

Notes to Financial Statements (For the Fiscal Year Ended June 30, 2012)

The five financial statements included here have been selected to provide information about the receipts and expenditures of public money and about changes in net assets (equity) or fund balances. Additional information is available in the *Comprehensive Annual Financial Report* of the State of Oregon prepared by the Chief Financial Office of the Oregon Department of Administrative Services and audited by the Secretary of State Audits Division.

Government-wide Financial Statements

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 activities* presents information that shows how the State's net assets changed during the fiscal year. All of the changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

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

Governmental funds. Most of the State's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that are readily converted to cash flow in and out, and (2) the balances remaining at year end that are available for spending. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the State's programs.

In governmental funds, 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. Expenditures generally are recognized when a liability is incurred.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund. Beginning in fiscal year 2011, the General Fund includes some activity previously accounted for in special revenue funds. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 necessitated this change. Statement No. 54 clarifies that one or more specific restricted or committed revenues must comprise a substantial portion of the "inflows" reported in a special revenue fund. The state considers 30 percent as "substantial" for financial reporting purposes. In

special revenue funds where a substantial portion of the inflows will not derive from specific restricted or committed revenue sources, the funds' activities are accounted for in the General Fund. The *Oregon Rainy Day Fund*, for example, was previously reported as an individual major special revenue fund but is now reported in the General Fund. The Rainy Day fund relies on resources that are "transferred" from the General Fund in accordance with state law and which, along with investment income generated, can be appropriated by the Legislature only when certain specific criteria related to economic or revenue conditions have been met. The funding source for the Rainy Day Fund is not a specific restricted or committed revenue.

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, and charges for services.

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

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

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

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Like the government-wide statements, the proprietary fund statements provide both long-term and short-term financial information. The State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and, additional information, such as cash flows.

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

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

The *Veterans' Loan Fund* accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided

through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.

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

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

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

The State uses *internal service funds* (the other type of proprietary fund) to 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 (such as the Central Services Fund).

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 may be used only for the trust beneficiaries. Fiduciary funds are accounted for in a manner similar to proprietary funds.

The State reports the following fiduciary funds types:

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

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

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

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

Discretely Presented Component Units

The State's discretely presented component units include the SAIF Corporation, Oregon Health and Science University, the Oregon University System Foundations and the Oregon Affordable Housing Assistance Corporation.

Budgetary Data

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.

In odd-numbered years, the biennial budget is adopted by the Legislature through passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the State's appropriated budget for the next biennium. Appropriation bills include one or more appropriations (budgeted expenditure items) which may be at the agency, program, or activity level. The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. Spending plans for nonbudgeted financial activities, which are not included in the Governor's budget recommendations, are also established by agencies for certain expenditures to enhance fiscal control. Expenditures are monitored through the use of quarterly allotments. Allotments are required for appropriated and nonappropriated items and are used to establish spending limits. These spending limits are monitored by the Budget and Management section of the Chief Financial Office of the Department of Administrative Services and are controlled by the State's central accounting system.

In November 2010, voters approved a constitutional amendment that requires the Legislative Assembly to hold annual sessions. Sessions held in odd-numbered years may not exceed 160 days, while sessions held in even-numbered years are limited to 35 days. Five-day extensions are allowed if approved by two-thirds of the members of each house and a session may be extended more than once. During interim periods when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. The Board authorizes and allocates all changes in funding and takes other actions to meet emergency needs.

This page intentionally left blank.

Statement of Activities
For the Year Ended June 30, 2012
(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 | \$ 4,061,791 | \$ 12,774 | \$ 632,458 | \$ - | \$ (3,416,559) |
| Human Services | 8,186,498 | 531,658 | 5,225,178 | 2,187 | (2,427,475) |
| Public Safety | 1,235,617 | 141,432 | 178,975 | 17,849 | (897,361) |
| Economic and Community Development | 416,683 | 27,340 | 344,487 | - | (44,856) |
| Natural Resources | 619,535 | 306,336 | 196,523 | 745 | (115,931) |
| Transportation | 1,394,815 | 140,219 | 587,526 | 16,353 | (650,717) |
| Consumer and Business Services | 263,541 | 69,000 | 17,553 | - | (176,988) |
| Administration | 349,555 | 96,006 | 215,786 | - | (37,763) |
| Legislative | 34,839 | 2,388 | 30 | - | (32,421) |
| Judicial | 326,803 | 99,052 | 2,187 | - | (225,564) |
| Interest on Long-term Debt | 367,826 | - | - | - | (367,826) |
| Total Governmental Activities | 17,257,503 | 1,426,205 | 7,400,703 | 37,134 | (8,393,461) |
| Business-type Activities: | | | | | |
| Housing and Community Services | 75,879 | 72,298 | 13,938 | - | 10,357 |
| Veterans' Loan | 18,628 | 13,426 | 2,327 | - | (2,875) |
| Lottery Operations | 534,018 | 1,050,315 | 17,744 | - | 534,041 |
| Unemployment Compensation | 1,729,355 | 1,083,438 | 973,106 | - | 327,189 |
| University System | 2,300,493 | 1,356,609 | 607,569 | 33,875 | (302,440) |
| State Hospitals | 270,793 | 75,012 | - | - | (195,781) |
| Liquor Control | 344,540 | 470,421 | - | - | 125,881 |
| Other Business-type Activities | 268,659 | 276,209 | 6,570 | 2,895 | 17,015 |
| Total Business-type Activities | 5,542,365 | 4,397,728 | 1,621,254 | 36,770 | 513,387 |
| Total Primary Government | \$ 22,799,868 | \$ 5,823,933 | \$ 9,021,957 | \$ 73,904 | \$ (7,880,074) |
| Component Units: | | | | | |
| SAIF Corporation | \$ 573,267 | \$ 381,048 | \$ 215,706 | \$ - | \$ 23,487 |
| Oregon Health and Science University | 2,015,806 | 1,645,339 | 445,017 | 4,059 | 78,609 |
| Oregon University System Foundations | 204,072 | 24,412 | 196,939 | - | 17,279 |
| Oregon Affordable Housing Asst. Comm. | 45,206 | - | 45,206 | - | - |
| Total Component Units | \$ 2,838,351 | \$ 2,050,799 | \$ 902,868 | \$ 4,059 | \$ 119,375 |

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

Statement of Activities
For the Year Ended June 30, 2012
(In Thousands)

| | Primary Government | | | Component Units |
|---|------------------------------------|--|----------------------|----------------------------|
| | Governmental Activities | Business- type Activities | Total | |
| Changes in Net Assets: | | | | |
| Net (Expense) Revenue | \$ (8,393,461) | \$ 513,387 | \$ (7,880,074) | \$ 119,375 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Personal Income Taxes | 5,901,448 | - | 5,901,448 | - |
| Corporate Income Taxes | 440,444 | - | 440,444 | - |
| Tobacco Taxes | 249,388 | - | 249,388 | - |
| Healthcare Provider Taxes | 423,951 | - | 423,951 | - |
| Inheritance Taxes | 102,351 | - | 102,351 | - |
| Public Utilities Taxes | 72,310 | - | 72,310 | - |
| Insurance Premium Taxes | 94,583 | - | 94,583 | - |
| Other Taxes | 156,256 | 16,893 | 173,149 | - |
| Restricted for Transportation Purposes: | | | | |
| Motor Fuels Taxes | 492,188 | - | 492,188 | - |
| Weight Mile Taxes | 260,091 | - | 260,091 | - |
| Vehicle Registration Taxes | 281,799 | - | 281,799 | - |
| Restricted for Workers' Compensation and Workplace Safety Programs: | | | | |
| Workers' Compensation Insurance Taxes | 53,669 | - | 53,669 | - |
| Employer-Employee Taxes | 71,977 | - | 71,977 | - |
| Total Taxes | <u>8,600,455</u> | <u>16,893</u> | <u>8,617,348</u> | <u>-</u> |
| Unrestricted Investment Earnings | 11,157 | - | 11,157 | - |
| Contributions to Permanent Funds | 76 | - | 76 | - |
| Additions to Permanent Endowments | - | 159 | 159 | - |
| Transfers - Internal Activities | 125,915 | (125,915) | - | - |
| Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers | <u>8,737,603</u> | <u>(108,863)</u> | <u>8,628,740</u> | <u>-</u> |
| Change in Net Assets | <u>344,142</u> | <u>404,524</u> | <u>748,666</u> | <u>119,375</u> |
| Net Assets - Beginning | 10,828,780 | 4,244,753 | 15,073,533 | 4,415,927 |
| Prior Period Adjustments | 18,602 | 18,589 | 37,191 | 123 |
| Net Assets - Beginning - As Restated | <u>10,847,382</u> | <u>4,263,342</u> | <u>15,110,724</u> | <u>4,416,050</u> |
| Net Assets - Ending | <u>\$ 11,191,524</u> | <u>\$ 4,667,866</u> | <u>\$ 15,859,390</u> | <u>\$ 4,535,425</u> |

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012
(In Thousands)

| | General | Health and Social Services | Public Transportation |
|---|------------------|-------------------------------|--------------------------|
| Revenues: | | | |
| Personal Income Taxes | \$ 5,876,050 | \$ - | \$ - |
| Corporate Income Taxes | 441,802 | - | - |
| Tobacco Taxes | 67,908 | 190,688 | - |
| Healthcare Provider Taxes | - | 423,951 | - |
| Inheritance Taxes | 101,364 | - | - |
| Public Utilities Taxes | - | - | - |
| Insurance Premium Taxes | 46,455 | 48,120 | - |
| Motor Fuels Taxes | - | - | 490,992 |
| Weight Mile Taxes | - | - | 259,984 |
| Vehicle Registration Taxes | - | - | 281,358 |
| Employer-Employee Taxes | - | - | - |
| Workers' Compensation Insurance Taxes | - | - | - |
| Other Taxes | 81,235 | - | 1,801 |
| Licenses and Fees | 120,506 | 14,053 | 80,842 |
| Federal | 105 | 3,969,872 | 617,754 |
| Charges for Services | 22,014 | 201,030 | 45,257 |
| Fines and Forfeitures | 65,768 | 171 | 4,367 |
| Rents and Royalties | 490 | 14 | 5,772 |
| Investment Income (Loss) | 11,157 | 2,043 | 9,630 |
| Sales | 1,343 | 2,078 | 4,679 |
| Donations and Grants | 1,069 | 5,376 | 25 |
| Contributions to Permanent Funds | - | - | - |
| Tobacco Settlement Proceeds | - | 78,940 | - |
| Foreclosure Settlement Proceeds | 25,253 | - | - |
| Pension Bond Debt Service Assessments | - | - | - |
| Unclaimed Property Revenue | - | - | - |
| Other | 18,896 | 317,958 | 8,118 |
| Total Revenues | 6,881,415 | 5,254,294 | 1,810,579 |
| Expenditures: | | | |
| Current: | | | |
| Education | 3,349,773 | - | - |
| Human Services | 1,862,595 | 5,133,945 | - |
| Public Safety | 896,257 | - | - |
| Economic and Community Development | 21,458 | - | - |
| Natural Resources | 62,379 | - | - |
| Transportation | 8,957 | - | 1,550,480 |
| Consumer and Business Services | 5,596 | 75 | - |
| Administration | 222,265 | 1 | 60,248 |
| Legislative | 31,603 | - | - |
| Judicial | 308,072 | 1,413 | - |
| Capital Improvements and Capital Construction | - | - | - |
| Debt Service: | | | |
| Principal | 85,774 | - | - |
| Interest | 53,632 | 1 | 600 |
| Other Debt Service | 1,700 | 578 | 398 |
| Total Expenditures | 6,910,061 | 5,136,013 | 1,611,726 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (28,646) | 118,281 | 198,853 |
| Other Financing Sources (Uses): | | | |
| Transfers from Other Funds | 940,311 | 96,331 | 89,478 |
| Transfers to Other Funds | (1,139,103) | (307,604) | (265,747) |
| Insurance Recoveries | 225 | - | - |
| Long-term Debt Issued | 16,322 | 57,710 | - |
| Debt Issuance Premium | 3,037 | 4,788 | - |
| Refunding Debt Issued | - | - | - |
| Refunded Debt Payment to Escrow Agent | - | - | - |
| Total Other Financing Sources (Uses) | (179,208) | (148,775) | (176,269) |
| Net Change in Fund Balances | (207,854) | (30,494) | 22,584 |
| Fund Balances - Beginning | 244,154 | 589,792 | 767,013 |
| Prior Period Adjustments | 3,730 | (108,895) | 18,112 |
| Fund Balances - Beginning - As Restated | 247,884 | 480,897 | 785,125 |
| Change in Inventories | 1,456 | (447) | (1,143) |
| Fund Balances - Ending | \$ 41,486 | \$ 449,956 | \$ 806,566 |

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

| Environmental Management | Common School | Other | Total |
|--------------------------|---------------|--------------|--------------|
| \$ - | \$ - | \$ - | \$ 5,876,050 |
| - | - | - | 441,802 |
| - | - | - | 258,596 |
| - | - | - | 423,951 |
| - | - | - | 101,364 |
| - | - | 72,310 | 72,310 |
| - | - | 8 | 94,583 |
| - | - | - | 490,992 |
| - | - | - | 259,984 |
| - | - | - | 281,358 |
| - | - | 71,977 | 71,977 |
| - | - | 53,669 | 53,669 |
| 23,218 | - | 37,990 | 144,244 |
| 125,966 | 993 | 128,120 | 470,480 |
| 170,970 | - | 2,493,228 | 7,251,929 |
| 42,172 | 155 | 61,733 | 372,361 |
| 453 | 126 | 66,469 | 137,354 |
| 2,381 | 4,094 | 2,894 | 15,645 |
| 12,620 | (8,292) | 24,673 | 51,831 |
| 78,646 | 327 | 4,833 | 91,906 |
| 565 | - | 17,100 | 24,135 |
| - | - | 76 | 76 |
| - | - | - | 78,940 |
| - | - | - | 25,253 |
| - | - | 5,681 | 5,681 |
| - | 15,308 | - | 15,308 |
| 16,278 | 107 | 79,322 | 440,679 |
| 473,269 | 12,818 | 3,120,083 | 17,552,458 |
| - | - | 712,471 | 4,062,244 |
| - | - | 1,272,203 | 8,268,743 |
| - | - | 323,595 | 1,219,852 |
| - | - | 394,937 | 416,395 |
| 503,032 | 14,367 | 43,683 | 623,461 |
| - | - | 9,602 | 1,569,039 |
| - | - | 275,885 | 281,556 |
| - | - | 60,742 | 343,256 |
| - | - | 1,686 | 33,289 |
| - | - | 26,614 | 336,099 |
| - | - | 129,337 | 129,337 |
| 9 | - | 245,798 | 331,581 |
| 1 | - | 296,640 | 350,874 |
| 37 | - | 4,104 | 6,817 |
| 503,079 | 14,367 | 3,797,297 | 17,972,543 |
| (29,810) | (1,549) | (677,214) | (420,085) |
| 146,461 | 11,201 | 1,078,053 | 2,361,835 |
| (63,756) | (54,969) | (401,640) | (2,232,819) |
| 18 | 333 | 100 | 676 |
| 1,241 | - | 94,886 | 170,159 |
| - | - | 87,213 | 95,038 |
| - | - | 502,389 | 502,389 |
| - | - | (574,833) | (574,833) |
| 83,964 | (43,435) | 786,168 | 322,445 |
| 54,154 | (44,984) | 108,954 | (97,640) |
| 787,600 | 945,289 | 1,612,669 | 4,946,517 |
| 5,246 | (905) | (69,029) | (151,741) |
| 792,846 | 944,384 | 1,543,640 | 4,794,776 |
| (1,766) | - | 23 | (1,877) |
| \$ 845,234 | \$ 899,400 | \$ 1,652,617 | \$ 4,695,259 |

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012
(In Thousands)

| | Business-type Activities - Enterprise Funds | | |
|--|--|---------------------------|-------------------------------|
| | Housing and Community Services | Veterans' Loan | Lottery Operations |
| Operating Revenues: | | | |
| Assessments | \$ - | \$ - | \$ - |
| Licenses and Fees | 2,585 | 134 | - |
| Federal | - | - | - |
| Charges for Services | 983 | 1,679 | - |
| Fines and Forfeitures | - | - | - |
| Rents and Royalties | - | 698 | - |
| Sales | - | - | 1,050,214 |
| Loan Interest Income | 68,918 | 10,603 | - |
| Gifts, Grants, and Contracts | - | - | - |
| Other | 111 | 294 | 209 |
| Gain (Loss) on Foreclosed Property | (277) | 76 | - |
| Total Operating Revenues | <u>72,320</u> | <u>13,484</u> | <u>1,050,423</u> |
| Operating Expenses: | | | |
| Salaries and Wages | 4,092 | 5,654 | 36,317 |
| Services and Supplies | 9,578 | 4,260 | 238,413 |
| Cost of Goods Sold | - | - | - |
| Distributions to Other Governments | 329 | - | - |
| Loan Interest Expense | 49 | - | - |
| Special Payments | 925 | - | 232,369 |
| Bond and COP Interest | 58,696 | 7,499 | - |
| Other Debt Service | 22 | 765 | - |
| Depreciation and Amortization | 1 | 109 | 26,794 |
| Bad Debt Expense | 2,212 | 336 | - |
| Total Operating Expenses | <u>75,904</u> | <u>18,623</u> | <u>533,893</u> |
| Operating Income (Loss) | <u>(3,584)</u> | <u>(5,139)</u> | <u>516,530</u> |
| Nonoperating Revenues (Expenses): | | | |
| Bond and COP Interest | - | - | - |
| Investment Income (Loss) | 13,938 | 2,327 | 17,744 |
| Other Taxes | - | - | - |
| Gain (Loss) on Disposition of Assets | - | - | (148) |
| Insurance Recoveries | - | - | 31 |
| Loan Interest Income | - | - | - |
| Loan Interest Expense | - | - | - |
| Other Nonoperating Items | (21) | (58) | (139) |
| Total Nonoperating Revenues (Expenses) | <u>13,917</u> | <u>2,269</u> | <u>17,488</u> |
| Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers | 10,333 | (2,870) | 534,018 |
| Capital Contributions | - | - | - |
| Additions to Permanent Endowments | - | - | - |
| Transfers from Other Funds | - | - | - |
| Transfers to Other Funds | (166) | (229) | (531,022) |
| Change in Net Assets | <u>10,167</u> | <u>(3,099)</u> | <u>2,996</u> |
| Net Assets - Beginning | 209,961 | 133,291 | 136,598 |
| Prior Period Adjustments | - | 543 | - |
| Net Assets - Beginning - As Restated | <u>209,961</u> | <u>133,834</u> | <u>136,598</u> |
| Net Assets - Ending | <u>\$ 220,128</u> | <u>\$ 130,735</u> | <u>\$ 139,594</u> |

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

Business-type Activities - Enterprise Funds

| | | | | Governmental Activities Internal Service Funds | |
|--------------------------------------|------------------------------|---------------------|---------------------|---|---|
| Unemployment Compensation | University System | Other | Total | | |
| \$ 1,061,035 | \$ - | \$ - | \$ 1,061,035 | \$ - | - |
| - | - | 7,584 | 10,303 | - | - |
| 930,580 | 343,709 | 6,200 | 1,280,489 | - | - |
| - | 794,444 | 302,086 | 1,099,192 | 956,706 | - |
| 3,604 | - | 486 | 4,090 | - | - |
| - | - | 53 | 751 | 42,194 | - |
| - | 420,621 | 478,199 | 1,949,034 | 7,603 | - |
| - | - | 31,180 | 110,701 | - | - |
| - | 232,475 | - | 232,475 | - | - |
| 18,799 | 32,804 | 2,888 | 55,105 | 10,621 | - |
| - | - | - | (201) | - | - |
| 2,014,018 | 1,824,053 | 828,676 | 5,802,974 | 1,017,124 | |
| - | 1,434,177 | 250,697 | 1,730,937 | 132,462 | - |
| - | 515,310 | 146,805 | 914,366 | 761,876 | - |
| - | - | 241,762 | 241,762 | 9,456 | - |
| - | - | 53,960 | 54,289 | 185 | - |
| - | - | - | 49 | - | - |
| 1,707,441 | 143,998 | 158,623 | 2,243,356 | 659 | - |
| - | - | 16,524 | 82,719 | 5,003 | - |
| - | - | 637 | 1,424 | 91 | - |
| - | 124,963 | 9,847 | 161,714 | 29,301 | - |
| 21,744 | - | 5,151 | 29,443 | - | - |
| 1,729,185 | 2,218,448 | 884,006 | 5,460,059 | 939,033 | |
| 284,833 | (394,395) | (55,330) | 342,915 | 78,091 | |
| - | (82,959) | - | (82,959) | - | - |
| 42,526 | 31,385 | 1,435 | 109,355 | 4,436 | - |
| - | - | 16,893 | 16,893 | - | - |
| - | (1,338) | 13 | (1,473) | 785 | - |
| - | 956 | - | 987 | 1,250 | - |
| - | - | - | - | 41 | - |
| - | - | - | - | (15) | - |
| - | 107,784 | (69) | 107,497 | (208) | - |
| 42,526 | 55,828 | 18,272 | 150,300 | 6,289 | |
| 327,359 | (338,567) | (37,058) | 493,215 | 84,380 | - |
| - | 33,875 | 117,180 | 151,055 | 69 | - |
| - | 159 | - | 159 | - | - |
| 487 | 354,397 | 198,276 | 553,160 | 145,910 | - |
| (50,891) | (39,643) | (173,235) | (795,186) | (33,941) | - |
| 276,955 | 10,221 | 105,163 | 402,403 | 196,418 | |
| 1,258,692 | 1,554,413 | 946,150 | 4,239,105 | 271,844 | - |
| 18,605 | - | (559) | 18,589 | (24,706) | - |
| 1,277,297 | 1,554,413 | 945,591 | 4,257,694 | 247,138 | |
| \$ 1,554,252 | \$ 1,564,634 | \$ 1,050,754 | \$ 4,660,097 | \$ 443,556 | |

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 within the business-type activities.

| | |
|--|-------------------|
| Change in net assets of business-type activities | 2,121 |
| | <u>\$ 404,524</u> |

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012
(In Thousands)**

| | Pension and Other Employee Benefit Trust | Private Purpose Trust | Investment Trust |
|---|---|--------------------------------------|-----------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 879,966 | \$ - | \$ - |
| Plan Members | 613,343 | - | - |
| Total Contributions | <u>1,493,309</u> | <u>-</u> | <u>-</u> |
| Investment Income: | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (822,999) | - | - |
| Interest, Dividends and Other Investment Income | 1,626,215 | 165 | 34,484 |
| Total Investment Income | <u>803,216</u> | <u>165</u> | <u>34,484</u> |
| Less Investment Expense | 341,208 | 7 | 3,225 |
| Net Investment Income | <u>462,008</u> | <u>158</u> | <u>31,259</u> |
| Gifts, Grants and Contracts | - | 4,680 | - |
| Veterans' Income | - | 7,273 | - |
| Other Income | 3,160 | 536 | - |
| Share Transactions: | | | |
| Participant Contributions | - | - | 14,347,393 |
| Participant Withdrawals | - | - | 14,223,146 |
| Net Share Transactions | <u>-</u> | <u>-</u> | <u>124,247</u> |
| Transfers from Other Funds | <u>-</u> | <u>151</u> | <u>-</u> |
| Total Additions | <u>1,958,477</u> | <u>12,798</u> | <u>155,506</u> |
| DEDUCTIONS | | | |
| Pension Benefits | 3,516,522 | - | - |
| Death Benefits | 3,918 | - | - |
| Contributions Refunded | 34,020 | - | - |
| Healthcare Premium Subsidies | 33,822 | - | - |
| Distributions to Other Governments | - | 227 | - |
| Distributions to Participants | - | - | 27,772 |
| Deferred Compensation Benefits | 61,465 | - | - |
| Administrative Expenses | 42,255 | 9,905 | - |
| Payments in Accordance with Trust Agreements | - | 5,421 | - |
| Total Deductions | <u>3,692,002</u> | <u>15,553</u> | <u>27,772</u> |
| Change in Net Assets Held in Trust For: | | | |
| Pension Benefits | (1,780,143) | - | - |
| Other Postemployment Benefits | 18,026 | - | - |
| Other Employee Benefits | 28,592 | - | - |
| External Investment Pool Participants | - | - | 127,734 |
| Individuals, Organizations and Other Governments | - | (2,755) | - |
| Net Assets - Beginning | <u>61,189,775</u> | <u>28,674</u> | <u>4,196,110</u> |
| Net Assets - Ending | <u>\$ 59,456,250</u> | <u>\$ 25,919</u> | <u>\$ 4,323,844</u> |

This page intentionally left blank.

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Units
For the Year Ended June 30, 2012
(In Thousands)**

| | SAIF Corporation | Oregon Health and Science University | Oregon University System Foundations |
|--|-----------------------------|---|---|
| Operating Revenues: | | | |
| Federal Revenue | \$ - | \$ - | \$ - |
| Charges for Services | - | 1,549,060 | - |
| Premiums Earned (net) | 357,473 | - | - |
| Investment Income (net) | - | - | 7,089 |
| Gifts, Grants, and Contracts | - | 393,119 | 189,850 |
| Other Revenues | 23,575 | 92,900 | 24,412 |
| Total Operating Revenues | <u>381,048</u> | <u>2,035,079</u> | <u>221,351</u> |
| Operating Expenses: | | | |
| Salaries and Wages | - | 1,194,176 | - |
| Services and Supplies | - | 627,831 | 196,806 |
| Loss and Loss Adjustment Expense | 328,448 | - | - |
| Policyholders' Dividends | 150,043 | - | - |
| Underwriting Expenses | 93,530 | - | - |
| Mortgage Assistance Payments | - | - | - |
| Bond and COP Interest | - | 34,742 | - |
| Depreciation and Amortization | 1,246 | 111,174 | - |
| Bad Debt Expense | - | 47,883 | - |
| Other Expenses | - | - | 7,266 |
| Total Operating Expenses | <u>573,267</u> | <u>2,015,806</u> | <u>204,072</u> |
| Operating Income (Loss) | <u>(192,219)</u> | <u>19,273</u> | <u>17,279</u> |
| Nonoperating Revenues (Expenses): | | | |
| Investment Income | 215,706 | 16,509 | - |
| Other | - | 3,379 | - |
| State Appropriations | - | 35,389 | - |
| Total Nonoperating Revenues (Expenses) | <u>215,706</u> | <u>55,277</u> | <u>-</u> |
| Income (Loss) Before Capital Contributions | <u>23,487</u> | <u>74,550</u> | <u>17,279</u> |
| Capital Contributions | - | 4,059 | - |
| Change in Net Assets | <u>23,487</u> | <u>78,609</u> | <u>17,279</u> |
| Net Assets - Beginning | <u>1,167,152</u> | <u>1,870,088</u> | <u>1,378,687</u> |
| Prior Period Adjustments | - | - | 123 |
| Net Assets - Beginning - As Restated | <u>1,167,152</u> | <u>1,870,088</u> | <u>1,378,810</u> |
| Net Assets - Ending | <u>\$ 1,190,639</u> | <u>\$ 1,948,697</u> | <u>\$ 1,396,089</u> |

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

| Oregon Affordable Housing Assistance Corporation | | Total | Adjustments to Recast | Statement of Activities |
|---|--------|--------------|--------------------------|----------------------------|
| \$ | 45,204 | \$ 45,204 | \$ (45,204) | \$ - |
| | - | 1,549,060 | 501,739 | 2,050,799 |
| | - | 357,473 | (357,473) | - |
| | 2 | 7,091 | (7,091) | - |
| | - | 582,969 | 319,899 | 902,868 |
| | - | 140,887 | (140,887) | - |
| | 45,206 | 2,682,684 | 270,983 | 2,953,667 |
| | - | 1,194,176 | - | 1,194,176 |
| | 9,056 | 833,693 | - | 833,693 |
| | - | 328,448 | - | 328,448 |
| | - | 150,043 | - | 150,043 |
| | - | 93,530 | - | 93,530 |
| | 36,150 | 36,150 | - | 36,150 |
| | - | 34,742 | - | 34,742 |
| | - | 112,420 | - | 112,420 |
| | - | 47,883 | - | 47,883 |
| | - | 7,266 | - | 7,266 |
| | 45,206 | 2,838,351 | - | 2,838,351 |
| | - | (155,667) | 270,983 | 115,316 |
| | - | 232,215 | (232,215) | - |
| | - | 3,379 | (3,379) | - |
| | - | 35,389 | (35,389) | - |
| | - | 270,983 | (270,983) | - |
| | - | 115,316 | - | 115,316 |
| | - | 4,059 | - | 4,059 |
| | - | 119,375 | - | 119,375 |
| | - | 4,415,927 | - | 4,415,927 |
| | - | 123 | - | 123 |
| | - | 4,416,050 | - | 4,416,050 |
| \$ | - | \$ 4,535,425 | \$ - | \$ 4,535,425 |

This page intentionally left blank.

Notes to Financial Statements (For the Fiscal Year Ended June 30, 2013)

The five financial statements included here have been selected to provide information about the receipts and expenditures of public money and about changes in net position (equity) or fund balances. Additional information is available in the *Comprehensive Annual Financial Report* of the State of Oregon prepared by the Chief Financial Office of the Oregon Department of Administrative Services and audited by the Secretary of State Audits Division.

Government-wide Financial Statements

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 activities* presents information that shows 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.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

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

Governmental funds. Most of the State's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that are 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.

In governmental funds, 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. Expenditures generally are recognized when a liability is incurred.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund. Beginning in fiscal year 2011, the General Fund includes some activity previously accounted for in special revenue funds. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 necessitated this change. Statement No. 54 clarifies that one or more specific restricted or committed revenues must comprise a substantial portion of the "inflows" reported in a special revenue fund. The State considers 30 percent as "substantial" for financial reporting purposes. In

special revenue funds where a substantial portion of the inflows will not derive from specific restricted or committed revenue sources, the funds' activities are accounted for in the General Fund. The *Oregon Rainy Day Fund*, for example, was previously reported as an individual major special revenue fund but is now reported in the General Fund. The Rainy Day fund relies on resources that are "transferred" from the General Fund in accordance with state law and which, along with investment income generated, can be appropriated by the Legislature only when certain specific criteria related to economic or revenue conditions have been met. The funding source for the Rainy Day Fund is not a specific restricted or committed revenue.

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, and charges for services.

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

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

The *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, unclaimed property receipts, and transfers from other funds.

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Like the government-wide statements, the proprietary fund statements provide both long-term and short-term financial information. The State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and, additional information, such as cash flows.

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 *Lottery Operations Fund* accounts for the operation of the Oregon State Lottery which markets and sells Lottery products to the public. The primary objective of the Oregon State Lottery is to produce the maximum amount of net revenues to be used for creating jobs, furthering economic

development, financing public education, and restoring and protecting Oregon's parks, beaches, watersheds, and critical fish and wildlife habitats.

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

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

The State uses *internal service funds* (the other type of proprietary fund) to 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 (such as the Central Services Fund).

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, may be used only for the trust beneficiaries. Fiduciary funds are accounted for in a manner similar to proprietary funds.

The State reports the following fiduciary funds types:

The *Pension and Other Employee Benefit Trust Funds* account 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, investment trust funds or agency funds, under which principal and income benefit individuals, private organizations, or other governments.

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

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

Discretely Presented Component Units

The State reports discretely presented component units in a separate column in the governmental-wide financial statements to emphasize that they are legally separate from the State. The State has one major discretely presented component unit, SAIF Corporation.

Budgetary Data

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.

In odd-numbered years, the biennial budget is adopted by the Legislature through passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the State's appropriated budget for the next biennium. Appropriation bills include one or more appropriations (budgeted expenditure items) which may be at the agency, program, or activity level. The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. Spending plans for nonbudgeted financial activities, which are not included in the Governor's budget recommendations, are also established by agencies for certain expenditures to enhance fiscal control. Expenditures are monitored through the use of quarterly allotments. Allotments are required for appropriated and nonappropriated items and are used to establish spending limits. These spending limits are monitored by the Budget and Management section of the Chief Financial Office of the Department of Administrative Services and are controlled by the State's central accounting system.

In November 2010, voters approved a constitutional amendment that requires the Legislative Assembly to hold annual sessions. Sessions held in odd-numbered years may not exceed 160 days, while sessions held in even-numbered years are limited to 35 days. Five-day extensions are allowed if approved by two-thirds of the members of each house and a session may be extended more than once. During interim periods when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. The Board authorizes and allocates all changes in funding and takes other actions to meet emergency needs.

This page intentionally left blank.

Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

| | Program Revenues | | | | Net (Expense) Revenue |
|------------------------------------|-------------------------|---------------------------------|---|---|--------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs | | | | | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Education | \$ 3,883,592 | \$ 7,370 | \$ 644,912 | \$ - | \$ (3,231,310) |
| Human Services | 8,459,678 | 639,524 | 5,650,336 | 2,187 | (2,167,631) |
| Public Safety | 1,256,086 | 59,551 | 172,603 | 13,676 | (1,010,256) |
| Economic and Community Development | 423,191 | 54,397 | 316,383 | - | (52,411) |
| Natural Resources | 637,929 | 301,196 | 328,778 | 1,914 | (6,041) |
| Transportation | 1,407,506 | 147,234 | 492,082 | 12,622 | (755,568) |
| Consumer and Business Services | 403,725 | 124,698 | 13,787 | - | (265,240) |
| Administration | 305,791 | 91,626 | 195,513 | - | (18,652) |
| Legislative | 40,828 | 1,242 | 6 | 18 | (39,562) |
| Judicial | 311,401 | 197,966 | 2,266 | 246 | (110,923) |
| Interest on Long-term Debt | 331,531 | - | - | - | (331,531) |
| Total Governmental Activities | <u>17,461,258</u> | <u>1,624,804</u> | <u>7,816,666</u> | <u>30,663</u> | <u>(7,989,125)</u> |
| Business-type Activities: | | | | | |
| Housing and Community Services | 67,918 | 65,873 | (2,509) | - | (4,554) |
| Lottery Operations | 494,337 | 1,069,064 | (2,983) | - | 571,744 |
| Unemployment Compensation | 1,236,639 | 1,092,890 | 551,396 | 4,696 | 412,343 |
| University System | 2,412,100 | 1,438,948 | 584,081 | 54,574 | (334,497) |
| State Hospitals | 253,960 | 73,932 | - | - | (180,028) |
| Liquor Control | 367,141 | 502,919 | - | - | 135,778 |
| Other Business-type Activities | 324,463 | 312,540 | 9,903 | 778 | (1,242) |
| Total Business-type Activities | <u>5,156,558</u> | <u>4,556,166</u> | <u>1,139,888</u> | <u>60,048</u> | <u>599,544</u> |
| Total Primary Government | <u>\$ 22,617,816</u> | <u>\$ 6,180,970</u> | <u>\$ 8,956,554</u> | <u>\$ 90,711</u> | <u>\$ (7,389,581)</u> |
| Component Units: | | | | | |
| SAIF Corporation | \$ 602,756 | \$ 426,592 | \$ 398,179 | \$ - | \$ 222,015 |
| Other Component Units | 2,337,976 | 1,701,475 | 973,826 | 9,013 | 346,338 |
| Total Component Units | <u>\$ 2,940,732</u> | <u>\$ 2,128,067</u> | <u>\$ 1,372,005</u> | <u>\$ 9,013</u> | <u>\$ 568,353</u> |

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

Statement of Activities
For the Year Ended June 30, 2013
(In Thousands)

| | Primary Government | | | Component Units |
|---|------------------------------------|--|----------------------|----------------------------|
| | Governmental Activities | Business- type Activities | Total | |
| Changes in Net Position: | | | | |
| Net (Expense) Revenue | \$ (7,989,125) | \$ 599,544 | \$ (7,389,581) | \$ 568,353 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Personal Income Taxes | 6,320,497 | - | 6,320,497 | - |
| Corporate Income Taxes | 463,012 | - | 463,012 | - |
| Tobacco Taxes | 254,483 | - | 254,483 | - |
| Healthcare Provider Taxes | 414,267 | - | 414,267 | - |
| Inheritance Taxes | 99,318 | - | 99,318 | - |
| Public Utilities Taxes | 85,781 | - | 85,781 | - |
| Insurance Premium Taxes | 103,251 | - | 103,251 | - |
| Other Taxes | 186,038 | 16,388 | 202,426 | - |
| Restricted for Transportation Purposes: | | | | |
| Motor Fuels Taxes | 487,308 | - | 487,308 | - |
| Weight Mile Taxes | 251,518 | - | 251,518 | - |
| Vehicle Registration Taxes | 282,857 | - | 282,857 | - |
| Restricted for Workers' Compensation and Workplace Safety Programs: | | | | |
| Workers' Compensation Insurance Taxes | 50,242 | - | 50,242 | - |
| Employer-Employee Taxes | 72,861 | - | 72,861 | - |
| Total Taxes | <u>9,071,433</u> | <u>16,388</u> | <u>9,087,821</u> | <u>-</u> |
| Unrestricted Investment Earnings | 4,917 | - | 4,917 | - |
| Contributions to Permanent Funds | 228 | - | 228 | - |
| Additions to Permanent Endowments | - | 241 | 241 | - |
| Transfers - Internal Activities | 107,437 | (107,437) | - | - |
| Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers | <u>9,184,015</u> | <u>(90,808)</u> | <u>9,093,207</u> | <u>-</u> |
| Change in Net Position | <u>1,194,890</u> | <u>508,736</u> | <u>1,703,626</u> | <u>568,353</u> |
| Net Position - Beginning | 11,191,524 | 4,667,866 | 15,859,390 | 4,535,425 |
| Prior Period Adjustments | (442,910) | (158,990) | (601,900) | (24,257) |
| Net Position - Beginning - As Restated | <u>10,748,614</u> | <u>4,508,876</u> | <u>15,257,490</u> | <u>4,511,168</u> |
| Net Position - Ending | <u>\$ 11,943,504</u> | <u>\$ 5,017,612</u> | <u>\$ 16,961,116</u> | <u>\$ 5,079,521</u> |

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013
(In Thousands)

| | General | Health and Social Services | Public Transportation |
|---|-------------------|-------------------------------|--------------------------|
| REVENUES | | | |
| Personal Income Taxes | \$ 6,225,627 | \$ - | \$ - |
| Corporate Income Taxes | 458,757 | - | - |
| Tobacco Taxes | 66,324 | 189,940 | - |
| Healthcare Provider Taxes | - | 414,267 | - |
| Inheritance Taxes | 102,340 | - | - |
| Public Utilities Taxes | - | - | - |
| Insurance Premium Taxes | 52,598 | 50,653 | - |
| Motor Fuels Taxes | - | - | 487,930 |
| Weight-Mile Taxes | - | - | 251,528 |
| Vehicle Registration Taxes | - | - | 282,601 |
| Employer-Employee Taxes | - | - | - |
| Workers' Compensation Insurance Taxes | - | - | - |
| Other Taxes | 82,916 | - | 1,860 |
| Licenses and Fees | 34,383 | 15,831 | 86,571 |
| Federal | 153 | 4,386,629 | 523,304 |
| Charges for Services | 21,159 | 213,495 | 25,891 |
| Fines, Forfeitures, and Penalties | 76,355 | 202 | 4,721 |
| Rents and Royalties | 554 | 15 | 5,750 |
| Investment Income | 4,918 | 1,739 | 8,811 |
| Sales | 1,623 | 3,514 | 12,406 |
| Donations and Grants | 1,157 | 1,590 | 35 |
| Contributions to Permanent Funds | - | - | - |
| Tobacco Settlement Proceeds | - | 78,909 | - |
| Pension Bond Debt Service Assessments | - | - | - |
| Unclaimed and Escheat Property Revenue | - | - | - |
| Other | 18,197 | 346,729 | 10,971 |
| Total Revenues | 7,147,061 | 5,703,513 | 1,702,379 |
| EXPENDITURES | | | |
| Current: | | | |
| Education | 3,248,334 | - | - |
| Human Resources | 1,663,777 | 5,599,677 | - |
| Public Safety | 930,861 | - | - |
| Economic and Community Development | 28,940 | - | - |
| Natural Resources | 92,258 | - | - |
| Transportation | 8,763 | - | 1,676,884 |
| Consumer and Business Services | 5,112 | 12 | - |
| Administration | 243,075 | 11 | 48,703 |
| Legislative | 36,727 | - | - |
| Judicial | 273,581 | 1,093 | - |
| Capital Improvements and Capital Construction | - | - | - |
| Debt Service: | | | |
| Principal | 90,741 | - | - |
| Interest | 57,809 | 61 | 419 |
| Other Debt Service | 875 | 31 | 430 |
| Total Expenditures | 6,680,853 | 5,600,885 | 1,726,436 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 466,208 | 102,628 | (24,057) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from Other Funds | 1,363,011 | 164,920 | 39,371 |
| Transfers to Other Funds | (1,353,262) | (162,546) | (271,319) |
| Insurance Recoveries | 244 | - | - |
| Long-term Debt Issued | - | 6,380 | 30,131 |
| Debt Issuance Premium | - | 465 | 5,257 |
| Refunding Debt Issued | - | - | - |
| Refunded Debt Payment to Escrow Agent | - | - | - |
| Total Other Financing Sources (Uses) | 9,993 | 9,219 | (196,560) |
| Net Change in Fund Balances | 476,201 | 111,847 | (220,617) |
| Fund Balances - Beginning | 41,486 | 449,956 | 806,566 |
| Prior Period Adjustments | 265,781 | (328,431) | (4,960) |
| Fund Balances - Beginning - As Restated | 307,267 | 121,525 | 801,606 |
| Change in Inventories | 414 | 255 | 3,680 |
| Fund Balances - Ending | \$ 783,882 | \$ 233,627 | \$ 584,669 |

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

| Environmental Management | Common School | Other | Total |
|--------------------------|---------------|--------------|--------------|
| \$ - | \$ - | \$ - | \$ 6,225,627 |
| - | - | - | 458,757 |
| - | - | - | 256,264 |
| - | - | - | 414,267 |
| - | - | - | 102,340 |
| - | - | 85,781 | 85,781 |
| - | - | - | 103,251 |
| - | - | - | 487,930 |
| - | - | - | 251,528 |
| - | - | - | 282,601 |
| - | - | 72,861 | 72,861 |
| - | - | 50,241 | 50,241 |
| 23,176 | - | 70,467 | 178,419 |
| 124,674 | 847 | 199,927 | 462,233 |
| 133,807 | - | 2,436,486 | 7,480,379 |
| 34,918 | 107 | 60,848 | 356,418 |
| 607 | 63 | 37,994 | 119,942 |
| 2,713 | 4,532 | 2,694 | 16,258 |
| 11,582 | 143,290 | 20,677 | 191,017 |
| 84,096 | 645 | 3,512 | 105,796 |
| 998 | 1 | 28,913 | 32,694 |
| - | - | 227 | 227 |
| - | - | - | 78,909 |
| - | - | 6,196 | 6,196 |
| - | 22,057 | - | 22,057 |
| 8,331 | 2,505 | 42,790 | 429,523 |
| 424,902 | 174,047 | 3,119,614 | 18,271,516 |
| - | - | 636,059 | 3,884,393 |
| - | - | 1,281,238 | 8,544,692 |
| - | - | 310,196 | 1,241,057 |
| - | - | 391,411 | 420,351 |
| 493,204 | 18,782 | 43,362 | 647,606 |
| - | - | 9,032 | 1,694,679 |
| - | - | 264,577 | 269,701 |
| - | - | 56,811 | 348,600 |
| - | - | 2,678 | 39,405 |
| - | - | 43,535 | 318,209 |
| - | - | 88,583 | 88,583 |
| - | - | 266,365 | 357,106 |
| 1 | - | 280,355 | 338,645 |
| 326 | - | 1,778 | 3,440 |
| 493,531 | 18,782 | 3,675,980 | 18,196,467 |
| (68,629) | 155,265 | (556,366) | 75,049 |
| 97,905 | 2,377 | 1,141,717 | 2,809,301 |
| (66,526) | (60,107) | (765,600) | (2,679,360) |
| 121 | 1,851 | 8 | 2,224 |
| 16,950 | - | 54,725 | 108,186 |
| 2,764 | - | 38,639 | 47,125 |
| - | - | 212,319 | 212,319 |
| - | - | (246,543) | (246,543) |
| 51,214 | (55,879) | 435,265 | 253,252 |
| (17,415) | 99,386 | (121,101) | 328,301 |
| 845,234 | 899,400 | 1,652,617 | 4,695,259 |
| 13,599 | (52) | (41,371) | (95,434) |
| 858,833 | 899,348 | 1,611,246 | 4,599,825 |
| (286) | - | (234) | 3,829 |
| \$ 841,132 | \$ 998,734 | \$ 1,489,911 | \$ 4,931,955 |

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(In Thousands)

| | Business-type Activities - Enterprise Funds | | |
|--|--|-------------------------------|--------------------------------------|
| | Housing and Community Services | Lottery Operations | Unemployment Compensation |
| OPERATING REVENUES: | | | |
| Assessments | \$ - | \$ - | \$ 1,073,665 |
| Licenses and Fees | 3,042 | - | - |
| Federal | - | - | 515,017 |
| Charges for Services | 774 | - | - |
| Fines, Forfeitures, and Penalties | - | - | - |
| Rents and Royalties | - | - | - |
| Sales | - | 1,067,786 | - |
| Loan Interest Income | 59,217 | - | - |
| Gifts, Grants, and Contracts | - | - | - |
| Other | 2,473 | 1,410 | 23,924 |
| Gain (Loss) on Foreclosed Property | 408 | - | - |
| Total Operating Revenues | 65,914 | 1,069,196 | 1,612,606 |
| OPERATING EXPENSES: | | | |
| Salaries and Wages | 3,982 | 36,504 | - |
| Services and Supplies | 10,012 | 238,615 | - |
| Cost of Goods Sold | - | - | - |
| Distributions to Other Governments | 299 | - | - |
| Special Payments | 1,219 | 204,408 | 1,235,618 |
| Loan Interest Expense | 49 | - | - |
| Bond and COP Interest | 52,057 | - | - |
| Other Debt Service | 101 | - | - |
| Depreciation and Amortization | 1 | 12,982 | - |
| Bad Debt Expense | - | - | - |
| Total Operating Expenses | 67,720 | 492,509 | 1,235,618 |
| Operating Income (Loss) | (1,806) | 576,687 | 376,988 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Bond and COP Interest | - | - | - |
| Investment Income (Loss) | (2,508) | (2,982) | 36,379 |
| Other Taxes | - | - | - |
| Gain (Loss) on Disposition of Assets | - | (970) | - |
| Insurance Recovery | - | 11 | - |
| Loan Interest Income | - | - | - |
| Loan Interest Expense | - | - | - |
| Other Interest Expense | (41) | (330) | - |
| Other Nonoperating Items | (43) | (143) | (2) |
| Total Nonoperating Revenues (Expenses) | (2,592) | (4,414) | 36,377 |
| Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers | (4,398) | 572,273 | 413,365 |
| Capital Contributions | - | - | - |
| Additions to Permanent Endowments | - | - | - |
| Transfers from Other Funds | - | - | 4 |
| Transfers to Other Funds | (164) | (550,859) | (10,329) |
| Change in Net Position | (4,562) | 21,414 | 403,040 |
| Net Position - Beginning | 220,128 | 139,594 | 1,554,252 |
| Prior Period Adjustments | (630) | (5,110) | (18,622) |
| Net Position - Beginning - As Restated | 219,498 | 134,484 | 1,535,630 |
| Net Position - Ending | \$ 214,936 | \$ 155,898 | \$ 1,938,670 |

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

Business-type Activities - Enterprise Funds

| University System | Other | Total | Governmental Activities Internal Service Funds |
|----------------------|------------------|------------------|--|
| \$ - | \$ - | \$ 1,073,665 | \$ - |
| - | 7,925 | 10,967 | - |
| 324,492 | 6,039 | 845,548 | - |
| 835,127 | 320,807 | 1,156,708 | 971,630 |
| - | 1,628 | 1,628 | 5 |
| - | 755 | 755 | 44,740 |
| 461,353 | 518,850 | 2,047,989 | 2,459 |
| - | 36,387 | 95,604 | - |
| 223,599 | - | 223,599 | - |
| 26,302 | 3,340 | 57,449 | 7,529 |
| - | 452 | 860 | - |
| <u>1,870,873</u> | <u>896,183</u> | <u>5,514,772</u> | <u>1,026,363</u> |
| 1,493,531 | 242,235 | 1,776,252 | 138,582 |
| 534,779 | 150,834 | 934,240 | 735,903 |
| - | 257,599 | 257,599 | 8,482 |
| - | 56,587 | 56,886 | - |
| 150,399 | 197,663 | 1,789,307 | 1,782 |
| - | - | 49 | - |
| - | 20,986 | 73,043 | 4,789 |
| - | 378 | 479 | 72 |
| 136,785 | 11,536 | 161,304 | 26,956 |
| - | 5,409 | 5,409 | - |
| <u>2,315,494</u> | <u>943,227</u> | <u>5,054,568</u> | <u>916,566</u> |
| <u>(444,621)</u> | <u>(47,044)</u> | <u>460,204</u> | <u>109,797</u> |
| (85,441) | - | (85,441) | - |
| 35,990 | 3,864 | 70,743 | 2,802 |
| - | 16,388 | 16,388 | - |
| - | (134) | (1,104) | (109) |
| 317 | 6 | 334 | 329 |
| - | - | - | 40 |
| - | (23) | (23) | (1,017) |
| (6,555) | (2,131) | (9,057) | (1,352) |
| 115,849 | (90) | 115,571 | (93) |
| <u>60,160</u> | <u>17,880</u> | <u>107,411</u> | <u>600</u> |
| (384,461) | (29,164) | 567,615 | 110,397 |
| 54,787 | 128 | 54,915 | 19 |
| 241 | - | 241 | - |
| 379,067 | 286,918 | 665,989 | 201,065 |
| <u>(35,627)</u> | <u>(176,681)</u> | <u>(773,660)</u> | <u>(223,570)</u> |
| <u>14,007</u> | <u>81,201</u> | <u>515,100</u> | <u>87,911</u> |
| 1,564,634 | 1,181,489 | 4,660,097 | 443,556 |
| <u>(101,379)</u> | <u>(33,249)</u> | <u>(158,990)</u> | <u>(37,452)</u> |
| <u>1,463,255</u> | <u>1,148,240</u> | <u>4,501,107</u> | <u>406,104</u> |
| \$ 1,477,262 | \$ 1,229,441 | \$ 5,016,207 | \$ 494,015 |

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

Change in net position of business-type activities \$ (6,364)
\$ 508,736

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(In Thousands)**

| | Pension and Other Employee Benefit Trust | Private Purpose Trust | Investment Trust |
|--|---|----------------------------------|-------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 884,900 | \$ - | \$ - |
| Plan Members | 602,030 | - | - |
| Total Contributions | <u>1,486,930</u> | - | - |
| Investment Income: | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 6,467,349 | 1,043 | 46,604 |
| Interest, Dividends and Other Investment Income | 1,704,370 | - | - |
| Total Investment Income | <u>8,171,719</u> | <u>1,043</u> | <u>46,604</u> |
| Less Investment Expense | 417,457 | 125 | 2,673 |
| Net Investment Income | <u>7,754,262</u> | <u>918</u> | <u>43,931</u> |
| Gifts, Grants, and Contracts | - | 5 | - |
| Veterans' Income | - | 7,200 | - |
| Escheat Property Revenue | - | 2,200 | - |
| Other Income | 2,540 | 94 | - |
| Share Transactions: | | | |
| Participant Contributions | - | - | 15,122,534 |
| Participant Withdrawals | - | - | 14,689,921 |
| Net Share Transactions | <u>-</u> | <u>-</u> | <u>432,613</u> |
| Total Additions | <u>9,243,732</u> | <u>10,417</u> | <u>476,544</u> |
| DEDUCTIONS | | | |
| Pension Benefits | 3,863,355 | - | - |
| Death Benefits | 4,583 | - | - |
| Contributions Refunded | 17,441 | - | - |
| Healthcare Premium Subsidies | 34,871 | - | - |
| Distributions to Participants | - | - | 31,790 |
| Deferred Compensation Benefits | - | - | - |
| Administrative Expenses | 42,793 | 7,795 | - |
| Payments in Accordance with Trust Agreements | - | 264 | - |
| Total Deductions | <u>3,963,043</u> | <u>8,059</u> | <u>31,790</u> |
| Change in Net Position Held in Trust For: | | | |
| Pension Benefits | 5,091,609 | - | - |
| Other Postemployment Benefits | 50,685 | - | - |
| Other Employee Benefits | 138,395 | - | - |
| External Investment Pool Participants | - | - | 444,754 |
| Individuals, Organizations, and Other Governments | - | 2,358 | - |
| Net Position - Beginning | <u>59,456,250</u> | <u>25,919</u> | <u>4,323,844</u> |
| Prior Period Adjustments | 625,606 | (728) | - |
| Net Position - Beginning - As Restated | <u>60,081,856</u> | <u>25,191</u> | <u>4,323,844</u> |
| Net Position - Ending | <u>\$ 65,362,545</u> | <u>\$ 27,549</u> | <u>\$ 4,768,598</u> |

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

This page intentionally left blank.

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2013
(In Thousands)

| | SAIF Corporation | Other | Total |
|--|-----------------------------|---------------------|---------------------|
| Operating Revenues: | | | |
| Federal Revenue | \$ - | \$ 45,186 | \$ 45,186 |
| Charges for Services | - | 1,578,754 | 1,578,754 |
| Premiums Earned (net) | 401,350 | - | 401,350 |
| Investment Income (net) | - | 125,449 | 125,449 |
| Gifts, Grants, and Contracts | - | 722,634 | 722,634 |
| Other Revenues | 25,242 | 120,094 | 145,336 |
| Total Operating Revenues | <u>426,592</u> | <u>2,592,117</u> | <u>3,018,709</u> |
| Operating Expenses: | | | |
| Salaries and Wages | - | 1,258,102 | 1,258,102 |
| Services and Supplies | - | 895,131 | 895,131 |
| Loss and Loss Adjustment Expense | 353,123 | - | 353,123 |
| Policyholders' Dividends | 149,970 | - | 149,970 |
| Underwriting Expenses | 99,130 | - | 99,130 |
| Mortgage Assistance Payments | - | 35,667 | 35,667 |
| Bond and COP Interest | - | 28,601 | 28,601 |
| Depreciation and Amortization | - | 112,453 | 112,453 |
| Other Expenses | 533 | 8,022 | 8,555 |
| Total Operating Expenses | <u>602,756</u> | <u>2,337,976</u> | <u>2,940,732</u> |
| Operating Income (Loss) | <u>(176,164)</u> | <u>254,141</u> | <u>77,977</u> |
| Nonoperating Revenues (Expenses): | | | |
| Investment Income | 398,179 | 50,411 | 448,590 |
| Other | - | 2,627 | 2,627 |
| State Appropriations | - | 30,146 | 30,146 |
| Total Nonoperating Revenues (Expenses) | <u>398,179</u> | <u>83,184</u> | <u>481,363</u> |
| Income (Loss) Before Capital Contributions | <u>222,015</u> | <u>337,325</u> | <u>559,340</u> |
| Capital Contributions | - | 9,013 | 9,013 |
| Change in Net Position | <u>222,015</u> | <u>346,338</u> | <u>568,353</u> |
| Net Position - Beginning | 1,190,639 | 3,344,786 | 4,535,425 |
| Prior Period Adjustments | - | (24,257) | (24,257) |
| Net Position - Beginning - As Restated | <u>1,190,639</u> | <u>3,320,529</u> | <u>4,511,168</u> |
| Net Position - Ending | <u>\$ 1,412,654</u> | <u>\$ 3,666,867</u> | <u>\$ 5,079,521</u> |

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

| Adjustments to Recast | Statement of Activities |
|----------------------------------|------------------------------------|
| \$ (45,186) | \$ - |
| 549,313 | 2,128,067 |
| (401,350) | - |
| (125,449) | - |
| 649,371 | 1,372,005 |
| (145,336) | - |
| <u>481,363</u> | <u>3,500,072</u> |
| - | 1,258,102 |
| - | 895,131 |
| - | 353,123 |
| - | 149,970 |
| - | 99,130 |
| - | 35,667 |
| - | 28,601 |
| - | 112,453 |
| - | 8,555 |
| - | <u>2,940,732</u> |
| <u>481,363</u> | <u>559,340</u> |
| (448,590) | - |
| (2,627) | - |
| (30,146) | - |
| <u>(481,363)</u> | - |
| - | 559,340 |
| - | 9,013 |
| - | <u>568,353</u> |
| - | 4,535,425 |
| - | (24,257) |
| - | <u>4,511,168</u> |
| <u>\$ -</u> | <u>\$ 5,079,521</u> |

This page intentionally left blank.

**STATE FUNDS NOT SUBJECT TO CONTROL ACCOUNTING
BY OREGON DEPARTMENT OF ADMINISTRATIVE SERVICES**

Period 7/1/10 to 6/30/12

| | Beginning Balance 7/1/10 | Receipts 7/1/10 - 6/30/12 | Total Funds Available | Disbursements 7/1/10 - 6/30/12 | Ending Balance 6/30/12 |
|--|---|--------------------------------------|--------------------------------------|---|---------------------------------------|
| Oregon University System Suspense Accounts | \$266,290,974.45 | \$4,190,466,516.71 | \$4,456,757,491.16 | \$4,139,431,744.55 | \$317,325,746.61 |