
(174,090)	(22)	(15)	(3,580)	(388)	(2,333)	(199,473)
(151,479)	(25)	43	(6,764)	14,876	(2,586)	129,044
(1,049)	-	(6,254)	-	-	(1,654)	(9,414)
-	-	-	-	-	(23)	(23)
9	-	-	-	-	-	9
-	-	2,717	-	-	-	2,717
(1,040)	-	(3,538)	-	-	(1,677)	(6,712)
-	969	273	498	2,282	306	6,504
-	8	2	4	18	2	53
-	(6)	(2)	(3)	(14)	(2)	(41)
-	-	-	7,394	8,260	2,482	48,500
-	-	-	3,102	2,574	429	19,556
-	-	-	(5,844)	(27,586)	(654)	(56,612)
-	971	274	5,151	(14,467)	2,563	17,961
19,025	21,429	2,704	(5,757)	(31)	4,749	27,299
38,968	41,950	16,453	36,762	127,041	59,232	464,617
\$ 57,993	\$ 63,379	\$ 19,157	\$ 31,005	\$ 127,010	\$ 63,980	\$ 491,916

(continued on next page)

State of Oregon

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018
(In Thousands)

(continued from previous page)

	Energy Loan	Business Development	Special Public Works	State Hospitals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 228	\$ (9)	\$ (2,316)	\$ (329,256)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	-	-	-	11,316
Amortization of Bond/COP Premium and Discount	(1,318)	-	(154)	-
Bad Debt Expense	393	-	-	-
Interest Receipts Reported as Operating Revenue	(7,515)	(873)	(5,063)	-
Interest Payments Reported as Operating Expense	6,984	-	1,703	-
Bond/COP Issuance Costs Reported as Operating Expense	-	-	398	-
Net Changes in Assets and Liabilities:				
Accounts and Interest Receivable (net)	621	30	(224)	517
Due from Other Funds	-	-	-	(9,363)
Due from Component Units	-	-	-	-
Inventories	-	-	-	(566)
Prepaid Items	-	-	-	(430)
Loans Receivable	(1,210)	(23)	(375)	-
Accounts and Interest Payable	(217)	1	(217)	5,044
Due to Other Funds	-	(5)	2	(2)
Due to Component Units	-	-	-	79
Due to Other Governments	-	-	-	-
Unearned Revenue	436	-	-	-
Compensated Absences Payable	6	2	39	1,014
Claims and Judgments Payable	-	-	-	-
Custodial Liabilities	367	-	-	-
Net Pension Liability	21	4	(335)	(19,287)
Net OPEB Liability (Asset)	(1)	(4)	(12)	(1,392)
Total OPEB Liability	(1)	(1)	-	157
Net Changes in Deferred Outflows of Resources:				
Loss on Refunding	473	-	-	-
Related to Pensions	36	109	349	37,091
Related to OPEB	-	-	-	(168)
Net Changes in Deferred Inflows of Resources:				
Related to Pensions	-	(1)	(4)	(387)
Related to OPEB	1	1	3	495
Total Adjustments	(925)	(758)	(3,891)	24,117
Net Cash Provided (Used) by Operating Activities	\$ (697)	\$ (767)	\$ (6,207)	\$ (305,139)
Noncash Investing and Capital and Related Financing Activities:				
Net Change in Fair Value of Investments	\$ -	\$ -	\$ 26	\$ -
Capital Contributions	-	-	-	-
Noncash Assets Received Pursuant to Settlement Activities	-	-	-	-

State of Oregon

Liquor Control	Standard Retiree Health Insurance	Veterans' Home	Water/ Wastewater Financing	Safe Drinking Water	Other	Total
\$ 162,735	\$ 7,162	\$ 1,822	\$ (2,105)	\$ (4,958)	\$ (2,404)	\$ (169,102)
1,061	-	1,448	-	-	2,145	15,969
-	-	-	(8)	-	-	(1,480)
-	-	-	-	-	-	393
-	-	-	(3,102)	(2,574)	(429)	(19,556)
-	-	-	859	-	-	9,546
-	-	-	-	-	-	398
(266)	14,049	1,845	403	(67)	605	17,514
-	-	-	-	-	-	(9,363)
-	-	-	-	-	180	180
(2,196)	-	-	-	-	(672)	(3,434)
-	-	-	-	-	(68)	(498)
-	-	-	-	7,110	-	5,502
6,091	(1,299)	768	(163)	(1)	662	10,668
-	(1)	(43)	1	-	(36)	(84)
-	-	-	-	-	(85)	(6)
-	-	-	(20)	-	-	(20)
117	-	81	-	-	-	634
146	24	-	16	-	(101)	1,146
-	500	-	-	-	-	500
120	-	-	-	-	4,591	5,078
1,470	(10)	(85)	(184)	26	(1,304)	(19,683)
(85)	(2)	(3)	(6)	(1)	(116)	(1,622)
40	-	(1)	1	-	(29)	166
-	-	-	-	-	-	473
2,276	60	92	165	24	3,499	43,701
(2)	(1)	-	-	-	3	(168)
(6)	(1)	(1)	(2)	-	(30)	(433)
44	1	1	1	1	38	585
8,810	13,321	4,102	(2,039)	4,517	8,853	56,108
\$ 171,544	\$ 20,483	\$ 5,924	\$ (4,144)	\$ (440)	\$ 6,449	\$ (112,994)

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26
-	-	-	-	-	41	41
-	-	-	-	-	132	132

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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, 2018
(In Thousands)**

	Central Services	Legal Services	Banking Services
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 129,135	\$ 6,180	\$ 17,499
Cash and Cash Equivalents - Restricted	7,179	-	-
Investments - Restricted	70,574	-	-
Securities Lending Collateral	3,880	143	404
Accounts and Interest Receivable (net)	42,842	11,079	3,312
Due from Other Funds	21	1,465	7
Inventories	806	73	-
Prepaid Items	1,751	-	11
Total Current Assets	256,187	18,940	21,232
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	4,680	-	-
Advances to Other Funds	1,043	-	-
Net Contracts, Notes, and Other Receivables	7	9	-
Net OPEB Asset	227	209	46
Capital Assets:			
Land	10,317	-	-
Buildings, Property, and Equipment	585,908	7,525	4,023
Construction in Progress	5,015	57	-
Infrastructure	767	-	-
Works of Art and Other Nondepreciable Assets	215	-	-
Less Accumulated Depreciation and Amortization	(335,240)	(5,180)	(2,621)
Total Noncurrent Assets	272,940	2,620	1,449
Total Assets	529,127	21,560	22,681
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	855	-	-
Related to Pensions	24,589	21,867	4,901
Related to OPEB	535	451	96
Total Deferred Outflows of Resources	25,979	22,318	4,997
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	15,445	767	2,019
Obligations Under Securities Lending	3,880	143	404
Due to Other Funds	59,569	4	35
Unearned Revenue	1,036	-	-
Compensated Absences Payable	4,255	3,901	932
Claims and Judgments Payable	44,365	-	-
Custodial Liabilities	957	-	-
Contracts, Mortgages, and Notes Payable	5,941	406	70
Bonds/COPs Payable	4,820	-	-
Obligations Under Capital Lease	1,277	-	-
Total Current Liabilities	141,545	5,220	3,459
Noncurrent Liabilities:			
Compensated Absences Payable	2,291	2,100	502
Claims and Judgments Payable	144,943	-	-
Custodial Liabilities	7,742	-	-
Contracts, Mortgages, and Notes Payable	20,475	6,335	1,090
Net Pension Liability	65,058	59,669	13,129
Bonds/COPs Payable	61,254	-	-
Obligations Under Capital Lease	2,011	-	-
Advances from Other Funds	19	-	-
Net OPEB Liability	823	755	166
Total Noncurrent Liabilities	306,839	70,452	15,217
Total Liabilities	448,384	75,672	18,676
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	544	499	110
Related to OPEB	163	140	30
Total Deferred Inflows of Resources	706	638	140
NET POSITION			
Net Investment in Capital Assets	203,085	2,403	1,403
Restricted for:			
OPEB	227	209	46
Unrestricted	(97,297)	(35,043)	7,414
Total Net Position	\$ 106,016	\$ (32,431)	\$ 8,863

State of Oregon

	Audit Services	Forestry Services	Health Services	Other	Total
\$	2,917	\$ 7,486	\$ 357,502	\$ 2,486	\$ 523,205
	-	-	-	-	7,179
	-	-	-	-	70,574
	67	173	6,191	57	10,915
	1,541	391	8,516	90	67,770
	-	20	1,209	-	2,722
	-	196	25	7	1,107
	76	-	1,031	9	2,879
	<u>4,602</u>	<u>8,266</u>	<u>374,474</u>	<u>2,650</u>	<u>686,351</u>
	-	-	-	-	4,680
	-	-	-	-	1,043
	-	-	-	-	17
	21	6	291	5	805
	-	-	-	-	10,317
	488	23,353	-	8,264	629,562
	9	72	-	-	5,153
	-	-	-	-	767
	-	-	-	-	215
	(436)	(16,489)	-	(4,732)	(364,698)
	<u>82</u>	<u>6,943</u>	<u>291</u>	<u>3,536</u>	<u>287,861</u>
	<u>4,683</u>	<u>15,209</u>	<u>374,765</u>	<u>6,186</u>	<u>974,212</u>
	-	-	-	-	855
	2,158	688	33,482	551	88,236
	43	13	761	9	1,908
	<u>2,201</u>	<u>702</u>	<u>34,243</u>	<u>560</u>	<u>90,999</u>
	15	384	17,073	126	35,828
	67	173	6,191	57	10,915
	-	-	8,510	12	68,130
	-	-	39,447	-	40,483
	331	138	4,697	121	14,374
	-	-	-	-	44,365
	-	-	18,581	-	19,538
	41	13	11	-	6,482
	-	-	-	-	4,820
	-	-	-	-	1,277
	<u>455</u>	<u>707</u>	<u>94,510</u>	<u>315</u>	<u>246,211</u>
	178	74	2,529	65	7,740
	-	-	54,563	-	199,506
	-	-	-	-	7,742
	646	195	176	-	28,918
	5,947	1,843	83,369	1,382	230,398
	-	-	-	-	61,254
	-	-	-	-	2,011
	-	-	-	-	19
	75	23	1,055	17	2,915
	171	62	3,733	32	8,142
	<u>7,018</u>	<u>2,198</u>	<u>145,425</u>	<u>1,496</u>	<u>548,644</u>
	<u>7,473</u>	<u>2,905</u>	<u>239,934</u>	<u>1,812</u>	<u>794,856</u>
	50	15	697	12	1,925
	14	5	228	3	582
	<u>64</u>	<u>20</u>	<u>924</u>	<u>15</u>	<u>2,507</u>
	61	6,937	-	3,532	217,420
	21	6	291	5	805
	(734)	6,042	167,858	1,383	49,623
\$	<u>(652)</u>	<u>\$ 12,985</u>	<u>\$ 168,149</u>	<u>\$ 4,920</u>	<u>\$ 267,848</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018
(In Thousands)

	Central Services	Legal Services	Banking Services
OPERATING REVENUES:			
Rebates and Recoveries	\$ 920	\$ 12	\$ 3
Charges for Services	263,908	87,326	38,078
Fines, Forfeitures, and Penalties	-	27	-
Rents and Royalties	39,926	-	-
Sales	3,553	7	-
Other	2,229	284	-
Total Operating Revenues	310,537	87,656	38,081
OPERATING EXPENSES:			
Salaries and Wages	96,080	84,964	20,942
Services and Supplies	179,692	13,360	8,540
Cost of Goods Sold	60	-	-
Special Payments	372	-	-
Bond and COP Interest	2,451	-	-
Depreciation and Amortization	27,929	138	328
Total Operating Expenses	306,584	98,463	29,809
Operating Income (Loss)	3,953	(10,807)	8,271
NONOPERATING REVENUES (EXPENSES):			
Investment Income (Loss)	3,382	-	-
Gain (Loss) on Disposition of Assets	(1,894)	-	-
Insurance Recovery	337	-	-
Settlement Activities	154	-	-
Loan Interest Income	28	-	-
Loan Interest Expense	(422)	-	-
Other Interest Expense	(504)	(444)	(76)
Other Nonoperating Items	(96)	-	-
Total Nonoperating Revenues (Expenses)	986	(444)	(76)
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	4,939	(11,251)	8,195
Capital Contributions	53	-	-
Transfers from Other Funds	1,570	-	401
Transfers to Other Funds	(71,057)	(3,091)	(771)
Change in Net Position	(64,494)	(14,342)	7,825
Net Position - Beginning	173,076	(16,920)	1,484
Prior Period Adjustments	(884)	-	(153)
Cumulative Effect of Change in Accounting Principles	(1,682)	(1,170)	(293)
Net Position - Beginning - As Restated	170,510	(18,089)	1,038
Net Position - Ending	\$ 106,016	\$ (32,431)	\$ 8,863

State of Oregon

Audit Services	Forestry Services	Health Services	Other	Total
\$ -	\$ 2	\$ 16,927	\$ 250	\$ 18,115
13,309	2,712	831,433	3,425	1,240,190
-	-	-	-	27
-	3,588	-	-	43,514
-	275	-	-	3,835
-	2	469	10	2,994
13,309	6,580	848,829	3,685	1,308,675
8,438	2,582	121,905	1,817	336,729
1,416	3,015	723,042	1,156	930,221
-	-	-	-	60
-	-	19,068	-	19,440
-	-	-	-	2,451
5	1,638	-	684	30,721
9,859	7,235	864,016	3,657	1,319,623
3,449	(656)	(15,187)	28	(10,948)
-	-	5,629	-	9,011
-	432	(5)	10	(1,457)
-	113	-	2	452
-	-	-	-	154
-	-	-	-	28
-	-	-	-	(422)
(45)	(14)	(12)	-	(1,095)
-	-	(34)	-	(131)
(45)	532	5,578	12	6,542
3,404	(124)	(9,610)	40	(4,406)
-	-	-	-	53
-	188	3	20	2,183
(3,183)	(976)	(5,271)	(522)	(84,871)
221	(912)	(14,877)	(462)	(87,041)
(749)	13,936	187,467	5,378	363,673
-	-	-	40	(998)
(124)	(39)	(4,441)	(37)	(7,786)
(874)	13,897	183,026	5,381	354,889
\$ (652)	\$ 12,985	\$ 168,149	\$ 4,920	\$ 267,848

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018
(In Thousands)**

	Central Services	Legal Services
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 18,711	\$ 6,553
Receipts from Other Funds for Services	298,966	87,249
Payments to Employees for Services	(88,004)	(75,089)
Payments to Suppliers	(103,075)	(10,521)
Payments to Other Funds for Services	(30,419)	(11,690)
Claims Paid	(52,405)	-
Other Receipts (Payments)	3,200	758
Net Cash Provided (Used) in Operating Activities	<u>46,973</u>	<u>(2,741)</u>
Cash Flows from Noncapital Financing Activities:		
Repayments on Advances Made	380	-
Principal Payments on Loans	(1,717)	(406)
Interest Payments on Loans	(692)	(444)
Interest Receipts on Advances Made	28	-
Transfers from Other Funds	1,842	-
Transfers to Other Funds	(11,490)	(3,091)
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(11,648)</u>	<u>(3,941)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Bond/COP Sales	4,640	-
Principal Payments on Bonds/COPs	(5,105)	-
Principal Payments on Loans	(2,980)	-
Interest Payments on Bonds/COPs	(2,899)	-
Interest Payments on Loans	(232)	-
Acquisition of Capital Assets	(24,634)	(622)
Payments on Capital Leases	(2,021)	-
Proceeds from Disposition of Capital Assets	621	-
Insurance Recoveries for Capital Assets	337	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(32,273)</u>	<u>(622)</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(12,309)	-
Proceeds from Sales and Maturities of Investments	18,449	-
Interest on Investments and Cash Balances	4,696	-
Interest Income from Securities Lending	35	-
Interest Expense from Securities Lending	(27)	-
Net Cash Provided (Used) in Investing Activities	<u>10,845</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>13,896</u>	<u>(7,303)</u>
Cash and Cash Equivalents - Beginning	<u>127,098</u>	<u>13,484</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 140,994</u></u>	<u><u>\$ 6,180</u></u>

State of Oregon

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,263
38,623	12,404	6,732	1,130,790	3,734	1,578,498
(18,247)	(7,372)	(2,247)	(119,276)	(1,506)	(311,742)
(6,725)	(878)	(2,388)	(348,128)	(848)	(472,563)
(1,758)	(639)	(626)	(31,391)	(350)	(76,873)
-	-	-	(643,837)	-	(696,243)
728	-	2	7,586	(1)	12,273
12,621	3,516	1,473	(4,256)	1,029	58,614
-	-	-	-	-	380
(70)	(41)	(12)	(11)	-	(2,258)
(76)	(45)	(14)	(12)	-	(1,284)
-	-	-	-	-	28
625	-	172	-	20	2,659
(736)	(3,183)	(976)	(5,244)	(532)	(25,252)
(258)	(3,270)	(830)	(5,268)	(512)	(25,725)
-	-	-	-	-	4,640
-	-	-	-	-	(5,105)
-	-	-	-	-	(2,980)
-	-	-	-	-	(2,899)
-	-	-	-	-	(232)
(771)	(49)	(1,565)	-	(807)	(28,448)
-	-	-	-	-	(2,021)
-	-	578	-	112	1,311
-	-	113	-	2	452
(771)	(49)	(874)	-	(693)	(35,282)
-	-	-	-	-	(12,309)
-	-	-	-	-	18,449
-	-	-	5,675	-	10,372
-	-	-	45	-	80
-	-	-	(34)	-	(61)
-	-	-	5,686	-	16,530
11,592	198	(231)	(3,838)	(176)	14,137
5,907	2,720	7,717	361,340	2,662	520,927
\$ 17,499	\$ 2,917	\$ 7,486	\$ 357,502	\$ 2,486	\$ 535,064

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Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018
(In Thousands)
(continued from previous page)

	Central Services	Legal Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 3,953	\$ (10,807)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	27,929	138
Amortization of Bond/COP Premium and Discount	(832)	-
Interest Payments Reported as Operating Expense	2,899	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable (net)	5,716	(2,623)
Due from Other Funds	-	964
Inventories	18	61
Prepaid Items	(44)	-
Net Contracts, Notes and Other Receivables	(7)	(4)
Accounts and Interest Payable	(8,176)	(42)
Due to Other Funds	(21)	(3)
Unearned Revenue	1,036	(2)
Compensated Absences Payable	733	422
Claims and Judgments Payable	1,199	-
Custodial Liabilities	4,276	(304)
Contracts, Mortgages, and Notes Payable	819	-
Net Pension Liability	(4,790)	156
Net OPEB Liability (Asset)	(474)	(365)
Total OPEB Liability	17	70
Net Changes in Deferred Outflows of Resources:		
Loss on Refunding	395	-
Related to pensions	12,348	9,575
Related to OPEB	(63)	(48)
Net Changes in Deferred Inflows of Resources:		
Related to Pensions	(120)	(67)
Related to OPEB	163	140
Total Adjustments	43,020	8,067
Net Cash Provided (Used) by Operating Activities	\$ 46,973	\$ (2,741)

Noncash Investing and Capital and Related Financing Activities:

Net Change in Fair Value of Investments	\$ (1,447)	\$ -
Capital Leases	2,444	-
Capital Assets Transferred from Governmental Activities	53	-
Capital Assets Transferred to Governmental Activities	1,100	-
Long-term Liabilities Transferred to Governmental Activities	1,031	-
Noncash Assets Received Pursuant to Settlement Activities	154	-

State of Oregon

Banking Services	Audit Services	Forestry Services	Health Services	Other	Total
\$ 8,271	\$ 3,449	\$ (656)	\$ (15,187)	\$ 28	\$ (10,948)
328	5	1,638	-	684	30,721
-	-	-	-	-	(832)
-	-	-	-	-	2,899
399	(905)	179	(7,684)	49	(4,869)
-	-	-	14,739	-	15,703
-	-	-	(1)	2	81
6	24	-	(1,031)	4	(1,042)
-	-	-	-	-	(11)
818	(90)	(27)	4,435	(48)	(3,130)
-	(12)	-	(5,040)	-	(5,076)
-	-	-	1,578	-	2,612
304	39	24	354	176	2,051
-	-	-	(2,094)	-	(895)
-	-	-	1,854	-	5,825
-	-	-	-	-	819
991	103	90	(15,575)	(139)	(19,164)
(66)	(35)	(10)	(752)	(11)	(1,714)
20	7	(5)	77	8	192
-	-	-	-	-	395
1,539	927	237	20,179	274	45,079
(14)	(4)	(1)	(91)	2	(219)
(6)	(6)	(1)	(244)	(3)	(446)
30	14	5	228	3	582
4,349	66	2,129	10,931	1,001	69,562
\$ 12,621	\$ 3,516	\$ 1,473	\$ (4,256)	\$ 1,029	\$ 58,614
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,447)
-	-	-	-	-	2,444
-	-	-	-	-	53
-	-	-	-	-	1,100
-	-	-	-	-	1,031
-	-	-	-	-	154
-	-	-	-	-	1,284

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Fiduciary Funds

Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

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

Public Employees Defined Benefit Pension Plan Fund

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

Individual Account Program Defined Contribution Pension Plan Fund

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

Other Employee Benefit Trust Funds

Other employee benefit trust funds account for the transactions, assets, liabilities, and net position held in trust for public employees by PERS for the payment of postemployment healthcare benefits and deferred compensation to members of the retirement system.

Retirement Health Insurance Account (RHIA) OPEB Plan Fund

This fund accounts for the activities of the RHIA cost-sharing, multiple-employer other postemployment benefit (OPEB) plan administered by PERS for units of state government, political subdivisions, community colleges, and school districts. The RHIA is a defined benefit OPEB plan established pursuant to section 401(h) of the Internal Revenue Code. The plan authorizes a payment of up to \$60 towards the monthly cost of health insurance for eligible PERS members participating in PERS-sponsored health insurance plans. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund

This fund accounts for the activities of the RHIPA single-employer OPEB plan administered by PERS. The RHIPA is a defined benefit OPEB plan established pursuant to Section 401(h) of the Internal Revenue Code. The plan authorizes payment to eligible retired state employees of the average difference between the health insurance premiums paid by retirees under contracts entered into by the PERS Board and health insurance premiums paid by state employees who are not retired. Employer contributions, investment income, healthcare premium subsidy payments, and administrative costs are accounted for within this fund.

Deferred Compensation Plan Fund

This fund accounts for the activities of the Oregon Savings Growth Plan, an Internal Revenue Code Section 457 deferred compensation plan, offered to employees of the State and administered by PERS.

**Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2018
(In Thousands)**

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ASSETS		
Cash and Cash Equivalents	\$ 3,811,492	\$ 389,195
Investments:		
Fixed Income	12,528,512	2,512,404
Public Equity	24,918,456	3,461,501
Real Estate	7,496,276	763,517
Private Equity	14,593,661	1,486,405
Alternative Equity	5,399,081	549,912
Opportunity Portfolio	1,589,917	161,938
Total Investments	<u>66,525,904</u>	<u>8,935,676</u>
Securities Lending Collateral	1,064,760	108,504
Receivables:		
Employer Contributions	66,101	-
Plan Member Contributions	-	8,890
Interest and Dividends	123,261	12,961
Member Loans	-	-
Investment Sales	2,036,801	204,289
Transitional Liability	493,253	-
From Other Funds	1,478	8,400
Total Receivables	<u>2,720,893</u>	<u>234,540</u>
Prepaid Items	3,991	-
Capital Assets (net of \$26,125 accumulated depreciation):		
Land	944	-
Buildings, Property, and Equipment	<u>26,060</u>	<u>267</u>
Total Assets	<u>74,154,043</u>	<u>9,668,183</u>
LIABILITIES		
Accounts and Interest Payable	3,676,599	334,729
Obligations Under Securities Lending	1,064,922	108,520
Due to Other Funds	9,147	1,200
Unearned Revenue	238	-
Custodial Liabilities	<u>75,637</u>	<u>21,201</u>
Total Liabilities	<u>4,826,543</u>	<u>465,651</u>
NET POSITION		
Restricted - Held in Trust for:		
Pension Benefits	69,327,500	9,202,531
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Position	<u>\$ 69,327,500</u>	<u>\$ 9,202,531</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
\$ 32,098	\$ 2,782	\$ 66,347	\$ 4,301,913
106,385	5,768	276,088	15,429,158
206,982	11,223	1,609,072	30,207,234
63,654	3,451	-	8,326,898
123,921	6,719	-	16,210,706
45,846	2,486	-	5,997,325
13,501	732	-	1,766,087
<u>560,288</u>	<u>30,380</u>	<u>1,885,160</u>	<u>77,937,408</u>
9,047	496	41	1,182,848
1,598	2,376	-	70,074
-	-	-	8,890
1,047	57	492	137,818
-	-	12,332	12,332
17,060	996	6	2,259,152
-	-	-	493,253
715	32	-	10,624
<u>20,419</u>	<u>3,461</u>	<u>12,831</u>	<u>2,992,144</u>
34	2	-	4,027
-	-	-	944
-	-	-	26,327
<u>621,886</u>	<u>37,120</u>	<u>1,964,379</u>	<u>86,445,611</u>
30,591	1,514	811	4,044,245
9,049	496	41	1,183,028
34	31	127	10,540
-	-	7,253	7,490
<u>5,351</u>	<u>47</u>	<u>-</u>	<u>102,236</u>
<u>45,025</u>	<u>2,088</u>	<u>8,232</u>	<u>5,347,539</u>
-	-	-	78,530,032
576,862	35,032	-	611,894
-	-	1,956,146	1,956,146
<u>\$ 576,862</u>	<u>\$ 35,032</u>	<u>\$ 1,956,146</u>	<u>\$ 81,098,072</u>

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2018
(In Thousands)**

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ADDITIONS		
Contributions:		
Employer	\$ 1,390,112	\$ -
Plan Members	12,559	622,296
Total Contributions	<u>1,402,670</u>	<u>622,296</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	5,280,808	654,802
Interest, Dividends, and Other Investment Income	1,584,099	187,984
Total Investment Income	<u>6,864,907</u>	<u>842,786</u>
Less Investment Expense	619,791	70,806
Net Investment Income	<u>6,245,116</u>	<u>771,981</u>
Other Income	<u>2,357</u>	<u>520</u>
Total Additions	<u>7,650,143</u>	<u>1,394,798</u>
DEDUCTIONS		
Benefits	4,637,868	546,866
Death Benefits	4,850	-
Contributions Refunded	13,876	-
Healthcare Premium Subsidies	-	-
Administrative Expenses	<u>37,751</u>	<u>12,310</u>
Total Deductions	<u>4,694,345</u>	<u>559,176</u>
Change in Net Position Held in Trust For:		
Pension Benefits	2,955,797	835,621
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Position - Beginning	<u>66,371,703</u>	<u>8,366,910</u>
Net Position - Ending	<u>\$ 69,327,500</u>	<u>\$ 9,202,531</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
\$ 47,998	\$ 13,290	\$ -	\$ 1,451,400
-	-	134,260	769,115
47,998	13,290	134,260	2,220,514
42,920	2,010	160,703	6,141,242
13,107	628	11,354	1,797,171
56,027	2,638	172,056	7,938,414
5,158	255	3,916	699,925
50,869	2,383	168,140	7,238,489
-	-	1,437	4,315
98,867	15,673	303,837	9,463,318
-	-	116,331	5,301,066
-	-	-	4,850
-	-	-	13,876
32,503	4,660	-	37,163
1,282	278	1,470	53,090
33,785	4,937	117,801	5,410,045
-	-	-	3,791,419
65,082	10,736	-	75,818
-	-	186,036	186,036
511,780	24,296	1,770,110	77,044,799
\$ 576,862	\$ 35,032	\$ 1,956,146	\$ 81,098,072

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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, 2018
(In Thousands)

	Short Term Investment Trust	Intermediate Term Investment Trust	Local Government Intermediate Investment Trust	Elimination for Consolidation	Total
ASSETS					
Cash and Cash Equivalents	\$ 6,714,819	\$ 3,575	\$ 1,539	\$ (12,565)	\$ 6,707,368
Fixed Income	-	28,986	218,154	(199,749)	47,391
Total Investments	-	28,986	218,154	(199,749)	47,391
Securities Lending Collateral	83,842	681	1,111	-	85,634
Receivables:					
Interest and Dividends	21,482	150	1,371	-	23,003
Loans	181	-	-	-	181
Total Receivables	21,663	150	1,371	-	23,184
Total Assets	6,820,324	33,392	222,175	(212,314)	6,863,577
LIABILITIES					
Accounts and Interest Payable	6,691	-	5,471	-	12,162
Obligations Under Securities Lending	83,842	681	1,111	-	85,634
Total Liabilities	90,533	681	6,582	-	97,796
NET POSITION					
Restricted - Held in Trust for:					
External Investment Pool Participants	6,729,791	32,711	215,593	(212,314)	6,765,781
Total Net Position	\$ 6,729,791	\$ 32,711	\$ 215,593	\$ (212,314)	\$ 6,765,781

State of Oregon

Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2018
(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	\$ (23,719)	\$ (824)	\$ (3,158)	\$ -	\$ (27,701)
Interest, Dividends, and Other Investment Income	138,261	770	3,240	-	142,271
Total Investment Income	114,542	(54)	82	-	114,570
Less Investment Expense	6,113	25	275	-	6,413
Net Investment Income	108,429	(79)	(193)	-	108,157
Share Transactions:					
Participant Contributions	19,697,560	-	4,802	-	19,702,362
Participant Withdrawals	19,111,299	-	-	-	19,111,299
Net Share Transactions	586,261	-	4,802	-	591,063
Total Additions	694,690	(79)	4,609	-	699,220
DEDUCTIONS					
Distribution to Participants	135,392	-	-	(921)	134,471
Total Deductions	135,392	-	-	(921)	134,471
Change in Net Position Held in Trust For:					
External Investment Pool Participants	559,298	(79)	4,609	921	564,749
Net Position - Beginning	6,170,493	32,790	210,984	(213,235)	6,201,032
Net Position - Ending	\$ 6,729,791	\$ 32,711	\$ 215,593	\$ (212,314)	\$ 6,765,781

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, 2018

(In Thousands)

	Balance			Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
ASSETS				
Custodial Assets	\$ 1,669,096	\$ 2,490,981	\$ 2,350,235	\$ 1,809,843
Accounts Receivable	5,933	1,401	1,395	5,939
Net Contracts, Notes, and Other Receivables	83,417	50,446	42,560	91,303
Receivership Assets	58,477	228	-	58,704
Total Assets	\$ 1,816,922	\$ 2,543,055	\$ 2,394,189	\$ 1,965,788
LIABILITIES				
Accounts and Interest Payable	\$ 36	\$ 1,160,233	\$ 1,160,225	\$ 45
Due to Other Governments	9,059	9,645	9,059	9,645
Custodial Liabilities	1,807,827	2,023,555	1,875,283	1,956,098
Total Liabilities	\$ 1,816,922	\$ 3,193,433	\$ 3,044,567	\$ 1,965,788

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 (OHCSA) 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 OHCSA.

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

State of Oregon

**Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2018
(In Thousands)**

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 68,119	\$ 19,802	\$ 9,598
Cash and Cash Equivalents - Restricted	49,847	-	-
Investments	313,580	-	28,842
Securities Lending Collateral	-	2,189	1,198
Accounts and Interest Receivable (net)	521,430	9,234	6,374
Pledges, Contributions, and Grants Receivable (net)	129,510	-	229
Due from Other Governments	6,151	-	-
Due from Primary Government	47,425	310	2,059
Inventories	27,516	1,214	347
Prepaid Items	36,486	289	243
Total Current Assets	1,200,064	33,038	48,890
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	44,549	850	3,279
Investments	1,122,837	-	-
Investments - Restricted	665,803	46,814	19,517
Net Contracts, Notes, and Other Receivables	34,815	2,927	3,160
Pledges, Contributions, and Grants Receivable (net)	390,704	-	1,133
Net OPEB Asset	1,389	124	105
Other Assets	21,615	-	17
Capital Assets:			
Land	92,188	5,720	5,483
Buildings, Property, and Equipment	3,314,447	193,782	230,673
Construction in Progress	529,320	973	99
Infrastructure	-	6,864	2,995
Works of Art and Other Nondepreciable Assets	-	685	3,883
Less Accumulated Depreciation and Amortization	(1,876,988)	(93,655)	(102,379)
Total Noncurrent Assets	4,340,679	165,084	167,965
Total Assets	5,540,743	198,122	216,855
DEFERRED OUTFLOWS OF RESOURCES			
Hedging Derivatives	8,529	-	-
Goodwill	639	-	-
Loss on Refunding	23,777	-	-
Related to Pensions	149,247	12,757	13,086
Related to OPEB	356	252	299
Total Deferred Outflows of Resources	182,548	13,009	13,385

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
\$ 10,898	\$ 11,021	\$ 3,343	\$ 57,702	\$ 180,483
-	-	-	-	49,847
-	-	-	-	342,422
820	1,207	-	-	5,414
4,324	3,471	1,117	-	545,950
-	-	-	-	129,739
-	-	-	-	6,151
1,009	2,145	-	-	52,947
10	178	-	-	29,265
57	670	-	862	38,607
<u>17,118</u>	<u>18,692</u>	<u>4,460</u>	<u>58,564</u>	<u>1,380,826</u>
531	935	-	-	50,144
-	-	-	-	1,122,837
24,529	48,032	-	-	804,695
809	2,302	-	22,699	66,712
725	3,844	-	-	396,406
58	55	-	-	1,731
-	221	-	-	21,853
2,026	5,649	-	-	111,066
132,744	144,713	-	-	4,016,359
4,441	8,588	-	-	543,421
3,315	22,941	-	-	36,115
341	1,582	-	-	6,491
<u>(68,764)</u>	<u>(80,235)</u>	<u>-</u>	<u>-</u>	<u>(2,222,021)</u>
<u>100,755</u>	<u>158,627</u>	<u>-</u>	<u>22,699</u>	<u>4,955,809</u>
<u>117,873</u>	<u>177,319</u>	<u>4,460</u>	<u>81,263</u>	<u>6,336,635</u>
-	-	-	-	8,529
-	-	-	-	639
-	-	-	-	23,777
6,352	5,919	-	-	187,361
145	140	-	-	1,192
<u>6,497</u>	<u>6,059</u>	<u>-</u>	<u>-</u>	<u>221,498</u>

(continued on next page)

State of Oregon

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2018
(In Thousands)
(continued from previous page)

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable	317,709	8,611	9,708
Obligations Under Securities Lending	-	2,189	1,198
Obligations Under Life Income Agreements	-	952	218
Due to Other Governments	647	-	-
Due to Primary Government	36,318	3,975	2,971
Unearned Revenue	57,428	3,644	4,230
Compensated Absences Payable	85,111	1,877	1,717
Claims and Judgments Payable	29,885	-	-
Custodial Liabilities	-	308	1,271
Contracts, Mortgages, and Notes Payable	1,855	404	479
Bonds/COPs Payable	22,731	-	-
Obligations Under Capital Lease	866	-	-
Total Current Liabilities	552,550	21,960	21,792
Noncurrent Liabilities:			
Obligations Under Life Income Agreements	23,975	-	-
Compensated Absences Payable	-	255	280
Claims and Judgments Payable	38,060	-	-
Custodial Liabilities	2,717	-	-
Contracts, Mortgages, and Notes Payable	32,029	3,477	4,262
Net Pension Liability	465,421	35,461	30,120
Bonds/COPs Payable	945,183	-	-
Obligations Under Capital Lease	2,714	-	-
Advances from Primary Government	28,481	48,817	40,008
Net OPEB Liability	-	448	381
Total OPEB Liability	12,506	1,990	1,618
Derivative Instrument Liabilities	14,501	-	-
Total Noncurrent Liabilities	1,565,586	90,448	76,669
Total Liabilities	2,118,136	112,408	98,461
DEFERRED INFLOWS OF RESOURCES			
Hedging Derivatives	7,051	-	-
Gain on Refunding	2,165	-	-
Life income agreements and Pending Funds	113,100	-	-
Related to Pensions	52,078	296	1,384
Related to OPEB	1,379	106	106
Total Deferred Inflows of Resources	175,773	402	1,490
Net Position			
Net Investment in Capital Assets	1,160,403	63,049	99,377
Restricted-Nonexpendable	252,719	9,545	22,938
Restricted for:			
Education	817,595	11,759	10,839
Debt Service	-	314	136
Capital Projects	-	11	421
OPEB	1,389	124	105
Unrestricted	1,197,276	13,519	(3,527)
Total Net Position	\$ 3,429,381	\$ 98,321	\$ 130,289

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
5,700	8,076	117	630	350,551
820	1,207	-	-	5,414
-	82	-	-	1,252
-	-	-	22,262	22,909
1,815	2,479	-	438	47,996
2,179	3,111	126	57,933	128,651
1,054	1,256	-	-	91,015
-	-	-	-	29,885
272	74	-	-	1,925
316	445	-	-	3,499
-	-	-	-	22,731
11	61	-	-	938
<u>12,167</u>	<u>16,791</u>	<u>243</u>	<u>81,263</u>	<u>706,766</u>
-	-	-	-	23,975
187	556	-	-	1,278
-	-	-	-	38,060
-	-	-	-	2,717
2,591	2,862	-	-	45,221
16,689	15,678	-	-	563,369
-	-	-	-	945,183
18	84	-	-	2,816
20,157	36,024	-	-	173,487
211	199	-	-	1,239
1,068	1,285	-	-	18,467
-	-	-	-	14,501
<u>40,921</u>	<u>56,688</u>	<u>-</u>	<u>-</u>	<u>1,830,312</u>
<u>53,088</u>	<u>73,479</u>	<u>243</u>	<u>81,263</u>	<u>2,537,078</u>
-	-	-	-	7,051
-	-	-	-	2,165
-	-	-	-	113,100
352	332	-	-	54,442
53	56	-	-	1,700
<u>405</u>	<u>388</u>	<u>-</u>	<u>-</u>	<u>178,458</u>
51,534	65,655	-	-	1,440,018
9,013	10,471	-	-	304,686
7,592	12,496	-	-	860,281
421	107	-	-	978
62	847	28	-	1,369
58	55	-	-	1,731
2,197	19,880	4,189	-	1,233,534
<u>\$ 70,877</u>	<u>\$ 109,511</u>	<u>\$ 4,217</u>	<u>\$ -</u>	<u>\$ 3,842,596</u>

State of Oregon

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Discretely Presented Component Units
For the Year Ended June 30, 2018
(In Thousands)**

	Oregon Health and Science University	Western Oregon University	Southern Oregon University
Operating Revenues:			
Federal Revenue	\$ -	\$ 7,838	\$ 1,580
Charges for Services	2,461,732	34,304	29,965
Rents and Royalties	-	-	-
Sales	-	21,800	17,626
Gifts, Grants, and Contracts	631,768	3,448	7,470
Other Revenues	145,199	3,363	2,072
Total Operating Revenues	<u>3,238,699</u>	<u>70,753</u>	<u>58,713</u>
Operating Expenses:			
Salaries and Wages	1,913,446	74,685	64,408
Services and Supplies	957,543	19,635	16,497
Provider Tax	57,009	-	-
Mortgage Assistance Payments	-	-	-
Depreciation and Amortization	151,834	6,555	4,535
Special Payments	-	7,205	4,548
Interest	28,537	-	-
Total Operating Expenses	<u>3,108,368</u>	<u>108,080</u>	<u>89,988</u>
Operating Income (Loss)	<u>130,331</u>	<u>(37,327)</u>	<u>(31,275)</u>
Nonoperating Revenues (Expenses):			
Investment Income	93,688	1,274	3,572
State Appropriations	37,026	25,087	21,729
Other Grants	-	13,954	9,709
Gain/(Loss) on Disposition of Assets	-	-	13
Other Interest Expense	-	(2,370)	(2,113)
Other	1,870	(1,113)	(2,616)
Total Nonoperating Revenues (Expenses)	<u>132,584</u>	<u>36,832</u>	<u>30,294</u>
Income (Loss) Before Capital Contributions	262,914	(495)	(981)
Capital Contributions	3,143	7,165	18,396
Change in Net Position	<u>266,058</u>	<u>6,670</u>	<u>17,415</u>
Net Position - Beginning	3,196,419	92,910	113,648
Cumulative Effect of Change in Accounting Principles	(33,094)	(1,259)	(774)
Net Position - Beginning - As Restated	<u>3,163,325</u>	<u>91,651</u>	<u>112,874</u>
Net Position - Ending	<u><u>\$ 3,429,381</u></u>	<u><u>\$ 98,321</u></u>	<u><u>\$ 130,289</u></u>

State of Oregon

Eastern Oregon University	Oregon Institute of Technology	State Fair Council	Oregon Affordable Housing Assistance Corporation	Total
\$ 2,616	\$ 786	\$ -	\$ -	\$ 12,820
16,674	25,717	-	-	2,568,392
-	-	1,245	-	1,245
6,389	9,496	5,116	-	60,427
3,865	10,197	-	-	656,748
573	452	-	-	151,659
<u>30,117</u>	<u>46,648</u>	<u>6,361</u>	<u>-</u>	<u>3,451,291</u>
38,313	52,334	541	-	2,143,727
11,202	17,610	6,745	-	1,029,232
-	-	-	-	57,009
-	-	-	24,391	24,391
4,010	5,316	-	-	172,250
4,082	5,218	-	-	21,053
-	-	-	-	28,537
<u>57,607</u>	<u>80,478</u>	<u>7,286</u>	<u>24,391</u>	<u>3,476,198</u>
<u>(27,490)</u>	<u>(33,830)</u>	<u>(925)</u>	<u>(24,391)</u>	<u>(24,907)</u>
1,601	1,589	46	-	101,770
21,146	28,114	-	-	133,102
6,219	6,940	-	-	36,822
(163)	(9)	-	-	(159)
(1,081)	(1,729)	-	-	(7,293)
<u>(1,683)</u>	<u>(3,251)</u>	<u>31</u>	<u>24,391</u>	<u>17,629</u>
<u>26,039</u>	<u>31,654</u>	<u>77</u>	<u>24,391</u>	<u>281,871</u>
<u>(1,451)</u>	<u>(2,176)</u>	<u>(848)</u>	<u>-</u>	<u>256,963</u>
<u>4,054</u>	<u>10,297</u>	<u>1,204</u>	<u>-</u>	<u>44,259</u>
<u>2,603</u>	<u>8,121</u>	<u>356</u>	<u>-</u>	<u>301,223</u>
68,847	102,157	3,862	-	3,577,843
(573)	(767)	-	-	(36,467)
<u>68,274</u>	<u>101,390</u>	<u>3,862</u>	<u>-</u>	<u>3,541,376</u>
<u>\$ 70,877</u>	<u>\$ 109,511</u>	<u>\$ 4,217</u>	<u>\$ -</u>	<u>\$ 3,842,596</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.

Schedule 1
NET POSITION BY COMPONENT
 Last Ten Fiscal Years (In Thousands)
 (Accrual Basis of Accounting)

	2009	2010	2011	2012
Governmental Activities				
Net Investment in Capital Assets	\$ 9,094,498	\$ 8,672,407	\$ 8,107,685	\$ 8,888,097
Restricted	1,126,942	1,287,403	2,582,708	3,143,955
Unrestricted	(99,401)	(82,337)	138,387	(840,528)
Total Governmental Activities Net Position	\$ 10,122,039	\$ 9,877,473	\$ 10,828,780	\$ 11,191,524
Business-type Activities				
Net Investment in Capital Assets	\$ 897,150	\$ 977,224	\$ 1,195,629	\$ 1,383,060
Restricted	2,399,089	556,589	670,672	505,991
Unrestricted	677,037	2,201,451	2,378,452	2,778,815
Total Business-type Activities Net Position	\$ 3,973,276	\$ 3,735,264	\$ 4,244,753	\$ 4,667,866
Primary Government				
Net Investment in Capital Assets	\$ 9,991,648	\$ 9,649,631	\$ 9,303,314	\$ 10,271,157
Restricted	3,526,031	1,843,992	3,253,380	3,649,946
Unrestricted	577,636	2,119,114	2,516,839	1,938,287
Total Primary Government Net Position	\$ 14,095,315	\$ 13,612,737	\$ 15,073,533	\$ 15,859,390

State of Oregon

2013	2014	2015	2016	2017	2018
\$ 10,636,687	\$ 9,982,055	\$ 11,116,322	\$ 9,563,039	\$ 9,694,241	\$ 9,981,128
2,794,989	3,494,851	3,812,040	4,052,223	4,316,623	5,054,204
(1,488,172)	(1,077,265)	(3,243,523)	(2,937,300)	(2,482,259)	(2,466,140)
<hr/>					
\$ 11,943,504	\$ 12,399,641	\$ 11,684,839	\$ 10,677,962	\$ 11,528,605	\$ 12,569,192
<hr/>					
\$ 1,383,562	\$ 1,443,136	\$ 633,944	\$ 612,107	\$ 610,616	\$ 583,878
549,486	578,740	311,509	222,398	215,772	216,041
3,084,564	3,613,692	3,205,302	4,233,276	4,763,302	5,325,538
<hr/>					
\$ 5,017,612	\$ 5,635,568	\$ 4,150,755	\$ 5,067,782	\$ 5,589,690	\$ 6,125,456
<hr/>					
\$ 12,020,249	\$ 11,425,191	\$ 11,750,266	\$ 10,175,146	\$ 10,304,857	\$ 10,565,006
3,344,475	4,073,591	4,123,549	4,274,621	4,532,395	5,270,245
1,596,392	2,536,427	(38,221)	1,295,976	2,281,043	2,859,398
<hr/>					
\$ 16,961,116	\$ 18,035,209	\$ 15,835,594	\$ 15,745,743	\$ 17,118,295	\$ 18,694,648
<hr/>					

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

	2009	2010	2011	2012
Expenses				
Governmental activities:				
Education	\$ 4,224,991	\$ 4,303,106	\$ 3,979,440	\$ 4,061,791
Human Services	6,057,047	6,861,998	7,535,059	8,186,498
Public Safety	1,185,507	1,199,579	1,180,405	1,235,617
Economic and Community Development	397,032	455,453	480,196	416,683
Natural Resources	658,553	593,122	629,222	619,535
Transportation	2,249,632	1,858,705	1,566,210	1,394,815
Consumer and Business Services	408,803	463,489	424,534	263,541
Administration	470,583	474,624	376,821	349,555
Legislative	44,683	33,012	37,801	34,839
Judicial	307,916	308,574	313,886	326,803
Interest on Long-term Debt	297,308	299,467	351,713	367,826
Total governmental activities expenses	16,302,055	16,851,129	16,875,287	17,257,503
Business-type activities:				
Housing and Community Services	91,010	84,337	78,194	75,879
Veterans' Loan	26,855	19,685	19,365	18,628
Lottery Operations	537,332	518,076	510,401	534,018
Unemployment Compensation	1,875,259	3,020,372	2,306,502	1,729,355
University System	1,948,793	2,003,668	2,146,867	2,300,493
State Hospitals	215,576	222,311	248,072	270,793
Liquor Control	314,563	312,980	325,410	344,540
Other Business-type Activities	87,977	89,505	269,217	268,659
Total business-type activities expenses	5,097,365	6,270,934	5,904,028	5,542,365
Total primary government expenses	\$ 21,399,420	\$ 23,122,063	\$ 22,779,315	\$ 22,799,868
Program Revenues				
Governmental activities:				
Charges for Services:				
Human Services	\$ 250,524	\$ 237,722	\$ 289,686	\$ 531,658
Public Safety	94,613	75,511	80,842	141,432
Natural Resources	282,380	313,587	285,394	306,336
Transportation	138,400	115,507	138,383	140,219
Consumer and Business Services	313,602	276,359	270,467	69,000
Administration	111,537	107,625	115,365	96,006
Judicial	158,736	145,548	185,523	99,052
Other governmental activities	28,662	37,507	38,068	42,502
Operating Grants and Contributions	6,017,307	7,691,076	8,324,841	7,400,703
Capital Grants and Contributions	86,563	45,398	97,682	37,134
Total governmental activities program revenues	7,482,324	9,045,840	9,826,251	8,864,042

State of Oregon

	2013	2014	2015	2016	2017	2018
\$	3,883,592	\$ 4,420,704	\$ 4,693,469	\$ 5,588,674	\$ 5,722,672	\$ 6,272,580
	8,459,678	9,880,251	11,556,800	12,516,784	12,446,233	12,912,779
	1,256,086	1,300,085	1,179,299	1,683,095	1,604,349	1,659,150
	423,191	385,464	375,497	444,564	477,674	527,649
	637,929	724,185	661,438	845,601	800,960	842,882
	1,407,506	1,555,822	1,437,587	1,614,231	1,667,739	1,660,362
	403,725	283,039	204,614	364,373	260,420	298,499
	305,791	404,182	684,677	450,111	410,692	387,319
	40,828	37,234	39,621	48,293	49,497	49,415
	311,401	340,313	331,253	455,749	433,325	456,707
	331,531	347,010	321,032	403,769	427,671	430,169
	<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>	<u>25,497,513</u>
	67,918	56,473	49,422	48,060	42,246	42,904
	-	-	-	18,531	18,058	19,231
	494,337	493,652	522,185	595,692	578,629	608,499
	1,236,639	831,914	573,992	547,309	528,851	521,071
	2,412,100	2,505,392	351,959	-	-	-
	253,960	278,804	269,549	399,766	408,488	422,663
	367,141	384,491	400,683	424,939	447,266	471,783
	324,463	306,212	362,326	315,720	266,455	281,383
	<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>2,367,534</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>	<u>27,865,047</u>
\$	639,524	\$ 615,829	\$ 581,530	\$ 711,764	\$ 688,009	\$ 738,454
	59,551	85,549	67,756	80,479	131,406	85,772
	301,196	335,198	337,857	394,169	369,685	454,784
	147,234	171,154	161,937	163,195	159,842	183,907
	124,698	126,482	114,971	143,591	113,061	220,486
	91,626	92,358	130,508	179,412	151,025	171,603
	197,966	33,722	131,951	154,534	145,933	167,027
	63,009	44,347	87,253	78,511	96,994	105,995
	7,816,666	9,055,464	10,371,663	10,797,377	10,801,215	11,096,213
	30,663	17,766	17,615	18,426	11,153	18,684
	<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>	<u>13,242,925</u>

(continued on next page)

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

	2009	2010	2011	2012
Business-type activities:				
Charges for Services:				
Lottery Operations	1,100,228	1,027,735	1,038,805	1,050,315
Unemployment Compensation	662,346	859,790	1,022,592	1,083,438
University System	1,003,897	1,156,843	1,288,143	1,356,609
Liquor Control	418,559	425,374	443,120	470,421
Other Business-type Activities	236,151	267,585	431,470	436,945
Operating Grants and Contributions	1,064,383	2,238,266	1,986,426	1,621,254
Capital Grants and Contributions	87,425	108,257	60,081	36,770
Total business-type activities program revenues	4,572,989	6,083,850	6,270,637	6,055,752
Total primary government program revenues	\$ 12,055,313	\$ 15,129,690	\$ 16,096,888	\$ 14,919,794
Net (Expense)/Revenue				
Governmental activities	\$ (8,819,731)	\$ (7,805,289)	\$ (7,049,036)	\$ (8,393,461)
Business-type activities	(524,376)	(187,084)	366,609	513,387
Total primary government net expense	\$ (9,344,107)	\$ (7,992,373)	\$ (6,682,427)	\$ (7,880,074)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Personal Income Taxes	\$ 5,182,743	\$ 4,958,569	\$ 5,597,821	\$ 5,901,448
Corporate Income Taxes	253,685	387,639	502,862	440,444
Tobacco Taxes	250,243	250,135	258,453	249,388
Healthcare Provider Taxes	143,535	192,077	233,826	423,951
Inheritance Taxes	77,622	91,845	80,482	102,351
Public Utilities Taxes	88,295	80,790	71,939	72,310
Insurance Premium Taxes	46,952	70,291	90,085	94,583
Marijuana Taxes	N/A	N/A	N/A	N/A
Other Taxes	140,726	144,931	119,882	156,256
Motor Fuels and Other Vehicle Taxes	N/A	N/A	N/A	N/A
Motor Fuels Taxes	399,048	406,179	449,462	492,188
Weight Mile Taxes	210,055	208,573	240,056	260,091
Vehicle Registration Taxes	185,202	245,699	275,344	281,799
Workers' Compensation Insurance Taxes	36,635	30,065	34,942	53,669
Employer-Employee Taxes	71,119	65,977	69,429	71,977
Unrestricted Investment Earnings	17,717	3,193	3,306	11,157
Contributions to Permanent Fund	259	288	14	76
Special Items	-	-	-	-
Transfers	157,663	129,016	(62,910)	125,915
Total governmental activities	7,261,499	7,265,267	7,964,993	8,737,603
Business-type activities:				
Other Taxes	16,340	16,754	16,204	16,893
Additions to Permanent Endowments	-	-	-	159
Special Items	-	-	-	-
Transfers	(157,663)	(129,016)	62,910	(125,915)
Total business-type activities	(141,323)	(112,262)	79,114	(108,863)
Total primary government	\$ 7,120,176	\$ 7,153,005	\$ 8,044,107	\$ 8,628,740
Change in Net Position				
Governmental activities	\$ (1,558,232)	\$ (540,022)	\$ 915,957	\$ 344,142
Business-type activities	(665,699)	(299,346)	445,723	404,524
Total primary government	\$ (2,223,931)	\$ (839,368)	\$ 1,361,680	\$ 748,666

State of Oregon

2013	2014	2015	2016	2017	2018
1,069,064	1,052,945	1,117,175	1,229,979	1,246,531	1,302,541
1,092,890	1,064,234	1,009,913	952,114	971,299	964,343
1,438,948	1,527,836	156,824	-	-	-
502,919	524,218	550,405	577,662	604,621	633,927
452,345	428,344	475,414	426,497	411,850	419,184
1,139,888	851,199	181,961	131,900	128,325	153,982
60,048	158,927	7,584	540	975	2,769
5,756,102	5,607,703	3,499,276	3,318,692	3,363,600	3,476,747
\$ 15,228,235	\$ 16,185,572	\$ 15,502,317	\$ 16,040,150	\$ 16,031,924	\$ 16,719,673
\$ (7,989,125)	\$ (9,100,420)	\$ (9,482,246)	\$ (11,693,785)	\$ (11,632,910)	\$ (12,254,588)
599,544	750,765	969,160	968,675	1,073,606	1,109,213
\$ (7,389,581)	\$ (8,349,655)	\$ (8,513,086)	\$ (10,725,111)	\$ (10,559,303)	\$ (11,145,375)
\$ 6,320,497	\$ 6,596,708	\$ 7,292,582	\$ 7,611,745	\$ 8,379,255	\$ 8,879,552
463,012	506,889	595,327	633,871	633,046	804,453
254,483	260,882	266,831	270,199	247,406	263,860
414,267	485,584	569,831	607,485	568,742	651,696
99,318	N/A	N/A	N/A	N/A	N/A
85,781	N/A	N/A	N/A	N/A	N/A
103,251	85,196	58,193	65,903	68,481	70,903
N/A	N/A	N/A	28,586	77,573	104,545
186,038	380,783	384,585	378,602	469,181	503,298
N/A	1,053,611	1,096,505	1,143,173	1,167,291	1,286,863
487,308	N/A	N/A	N/A	N/A	N/A
251,518	N/A	N/A	N/A	N/A	N/A
282,857	N/A	N/A	N/A	N/A	N/A
50,242	54,126	54,957	58,192	55,798	66,782
72,861	91,343	91,232	95,866	93,887	82,084
4,917	5,516	7,374	12,164	27,786	52,597
228	297	518	39	519	50
-	-	(3,276)	-	-	-
107,437	133,008	285,417	(230,618)	581,535	608,500
9,184,015	9,653,943	10,700,076	10,675,206	12,370,501	13,375,182
16,388	17,584	17,689	18,286	18,819	18,455
241	776	-	-	-	-
-	-	(1,956,089)	(335,632)	-	-
(107,437)	(133,008)	(285,417)	230,618	(581,535)	(608,500)
(90,808)	(114,648)	(2,223,817)	(86,727)	(562,716)	(590,045)
\$ 9,093,207	\$ 9,539,295	\$ 8,476,259	\$ 10,588,479	\$ 11,807,785	\$ 12,785,137
\$ 1,194,890	\$ 553,523	\$ 1,217,830	\$ (1,018,580)	\$ 737,591	\$ 1,120,594
508,736	636,117	(1,254,657)	881,948	510,890	519,168
\$ 1,703,626	\$ 1,189,640	\$ (36,827)	\$ (136,632)	\$ 1,248,481	\$ 1,639,762

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

	2009	2010
General Fund		
Reserved	\$ 29,040	\$ 35,403
Unreserved	(333,796)	(542,747)
Total General Fund	<u>\$ (304,756)</u>	<u>\$ (507,344)</u>

All Other Governmental Funds		
Reserved	\$ 1,082,369	\$ 1,429,016
Unreserved, reported in:		
Special revenue funds	3,523,322	3,544,868
Capital projects fund	130,498	50,420
Permanent fund	3,788	4,984
Total all other governmental funds	<u>\$ 4,739,977</u>	<u>\$ 5,029,288</u>

	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	<u>\$ 244,154</u>	<u>\$ 41,486</u>	<u>\$ 783,882</u>	<u>\$ 769,273</u>

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

Note: Due to changes in the State's fund structure with the implementation of GASB Statement No. 54, fund balance information beginning with 2011 is no longer comparable to previous years. Refer to Note 1 for additional information.

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

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

	2009	2010	2011	2012
Revenues				
Taxes	\$ 7,004,715	\$ 7,123,205	\$ 7,952,882	\$ 8,570,880
Licenses and Fees	450,855	486,159	515,591	470,480
Federal	6,044,251	7,413,272	7,971,721	7,251,929
Rebates and Recoveries	N/A	N/A	N/A	N/A
Charges for Services	269,196	275,885	289,562	372,361
Fines, Forfeitures, and Penalties	87,915	88,718	81,049	137,354
Rents and Royalties	15,779	14,428	14,930	15,645
Investment Income	(95,131)	198,153	270,265	51,831
Sales	107,427	106,400	97,178	91,906
Assessments	N/A	N/A	N/A	N/A
Donations and Grants	71,339	24,552	57,757	24,135
Contributions to Permanent Funds	259	288	14	76
Tobacco Settlement Proceeds	98,078	82,327	77,426	78,940
Foreclosure Settlement Proceeds	N/A	N/A	N/A	25,253
Pension Bond Debt Service Assessments	4,509	6,216	5,608	5,681
Settlement Activities	N/A	N/A	N/A	N/A
Unclaimed and Escheat Property Revenue	-	13,716	50,827	15,308
Other	345,339	298,061	342,268	440,679
Total Revenues	14,404,531	16,131,380	17,727,078	17,552,458
Expenditures				
Education	4,224,170	4,304,099	3,978,423	4,062,244
Human Resources	6,120,267	7,031,421	7,716,623	8,268,743
Public Safety	1,170,452	1,177,382	1,158,601	1,219,852
Economic and Community Development	397,936	456,169	483,292	416,395
Natural Resources	658,484	600,470	656,626	623,461
Transportation	1,709,819	1,898,077	1,956,722	1,569,039
Consumer and Business Services	480,212	446,994	463,899	281,556
Administration	417,348	435,164	399,918	343,256
Legislative	39,977	32,036	36,058	33,289
Judicial	317,665	310,468	317,297	336,099
Capital Improvements/Construction	90,695	121,440	127,409	129,337
Debt Service:				
Principal	229,599	264,679	300,823	331,581
Interest	288,892	315,650	354,718	350,874
Other Debt Service	8,162	9,248	4,961	6,817
Total Expenditures	16,153,678	17,403,297	17,955,370	17,972,543
Excess of Revenues Over (Under) Expenditures	(1,749,147)	(1,271,917)	(228,292)	(420,085)
Other Financing Sources (Uses)				
Transfers from Other Funds	2,407,080	2,450,401	2,813,236	2,361,835
Transfers to Other Funds	(2,216,338)	(2,277,548)	(2,607,036)	(2,232,819)
Insurance Recoveries	5,002	2,476	3,140	676
Leases Incurred	17	558	18	-
Long-term Debt Issued	1,136,713	1,017,458	379,369	170,159
Debt Issuance Premium	32,293	41,265	46,586	95,038
Debt Issuance Discount	(2,926)	(30)	-	-
Refunding Debt Issued	33,997	106,354	112,876	502,389
Refunded Debt Payment to Escrow Agent	(35,261)	(182,531)	(129,074)	(574,833)
Total Other Financing Sources (Uses)	1,360,577	1,158,403	619,115	322,445
Special Items	-	-	-	-
Net Change in Fund Balances	\$ (388,570)	\$ (113,514)	\$ 390,823	\$ (97,640)
Debt service as a percentage of noncapital expenditures	3.27%	3.55%	3.85%	3.95%

State of Oregon

2013	2014	2015	2016	2017	2018
\$ 8,969,867	\$ 9,542,069	\$ 10,460,831	\$ 10,899,473	\$ 11,581,800	\$ 12,786,737
462,233	495,774	504,355	538,591	563,129	629,021
7,480,379	8,623,136	10,166,298	10,553,352	10,310,284	10,728,658
N/A	292,805	342,598	507,710	555,032	557,629
356,418	250,738	229,578	239,976	188,513	241,644
119,942	107,326	120,574	127,788	148,872	124,535
16,258	17,293	17,312	17,435	17,845	17,255
191,017	274,861	103,132	108,875	332,171	341,356
105,796	124,071	126,601	136,989	143,789	173,360
N/A	N/A	37,185	35,154	45,775	45,125
32,694	44,372	50,342	38,610	40,253	41,639
227	297	518	39	519	50
78,909	86,924	76,600	80,239	142,200	69,536
N/A	N/A	N/A	N/A	N/A	N/A
6,196	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	25,218	-
22,057	24,360	18,214	13,629	10,731	13,275
429,523	281,831	222,011	280,196	190,499	267,654
18,271,516	20,165,857	22,476,149	23,578,059	24,296,631	26,037,475
3,884,393	4,421,231	4,702,795	5,572,518	5,714,090	6,269,848
8,544,692	9,959,458	11,626,788	12,322,549	12,427,872	12,934,967
1,241,057	1,289,232	1,281,050	1,425,482	1,462,808	1,573,565
420,351	384,392	392,966	417,634	465,401	518,518
647,606	685,357	750,784	758,592	768,431	822,361
1,694,679	1,698,418	1,763,595	1,716,411	1,826,813	1,763,839
269,701	299,925	288,066	298,410	305,144	290,183
348,600	341,549	715,932	441,111	404,691	403,270
39,405	36,319	42,923	38,984	45,456	43,987
318,209	346,710	367,669	407,265	415,091	437,320
88,583	73,976	66,071	61,522	77,717	73,152
357,106	330,745	324,485	407,072	435,702	451,874
338,645	339,476	322,091	431,197	433,520	463,976
3,440	4,759	10,032	3,210	8,108	3,075
18,196,467	20,211,547	22,655,247	24,301,956	24,790,844	26,049,934
75,049	(45,690)	(179,098)	(723,897)	(494,214)	(12,459)
2,809,301	2,223,916	2,434,341	3,811,108	2,889,176	3,006,402
(2,679,360)	(2,054,506)	(2,024,246)	(1,813,474)	(2,285,337)	(2,315,214)
2,224	1,839	2,502	6,027	3,632	9,689
-	-	-	503	999	-
108,186	538,877	435,459	245,921	1,235,289	170,437
47,125	57,611	304,732	96,002	252,799	36,921
-	-	-	-	-	-
212,319	266,635	1,146,120	224,581	645,082	132,800
(246,543)	(266,425)	(1,377,597)	(278,200)	(710,834)	(154,563)
253,252	767,947	921,311	2,292,468	2,030,804	886,473
-	-	(3,054)	-	-	-
\$ 328,301	\$ 722,257	\$ 739,159	\$ 1,568,571	\$ 1,536,591	\$ 874,014
3.99%	3.42%	2.95%	3.55%	3.61%	3.61%

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

	2008	2009	2010	2011
Farm earnings	\$ 1,306,065	\$ 1,113,098	\$ 1,042,393	\$ 1,266,899
Forestry, fishing, and related activities	952,700	917,823	1,102,350	1,059,648
Mining	124,013	97,103	97,981	113,167
Utilities	599,654	417,510	544,149	810,559
Construction	7,187,913	5,823,030	5,320,304	5,369,975
Manufacturing	13,610,521	11,809,146	12,288,594	12,973,184
Wholesale trade	6,474,288	5,969,156	6,047,445	6,299,149
Retail trade	6,883,492	6,577,510	6,816,108	6,939,388
Transportation and warehousing	3,326,755	3,103,338	3,183,428	3,352,507
Information	2,906,556	2,831,820	2,778,437	2,868,925
Finance and insurance	4,692,329	4,713,587	4,838,100	4,795,502
Real estate, rental, and leasing	2,128,816	1,585,466	1,105,873	1,001,074
Professional, scientific, and technical	7,238,648	6,854,786	7,066,154	7,623,825
Management of companies	3,085,497	2,858,432	2,849,281	2,972,610
Administrative & waste mgmt. services	3,732,910	3,475,847	3,571,849	3,735,425
Educational services	1,239,113	1,326,253	1,381,455	1,449,845
Health care and social assistance	12,068,908	11,979,934	12,558,623	12,925,240
Arts, entertainment, and recreation	720,613	675,551	692,719	993,545
Accommodation and food services	3,215,259	2,970,356	3,086,962	3,347,556
Other services	3,618,141	3,544,537	3,774,502	3,888,160
Federal government, civilian	2,558,596	2,623,045	2,716,489	2,743,644
Military	485,671	552,059	539,235	509,674
State government	3,838,499	4,115,074	4,203,327	4,378,419
Local government	11,229,242	11,698,062	11,942,125	12,180,213
Other ¹	36,275,604	37,198,419	38,780,319	42,483,491
Total personal income	\$ 139,499,803	\$ 134,830,942	\$ 138,328,202	\$ 146,081,624
Overall effective tax rate ²	5.5%	5.5%	5.6%	5.6%

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 2017 will not be available until May 2019.

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

State of Oregon

	2012	2013	2014	2015	2016	2017
\$	1,401,663	\$ 1,640,383	\$ 1,582,507	\$ 1,753,787	\$ 1,583,755	\$ 1,426,638
	1,222,841	1,224,015	1,278,024	1,398,316	1,440,528	1,500,586
	112,281	111,541	111,009	118,604	128,074	147,062
	667,746	708,708	686,606	609,537	688,756	766,942
	6,199,355	6,609,217	7,323,281	7,764,878	8,670,564	9,844,737
	13,979,258	14,116,085	14,516,126	15,477,251	16,064,911	16,542,545
	6,709,418	5,757,195	5,954,975	6,332,342	6,508,814	6,884,997
	7,316,105	7,538,200	7,863,382	8,355,660	8,650,709	9,174,382
	3,551,288	3,616,611	3,897,018	4,216,569	4,296,571	4,581,054
	3,008,608	2,994,952	3,131,132	3,312,387	3,241,391	3,685,525
	5,030,466	5,178,201	5,173,070	5,524,919	5,872,547	6,209,505
	1,435,204	1,686,273	1,922,531	2,547,420	3,481,491	4,122,093
	8,171,032	8,416,855	9,101,317	9,828,412	10,437,659	11,287,295
	3,134,763	4,836,500	5,188,524	5,967,289	6,087,429	6,489,813
	4,063,051	4,228,272	4,525,453	4,804,647	4,984,688	5,296,023
	1,607,257	1,631,771	1,683,821	1,720,499	1,797,889	1,792,526
	13,544,411	14,086,674	14,706,627	15,940,991	16,955,762	17,854,166
	1,133,231	1,167,190	1,300,245	1,317,792	1,439,466	1,595,090
	3,713,319	3,840,619	4,278,991	4,801,850	5,224,405	5,666,851
	4,216,958	4,267,809	4,577,327	4,832,430	5,080,897	5,281,892
	2,732,268	2,690,794	2,735,931	2,831,359	2,968,733	3,075,801
	477,881	463,169	434,070	425,003	440,337	435,992
	4,376,685	4,610,488	4,901,715	5,100,312	3,657,438	3,870,864
	12,088,691	12,347,880	12,833,988	13,396,729	15,650,033	16,283,656
	44,173,058	42,874,626	48,269,864	52,643,275	54,291,548	55,606,165
\$	154,066,838	\$ 156,644,028	\$ 167,977,534	\$ 181,022,258	\$ 189,644,395	\$ 199,422,200
	5.7%	5.8%	6.0%	6.0%	6.0%	N/A

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

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of		Overall Effective Tax Rate ²
		Single & Married Filing Separately	Married/RDP ¹ Filing Jointly & Head of Household	
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	6.0%
2017	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 2017 will not be available until May 2019.

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

Schedule 7
PERSONAL INCOME TAX FILERS AND TAX LIABILITY BY INCOME LEVEL
Calendar Years 2007 and 2016
(Dollars in Thousands)

2007

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	9,865	0.54%	\$ 1,176,838	21.02%
\$100,001–\$500,000	194,585	10.60%	2,017,925	36.04%
\$80,001–\$100,000	113,013	6.16%	533,070	9.52%
\$60,001–\$80,000	177,271	9.66%	601,887	10.75%
\$40,001–\$60,000	261,390	14.24%	597,474	10.67%
\$20,001–\$40,000	418,683	22.82%	514,798	9.19%
\$10,001–\$20,000	285,452	15.56%	127,069	2.27%
\$10,000 and lower	374,836	20.43%	30,535	0.55%
Total	1,835,095	100.00%	\$ 5,599,596	100.00%

2016

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$500,001 and higher	13,530	0.66%	\$ 1,392,601	18.37%
\$100,001–\$500,000	312,551	15.32%	3,456,400	45.59%
\$80,001–\$100,000	139,684	6.84%	675,324	8.91%
\$60,001–\$80,000	193,986	9.51%	690,806	9.11%
\$40,001–\$60,000	278,732	13.66%	673,000	8.88%
\$20,001–\$40,000	447,746	21.94%	549,391	7.25%
\$10,001–\$20,000	281,326	13.79%	117,512	1.55%
\$10,000 and lower	373,183	18.29%	26,645	0.35%
Total	2,040,738	100.00%	\$ 7,581,679	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 2016 is the most current year available.

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

	2009	2010	2011	2012
Governmental Activities				
General Obligation Bonds	\$ 2,361,621	\$ 2,333,486	\$ 2,656,983	\$ 2,977,322
Revenue Bonds	2,770,290	3,326,393	3,344,929	3,234,362
Certificates of Participation	1,283,559	1,496,727	1,295,323	982,314
General Appropriation Bonds	296,002	235,916	171,624	102,779
Contracts, Mortgages, and Notes Payable	71,244	11,081	102,182	54,707
Capital Leases	1,899	13,250	9,638	8,489
Business-type Activities				
General Obligation Bonds	2,335,703	2,265,774	2,422,682	2,290,038
Revenue Bonds	1,669,920	1,645,617	1,584,235	1,450,979
Certificates of Participation	97,097	120,933	111,319	99,766
Contracts, Mortgages, and Notes Payable	9,862	14,413	18,133	36,957
Capital Leases	137	697	615	556
Total Primary Government	\$ 10,897,334	\$ 11,464,287	\$ 11,717,663	\$ 11,238,269
Percentage of Personal Income ¹	8.08%	8.37%	8.10%	7.37%
Per Capita ¹	\$ 2.86	\$ 2.99	\$ 3.03	\$ 2.88

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

Note: Details regarding the State's debt can be found in Notes 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

2013	2014	2015	2016	2017	2018
\$ 3,144,443	\$ 3,193,894	\$ 3,512,256	\$ 5,525,430	\$ 6,119,313	\$ 5,993,375
3,170,655	3,509,036	3,616,493	3,672,088	4,062,386	3,912,568
692,043	620,270	485,271	340,753	289,137	246,559
29,131	-	-	-	-	-
485,003	412,560	377,200	353,620	337,675	319,221
2,789	3,027	3,845	5,779	4,148	4,274
2,256,660	2,419,832	2,411,599	554,270	536,509	558,571
1,479,103	1,362,942	1,208,434	984,935	897,572	957,733
85,121	78,057	49,261	-	-	-
154,135	160,108	50,919	34,900	44,001	41,793
560	69	578	268	6,315	5,512
\$ 11,499,643	\$ 11,759,795	\$ 11,715,856	\$ 11,472,043	\$ 12,297,056	\$ 12,039,606
7.41%	7.09%	6.57%	6.17%	6.38%	5.76%
\$ 2.93	\$ 2.96	\$ 2.91	\$ 2.80	\$ 2.97	\$ 2.86

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

Year	General Obligation Bonds	Percentage of Personal Income¹	Per Capita
2009	\$ 4,697,324	3.48%	\$ 1.23
2010	4,599,260	3.32%	1.20
2011	5,079,665	3.48%	1.31
2012	5,267,360	3.42%	1.35
2013	5,401,103	3.45%	1.38
2014	5,613,726	3.34%	1.42
2015	5,923,855	3.27%	1.47
2016	6,079,700	3.21%	1.49
2017	6,655,822	3.34%	1.61
2018	6,551,946	3.13%	1.56

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

Note: Details regarding the State's debt can be found in Notes 8 and 9 of the financial statements. Amounts of outstanding general bonded debt represent the outstanding principal, net of discounts, premiums, and other adjustments.

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**Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2018**

	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	0.50%	-
General Purpose GO's	Article XI-Q	1.00%	-
Revenue Bonds			
Highway User Tax	ORS 367.620	0.00%	3,240,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000

¹ Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2017, RMV of \$620,909,716,704.

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
6,209,097,167	29,410,000	6,179,687,167
49,672,777,336	350,080,000	49,322,697,336
9,313,645,751	-	9,313,645,751
1,164,205,719	-	1,164,205,719
9,313,645,751	1,945,351,579	7,368,294,172
260,000,000	35,499,000	224,501,000
3,104,548,584	36,915,000	3,067,633,584
3,104,548,584	156,425,000	2,948,123,584
3,104,548,584	-	3,104,548,584
261,495,000	75,040,000	186,455,000
1,241,819,433	191,372,500	1,050,446,933
1,241,819,433	52,917,500	1,188,901,933
6,209,097,167	1,593,385,000	4,615,712,167
3,104,548,584	102,835,000	3,001,713,584
6,209,097,167	1,486,242,000	4,722,855,167
<u>\$103,514,944,258</u>	<u>\$ 6,055,472,579</u>	<u>\$ 97,459,471,680</u>
\$ 3,240,000,000	\$ 3,005,097,807	\$ 234,902,193
2,500,000,000	945,842,123	1,554,157,877
<u>\$ 5,740,000,000</u>	<u>\$ 3,950,939,930</u>	<u>\$ 1,789,060,070</u>

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

	2009	2010	2011	2012
General Obligation Bonds				
Debt limit	\$ 87,606,697	\$ 83,182,525	\$ 81,105,231	\$ 76,868,469
Total debt applicable to limit	4,697,324	4,599,259	5,079,665	5,267,360
Legal debt margin	<u>\$ 82,909,373</u>	<u>\$ 78,583,266</u>	<u>\$ 76,025,566</u>	<u>\$ 71,601,109</u>
Total debt applicable to the limit as a percentage of debt limit	5.36%	5.53%	6.26%	6.85%
Revenue Bonds				
Debt limit	\$ 5,950,000	\$ 5,950,000	\$ 5,950,000	\$ 5,950,000
Total debt applicable to limit	3,728,117	4,229,615	4,196,478	4,048,627
Legal debt margin	<u>\$ 2,221,883</u>	<u>\$ 1,720,385</u>	<u>\$ 1,753,522</u>	<u>\$ 1,901,373</u>
Total debt applicable to the limit as a percentage of debt limit	62.66%	71.09%	70.53%	68.04%

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

2013	2014	2015	2016	2017	2018
\$ 74,668,862	\$ 76,758,613	\$ 76,048,937	\$ 81,952,523	\$ 98,858,028	\$ 103,514,944
5,401,103	5,613,726	5,923,856	6,079,700	6,135,461	6,055,473
<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>	<u>\$ 97,459,472</u>
7.23%	7.31%	7.79%	7.42%	6.21%	5.85%
\$ 5,750,000	\$ 5,750,000	\$ 5,740,000	\$ 5,740,000	\$ 5,740,000	\$ 5,740,000
3,958,765	4,242,316	4,168,546	4,063,270	3,989,587	3,950,940
<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>	<u>\$ 1,789,060</u>
68.85%	73.78%	72.62%	70.79%	69.51%	68.83%

**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			
					Principal	Interest	Total	Coverage
2009	\$ 1,111,137	\$ 515,139	\$ 3,257	\$ 599,254	\$ 65,985	\$ 32,380	\$ 98,365	6.09
2010	1,033,687	492,537	3,156	544,306	73,051	51,802	124,853	4.36
2011	1,039,472	488,905	3,156	553,723	75,850	51,601	127,451	4.34
2012	1,067,912	541,472	3,123	529,562	77,635	57,150	134,785	3.93
2013	1,064,782	518,448	3,018	549,352	74,525	54,088	128,613	4.27
2014	1,058,703	549,015	2,739	512,427	72,310	54,310	126,620	4.05
2015	1,122,156	571,253	957	551,859	58,855	41,511	100,366	5.50
2016	1,245,710	657,518	299	588,492	60,300	53,163	113,463	5.19
2017	1,245,383	544,288	133	701,228	67,170	50,260	117,430	5.97
2018	1,307,690	595,669	132	712,153	73,875	54,081	127,956	5.57

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	
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
2018	623,384	66,400	108,025	174,425	3.57

Source: Highway User Tax Bond official statements and the Oregon Department of Transportation.

Highway User Tax Revenue Bonds are secured by a pledge of motor fuels, weight-mile, and vehicle registration fees.

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

Schedule 13
DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Calendar Years

Year	Population	Personal Income¹	Per Capita Personal Income	Unemployment Rate
2009	3,808,600	\$ 134,830,942	\$ 35,402	11.3%
2010	3,837,073	138,328,202	36,050	10.6%
2011	3,865,845	146,081,624	37,788	9.5%
2012	3,893,920	154,066,838	39,566	8.8%
2013	3,919,664	156,644,028	39,964	7.9%
2014	3,960,673	167,977,534	42,411	6.8%
2015	4,016,537	181,022,258	45,069	5.6%
2016	4,085,989	189,644,395	46,413	4.8%
2017	4,142,776	199,422,200	48,137	4.1%
2018	4,203,200	209,100,000	49,748	4.0%

¹ Personal income presented in thousands.

Source: Population and personal income figures for 2009 through 2017 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 2018 were provided by the Oregon Office of Economic Analysis.

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2017 and Nine Years Prior

	2008		2017	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	65,329	2.86%	62,268	2.49%
Forestry, fishing, and related activities	31,426	1.37%	32,075	1.28%
Mining	4,608	0.20%	6,769	0.27%
Utilities	5,146	0.23%	5,621	0.23%
Construction	134,797	5.89%	133,912	5.35%
Manufacturing	207,650	9.07%	209,080	8.36%
Wholesale trade	87,828	3.84%	84,188	3.37%
Retail trade	243,880	10.66%	257,352	10.29%
Transportation and warehousing	67,559	2.95%	81,895	3.27%
Information	42,780	1.87%	42,535	1.70%
Finance and insurance	91,612	4.00%	98,228	3.93%
Real estate, rental, and leasing	103,615	4.53%	117,109	4.68%
Professional and technical services	134,174	5.86%	163,551	6.54%
Management of companies	33,517	1.47%	49,525	1.98%
Administrative and waste services	120,448	5.26%	130,134	5.20%
Educational services	49,883	2.18%	59,524	2.38%
Health care and social assistance	245,292	10.72%	292,681	11.70%
Arts, entertainment, and recreation	53,154	2.32%	62,878	2.51%
Accommodation and food services	161,766	7.07%	195,501	7.82%
Other services	120,172	5.25%	128,142	5.12%
Federal government, civilian	29,552	1.29%	28,273	1.13%
Military	12,159	0.53%	11,427	0.46%
State government	56,404	2.47%	44,703	1.79%
Local government	185,868	8.12%	203,686	8.14%
Total employment	2,288,619	100.00%	2,501,057	100.00%

Source: US Department of Commerce, Bureau of Economic Analysis.

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Education	13,117	13,394	13,394	13,485	13,485	624	642	688	688	704
Human Services	9,753	11,145	11,145	11,478	11,379	11,694	11,671	12,373	12,360	12,970
Public Safety	9,021	9,069	9,069	8,562	8,532	8,615	8,618	8,667	8,677	8,891
Economic and Community Services	1,650	1,991	1,991	2,358	1,910	1,651	1,670	1,610	1,615	1,664
Natural Resources	4,367	4,332	4,332	4,304	4,288	4,338	4,348	4,324	4,313	4,267
Transportation	4,535	4,554	4,554	4,532	4,533	4,480	4,475	4,411	4,408	4,511
Consumer and Business Services	1,593	1,592	1,592	1,454	1,446	1,421	1,410	1,427	1,423	1,442
Administration	2,958	2,882	2,882	2,809	2,785	2,827	2,827	2,961	2,977	3,052
Legislative Branch	404	381	381	427	427	429	429	432	432	452
Judicial Branch	1,975	1,766	1,766	1,818	1,829	1,840	1,839	1,860	1,859	1,850
Total FTE Positions	49,373	51,106	51,106	51,227	50,614	37,919	37,929	38,753	38,752	39,803

Source: Department of Administrative Services, Chief Financial Office.

Note: The number of full time equivalent (FTE) positions is established in the legislatively adopted biennial budget. A distinction between governmental and business-type activities is not available.

In 2014, the Oregon University System was legislatively approved to act as a private entity and will no longer be included in the Education FTE figure.

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

	2009	2010	2011
Governmental Activities			
Education			
Number of PreK-12 students	564,064	561,698	561,331
Number of FTE community college students	105,149	121,815	124,988
Special education school campuses	2	1	1
Human Services			
Number of individuals eligible for Oregon Health Plan	426,578	495,872	590,406
Average number of basic TANF individuals	48,321	54,994	61,768
Public Safety			
Number of sworn state police officers	604	660	773
Prison inmate population	13,925	14,021	14,026
Number of correctional facilities	14	14	14
Economic and Community Development			
Community development grants provided (in dollars)	\$ 2,791,056	\$ 15,065,341	\$ 8,093,200
Number of technical assistance grants provided	5	4	4
Natural Resources			
Forest acres burned	7,000	6,065	2,272
State park day use visitors (in millions)	40.1	41.2	40.0
Acreage of state parks	100,379	103,474	105,684
Miles of forest roads	3,255	3,305	3,377
Transportation			
Licensed drivers (in millions)	3.1	3.0	3.0
Vehicle miles traveled on state highway system (in billions)	19.8	19.7	19.4
State highway system miles	7,422	7,415	7,403
Number of state owned bridges	2,681	2,693	2,703
Consumer and Business Services			
Number of employers covered by workers' compensation	94,800	93,900	99,900
Historic premiums written for all insurance lines (in billions)	\$ 17.7	\$ 17.2	\$ 17.5
Average bank and credit union assets (in billions)	\$ 42.0	\$ 40.5	\$ 39.1
Construction employment (in thousands)	74.1	67.7	68.6
Administration			
Number of tax returns filed	1,768,397	1,791,680	1,824,788
Percent of returns filed electronically	67.0%	75.0%	79.0%
Uniform rent square footage (in millions)	2.0	2.0	2.0
Leased office space square footage (in millions)	4.5	4.7	5.1
Number of motor pool vehicles	4,247	4,247	4,183
Legislative			
Number of bills introduced	2,613	195	3,021
Number of bills becoming law	914	105	732
Length of legislative session (in days)	169	25	150
Capitol building	1	1	1
Judicial			
Cases filed in circuit courts	599,605	565,397	552,601
Number of circuit court judges	173	173	173

Sources: Various state agencies

Note: Figures for 2017 and 2018 that are not available until a later date are indicated with N/A.

State of Oregon

	2012	2013	2014	2015	2016	2017	2018
	560,951	563,714	567,100	570,857	576,407	578,947	580,684
	117,653	117,233	104,339	97,362	90,478	88,167	85,642
	1	1	1	1	1	1	1
	619,994	672,210	971,104	1,050,178	1,109,321	1,067,322	1,077,267
	70,881	74,313	70,046	60,188	50,490	48,502	44,646
	610	606	606	719	732	700	680
	14,186	14,578	14,632	14,706	14,721	14,742	14,916
	14	14	14	14	14	14	14
\$	12,496,300	\$ 17,299,550	\$ 18,590,649	\$ 20,287,281	\$ 12,055,779	\$ 11,978,330	\$ 13,162,331
	5	6	5	1	4	2	2
	17,396	103,836	53,018	87,793	5,649	45,463	75,608
	40.4	42.1	43.2	47.6	51.5	49.0	51.4
	108,613	108,654	108,499	109,587	107,960	108,499	113,143
	3,400	3,432	3,456	3,488	3,528	3,569	3,598
	3.0	3.1	3.1	3.1	3.1	3.1	N/A
	19.4	19.5	19.8	20.7	21.4	21.4	N/A
	7,401	7,401	7,399	7,401	7,402	7,401	N/A
	2,709	2,717	2,725	2,726	2,738	2,737	2,744
	101,400	100,300	107,900	112,100	116,200	119,600	N/A
\$	18.0	\$ 19.7	\$ 19.5	\$ 20.6	\$ 22.9	\$ 22.5	N/A
\$	44.0	\$ 45.0	\$ 56.6	\$ 61.0	\$ 66.0	\$ 99.8	N/A
	69.9	74.0	80.1	83.3	90.2	97.6	N/A
	1,846,257	1,886,438	1,942,678	1,993,570	2,040,738	N/A	N/A
	81.0%	83.0%	84.0%	86.0%	86.0%	N/A	N/A
	2.0	2.0	2.0	2.0	2.0	1.9	1.9
	4.5	4.0	4.6	4.6	5.0	5.4	4.9
	3,993	3,994	3,993	4,022	4,130	4,117	4,192
	275	2,511	252	2,641	253	2,647	232
	112	788	126	847	124	747	122
	34	156	36	155	32	157	28
	1	1	1	1	1	1	1
	549,803	544,687	536,922	522,377	491,681	489,135	522,013
	173	173	173	173	173	173	173

(continued on next page)

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

	2009	2010	2011
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	836	171	383
Number of affordable rental units produced	421	-	144
Veterans' Loan			
Number of outstanding loans	4,069	3,404	2,850
Percent of delinquent loans	0.47%	0.73%	1.54%
Lottery Operations			
Number of retailers	3,855	3,916	3,901
Number of video terminals	12,365	12,393	12,202
Unemployment Compensation			
Number of claims paid	8,422,488	8,762,507	6,764,818
Amount of claims paid (in millions)	\$ 2,688.4	\$ 2,704.1	\$ 1,953.0
University System			
Total headcount enrollment	82,868	87,968	91,345
Degrees awarded	16,944	17,920	18,694
Number of university campuses	7	7	7
State Hospital System			
Number of mental health patient days served	268,052	247,104	232,892
Number of state owned hospital beds	756	709	719
Liquor Control			
Number of state retail outlets	240	243	247
Number of cases sold	2,572,865	2,573,935	2,676,106
Other Business-type Activities			
Number of residents in Oregon Veterans' Homes	138	144	140
Number of state owned parking spaces	4,568	4,545	4,544

* Starting with FY 2016, the university system is no longer part of the primary government and will no longer be reported.

State of Oregon

2012	2013	2014	2015	2016	2017	2018
520	360	394	334	410	490	714
239	-	94	564	479	440	1,217
2,408	2,050	1,934	1,881	1,864	1,870	1,877
1.45%	1.61%	1.45%	0.80%	0.80%	0.91%	0.91%
3,907	3,848	3,843	3,939	3,920	3,934	3,923
12,175	12,037	11,951	11,925	11,909	11,817	11,742
5,035,594	3,552,320	1,762,202	1,604,461	1,407,146	1,054,564	N/A
\$ 1,489.8	\$ 1,067.4	\$ 561.7	\$ 544.9	\$ 504.2	\$ 390.0	N/A
92,925	93,657	94,129	94,011	*	*	*
20,209	20,830	21,359	21,429	*	*	*
7	7	7	7	*	*	*
226,104	231,355	222,776	218,127	220,202	218,966	212,309
771	685	727	786	786	766	742
249	248	248	248	248	256	267
2,791,591	2,911,100	2,955,352	3,021,190	3,127,664	3,244,159	3,365,467
140	144	140	155	235	284	268
4,484	4,742	4,605	4,616	4,595	4,661	4,710

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