Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

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Theodore R. Kulongoski
Governor

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For The Year Ended June 30, 2008

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Introductory Section

Oregon

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January 23, 2009

To the Honorable Governor Theodore R. Kulongoski and Citizens of the State of Oregon:

We are pleased to provide you with the Comprehensive Annual Financial Report of the State of Oregon for the fiscal year ended June 30, 2008. 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, 2008. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. Based on the audit, the auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the financial statements for fiscal year 2008 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 is part of a broader, federally mandated "Single Audit" designed to meet the needs of federal agencies that provide aid to the State. The standards governing single audit engagements require the auditor to report on the State's internal controls and compliance with legal requirements, particularly as they relate to federal awards. This information, also prepared by the Audits Division, will be available in a separately issued report on or about February 28, 2009.

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

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs including education, human services, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative, and judicial programs. Oregon's primary government as reported in the accompanying financial statements consists of approximately 90 state agencies. Although legally separate, the Home Care Commission functions, in essence, as a program of the State and, therefore, it has been included as an integral part of the State's financial statements. In addition to the primary government, three entities are reported as discretely presented component units to emphasize that they are legally separate from the State. A more detailed discussion of the reporting entity can be found in Note 1 to the basic financial statements.

Oregon's Legislature adopts a budget on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. This biennial budget serves as the foundation for the State's financial planning and control. Appropriation bills approved through the legislative process include one or more appropriations which may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these various levels, depending on the Legislature's view of the activity. Legislative authority is required to authorize the transfer of expenditure authority between appropriations. Management can reallocate within an appropriation without legislative approval. The following budgeted appropriated funds account for the State's budgetary functions: General, Federal, Lottery, and Other. Additional information about the budget process and budgetary monitoring are presented in the notes to the required supplementary information.

Local Economy

Oregon is the least populous of the three west coast states that also include California and Washington. Oregon had almost 2 million of the three states' 23.8 million workers in August 2008. Oregon's largest metro area is the Portland-Vancouver-Beaverton metropolitan statistical area. The Portland area has the sixth largest number of workers of the seven metro areas with one million or more workers in the three states. It includes over half of Oregon's jobs.

Employment grew more rapidly in Oregon than in most neighboring states in the mid-1990s due largely to a combination of high net in-migration and a boom in high technology (primarily computer chips), transportation equipment (such as recreational vehicles and heavy trucks), and construction. The Asian financial crisis in 1997 led to weaker manufacturing employment and slower overall job growth in Oregon. When the national recession hit the State, between late 2000 and the middle of 2003, employment fell by as much as 4 percent, much worse than in neighboring states. From late 2003 to mid-2006, Oregon gained jobs at roughly 3 percent per year; then growth slowed markedly. The State lost nonfarm payroll jobs in seven of the first eleven months of 2008 and had a net loss of 31,900 jobs from one year earlier as of November 2008. Nine of the State's 11 major industries showed year-over-year job losses in November, eight of them with losses exceeding 2 percent. Along with the nation as a whole, Oregon has entered another recession.

During the rapid job growth of the mid-1990s, Oregon's unemployment rate ranked in the middle of all states and lower than its neighboring states, until the rate rose with the Asian financial crisis. During the economic boom of the late 1990s and in 2000, Oregon's unemployment rate remained above the rates in neighboring states. The nation and Oregon went into a recession after the burst of the information technology bubble. With the onset of that recession, Oregon's unemployment rate soared from just over 5 percent in late 2000 to a peak of 8.5 percent in the middle of 2003. The State's population continued to grow despite the high unemployment rate. Oregon had the nation's highest or second-highest state unemployment rate for 39 of the 40 months from May 2001 to August 2004. Rapid job growth from late 2003 to mid-2006 pulled the unemployment rate down to under 5.5 percent by early 2006. The rate declined further to a low of 5 percent in early 2007 but bounced back to around 5.5 percent by the end of the year. In the summer of 2008, it began rising rapidly in response to job losses in many industries. Between June and November 2008, the unemployment rate climbed from 5.5 percent to 8.1 percent.

Oregon's major foreign-export-related industries include computers and electronic products, transportation equipment, machinery, and agricultural crops. Oregon also ships large values of wood, food, nursery, machinery, plastic, and paper products to domestic markets and serves foreign and domestic tourists. Oregon's annual employment growth is expected to be flat in 2008, a negative 1.5 percent in 2009, and 0.8 percent in 2010. It should rise to 2.1 percent in 2011 and 2.4 percent in 2012 before slowing to 1.6 percent by 2015. The State should outpace the nation's growth rate from 2011 to 2015. Major-sector job growth over this period is expected to be fastest in professional and business services, construction, and leisure and hospitality. Nondurable manufacturing will post robust job gains, as will health care, private education, and some other service sectors as the State's population increases faster than the nation's. Manufacturing, as a whole, is projected to decline through 2010 with moderate growth from 2011 to 2015. Overall, employment should grow slightly faster than population during the 2011-2015 timeframe.

During fiscal year 2008, the State significantly increased its spending for education as compared to the prior fiscal year. However, as a percentage of total expenditures, the amount devoted to education was only 0.4 percent higher than it was 10 years ago. In addition, governmental expenditures for capital outlay and administration as a percentage of total expenditures decreased 2.3 percent and 2.6 percent, respectively, as compared to 10 years ago. The relatively small percentage increase in expenditures for education, combined with the percentage decreases in expenditures for capital outlay and administration, reflects a shift in the allocation of total expenditures to other program areas, such as public safety and debt service. General governmental expenditures related to debt service have increased as the State expands its use of low-cost capital financing; the percentage of total expenditures is 2.4 percent higher than it was ten years ago.

During this same ten-year period, tax revenues, while increasing in amount, have actually decreased as a percentage of total revenues (a ten-year decrease of 2.6 percent). The reason for this decline is the relative increase in general governmental expenditures for services that are supported more by federal revenues than by taxes (e.g., human services). As a percentage of total revenues, federal revenues are 2 percent higher than they were ten years ago, reflecting increased participation in federal assistance programs that benefit Oregon's citizens.

Long-term Financial Planning

The 2007-09 legislatively adopted budget reflects substantial increases in highway construction programs and other transportation infrastructure. The budget includes $400 million in other funds for bridge construction and $56.3 million for a one-time distribution to counties out of the State share of State Highway Funds for county road maintenance and improvements. The Legislature also approved the sale of $250 million of lottery bonds for the Southeast Portland Light Rail Project and another $100 million for Connect Oregon, a multi-modal transportation initiative to expand the State's investment in key non-highway facilities, including public transit and air, rail, and marine transportation infrastructure.

Other major projects funded in the 2007-09 budget include $561.3 million of capital construction and deferred maintenance projects for the Oregon University System and an additional $80.1 million in similar projects for local community colleges. The Legislature also approved a project to begin replacing the current Oregon State Hospital with two new facilities. For the 2007-09 biennium, $89 million were budgeted for land acquisition, design and planning, infrastructure, site improvements, and design of systems needed for the operation of these mental health facilities. The 2009-11 budget is expected to include additional funding for the construction of the facility.

During the February 2008 special session, the Legislature approved a number of capital construction projects using bond proceeds. The largest of these projects includes authorization to issue $200 million in general obligation bonds for the construction of a new arena for the University of Oregon. The University will pay debt service from Athletic Department revenues.

State law provides that if actual General Fund revenues at the close of the Legislative session exceed forecasted revenues by two percent or more, the excess revenues shall be refunded to taxpayers. Excess revenues collected during the 2005-07 biennium resulted in personal income tax refunds of $1.1 billion during fiscal year 2008. While the beginning balance for the 2007-09 biennium was $1.4 billion, only $352.5 million was actually available after the tax refunds were paid.

The December 2008 revenue forecast projects $13.8 billion of General Fund revenues for the 2007-09 biennium, a significant decline since the September 2008 forecast. Including the remaining $352.5 million of resources from the prior biennium, total available General Fund resources are projected to be $14.2 billion for the 2007-09 biennium. Given current budgeted expenditures (including transfers to the Oregon Rainy Day Fund) of $14.3 billion, the projected General Fund ending balance for the 2007-09 biennium is a deficit of $142.1 million. Expenditure reductions will be implemented over the next several months. General Fund resources are forecasted to increase by 6.8 percent in the 2009-11 biennium and 15 percent in the 2011-13 biennium.

Relevant Financial Policies

During the 2007 legislative session, the Legislature established the Oregon Rainy Day Fund to begin setting aside resources that could be used to assist the State during difficult economic times. Resources in the Oregon Rainy Day Fund can be appropriated by the Legislature only when certain criteria related to economic or revenue conditions have been met. Based on requirements in the law that established this fund, $319.3 million was transferred from the General Fund to the Oregon Rainy Day Fund in September of 2007. The balance is expected to be $340.5 million by the end of the 2007-09 biennium.

Major Initiatives

As noted above in *Long-term Financial Planning*, the State is making significant capital investments in transportation infrastructure and higher education that should contribute to the long-term growth of Oregon's economy. During the 2007-09 biennium, the State plans to increase its investment in the education program area, boosting spending for pre-kindergarten, K-12, community colleges, and higher education by almost $1.3 billion, or 18 percent over the prior biennium. The total General Fund and Lottery Funds budget for education is $8.2 billion.

Certificates of participation authorized during the 2008 special session will provide up to $76 million for the Oregon Wireless Interoperability Network (OWIN) project. This project is intended to provide a single emergency response wireless communication infrastructure that supports both the communications needs of all state agencies and ensures communications interoperability among all state, local, tribal and federal public safety agencies. It will also meet the Federal Communications Commission mandates for the conversion of public safety communication frequencies and spectrum allocation by 2013. This funding will support the first of four planned construction phases. The initial stage of this project is expected to be completed during the 2007-09 biennium and the first few months of the 2009-11 biennium.

The 2007-09 budget also includes incentives to increase the production and use of renewable energy and alternative fuels. This is expected to produce long-term environmental and economic benefits and establish Oregon as a national leader in this arena. The initiative includes funding to develop commercial wave energy, as well as funding for a new research center, BioEconomy and Sustainable Technologies Institute, to support bio-fuels and bio-products research. It also funds several incentives to stimulate renewable energy production and use, including biomass and bio-fuels.

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, 2007. This was the sixteenth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Oregon

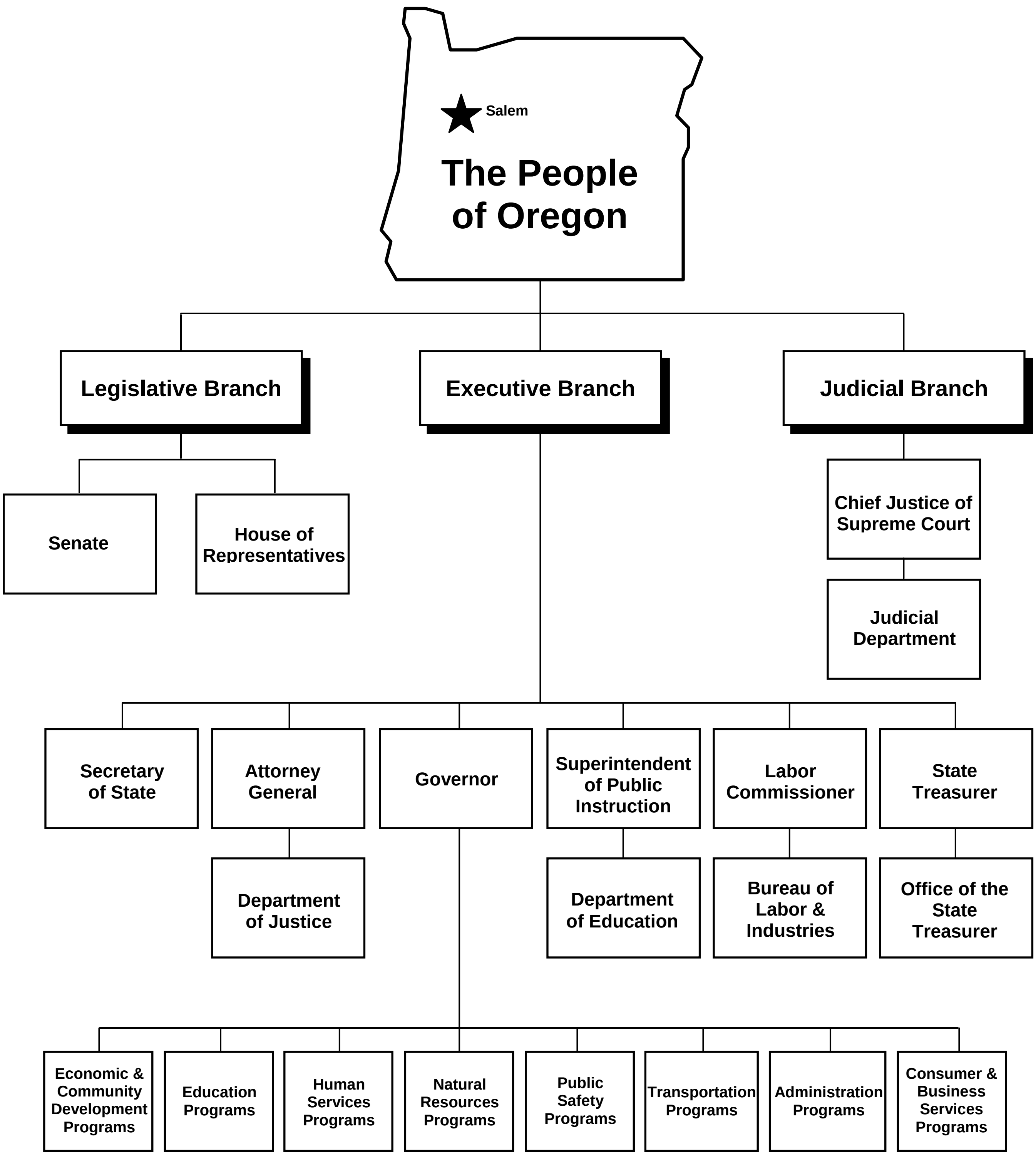
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

President

Executive Director

STATE OF OREGON ORGANIZATION CHART



Principal State Officials

EXECUTIVE

Theodore R. Kulongoski, Governor

Kate Brown, Secretary of State

Ben Westlund, State Treasurer

John R. Kroger, Attorney General

Brad Avakian, Commissioner, Labor and Industries

Susan Castillo, Superintendent of Public Instruction

LEGISLATIVE

Peter Courtney, Senate President

Dave Hunt, Speaker of the House of Representatives

JUDICIAL

Paul J. DeMuniz, Chief Justice of the Supreme Court

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

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The Honorable Theodore R. Kulongoski
Governor of Oregon

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2008, which collectively comprise the State of Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. We also did not audit the financial statements of the University System or the Veterans' Loan Fund, which represent 42 percent and 35 percent, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, the University System, and the Veterans' Loan Fund, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Oregon University System Foundations, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. As part of our audit, we performed audit procedures related to the Common School Fund, a major governmental fund. The State Land Board was created to manage lands dedicated to the Common School Fund with the objective of obtaining the greatest benefit for the people of Oregon. The Oregon Constitution designates the Secretary of State as both a member of the State Land Board and Auditor of Public Accounts. To minimize this impairment, auditors who did not have any known personal impairments in relation to the Common School Fund performed the audit. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, on July 1, 2007, the State of Oregon adopted Governmental Accounting Board (GASB) Standard No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and disclosure of OPEB expenditures and related liabilties.

As discussed in Note 23 to the financial statements, the comparability of the financial statements with those of preceding periods is affected by the PERS change in policy related to its definition of cash equivalents and other accounting matters related to derivatives and short sale of securities.

In accordance with *Government Auditing Standards*, we also issue a separate report on our consideration of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 12 through 21, budgetary comparison information on pages 120 through 126, and the schedule of funding progress on page 127 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

January 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report presents a discussion and analysis of the State of Oregon's (State) financial performance during the fiscal year ended June 30, 2008. The discussion and analysis is intended to serve as an introduction to the State's basic financial statements and is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund issues.

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

FINANCIAL HIGHLIGHTS

- On June 30, 2008, the assets of the State exceeded its liabilities by $15.1 billion (net assets). Of this amount, $1.6 billion is unrestricted net assets, while $4.1 billion is restricted for specific uses.
- The State's total net assets decreased by $161.9 million as a result of fiscal year 2008 operations. The net assets for governmental activities decreased by 3.8 percent of total governmental activities net assets, while the net assets for business-type activities increased by 5.6 percent of total business-type net assets.
- On June 30, 2008, the State's governmental funds reported combined ending fund balances of $4.9 billion. Of this amount, 71.5 percent is available for spending at the State's discretion (unreserved, undesignated fund balance).
- At fiscal year end, unreserved fund balance for the General Fund was $1.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information*, and an optional presentation of *combining financial statements* for nonmajor funds, internal service funds, and fiduciary funds. A *statistical section* is presented following the combining financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

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

- The *statement of net assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as net assets.
- The *statement of activities* presents information 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. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

These two government-wide financial statements report the State's net assets and the change in net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the State's financial health, or financial position. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating. However, to assess the overall health of the State, the reader needs to consider additional non-financial factors such as changes in Oregon's income tax base and changes in Oregon's economy.

The government-wide financial statements of the State are divided into the following three categories:

1. *Governmental activities*. This includes the basic services provided by the State to its citizens, such as K-12 schools and community colleges, public assistance programs, public safety, and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other departments or state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
2. *Business-type activities*. The State charges fees to customers to help cover the costs of certain services it provides. For example, the State administers loan programs to provide housing to citizens with low incomes and those who are elderly or disabled. Other operations reported under business-type activities include the State's lottery and the Oregon University System, which consists of seven higher education facilities.
3. *Component units*. The State includes three other entities in its report: the SAIF Corporation, Oregon Health and Science University, and the Oregon University System Foundations. Although legally separate, these entities are reported as "component units" either because the State is financially accountable for them or because of the nature and significance of their relationship to the State. Financial information for these three component units is reported separately from the financial information of the State (primary government). Another component unit, the Home Care Commission, is reported as part of the primary government, even though it is legally separate from the State, because it functions, in essence, as a State program.

The government-wide financial statements can be found on pages 24-27 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. Some funds are required by state law (such as the Lottery Operations Fund) or 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 the State 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 assets that are readily convertible to cash flow in and out, and (2) the balances remaining at year end that are available for spending. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the State's programs. Because this information does not encompass the long-term focus of the government-wide statements, information is provided following the governmental fund statements that reconciles the government-wide focus to the governmental fund focus.

The State maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund financial statements for the six major governmental funds, including the general fund, while information for the fifteen nonmajor governmental funds is aggregated and presented in a single column. Individual fund data for each nonmajor governmental fund can be found in the combining statements presented elsewhere in the report. The basic governmental fund financial statements appear on pages 28-35 of this report.

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. 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. However, the enterprise funds present more detail, including cash flow information. Internal service funds (the other type of proprietary fund) are used to report activities that provide services to the State's other programs and activities (such as the State's Central Services Fund).

The proprietary fund financial statements report separate information for the State's five major proprietary funds. Data for the nine nonmajor proprietary funds are aggregated and presented in a single column. All internal service funds are also aggregated into a single column presentation in the proprietary fund financial statements. Individual fund data for each nonmajor proprietary fund and each internal service fund can be found in the combining statements presented elsewhere in the report. The basic proprietary fund financial statements appear on pages 36-45 of this report.

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

The basic fiduciary fund financial statements include the private purpose trust fund, the investment trust fund, the agency fund, and aggregated data for the State's pension and other employee benefit trust funds. Individual fund data for each of the pension and other employee benefit trust funds can be found in the combining statements presented elsewhere in this report. The basic fiduciary fund financial statements appear on pages 46-47 of this report.

Discretely Presented Component Units

Combining statements that report the activities of the State's discretely presented component units, the SAIF Corporation, Oregon Health and Science University, and the Oregon University System Foundations, can be found on pages 49-51 of this report. While aggregated data are presented in the government-wide statements, the combining statements provide individual detail for each component unit.

Notes to the Financial Statements

The basic financial statements also include notes, which provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-116 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a section of *required supplementary information* (RSI), beginning on page 117, which contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds, as well as accompanying notes to the RSI. This section also includes a Schedule of Funding Progress for Other Postemployment Benefit Plans and accompanying notes.

The combining financial statements referred to earlier are presented immediately following the RSI, beginning on page 129 of this report. The combining statements provide details about the nonmajor governmental funds, nonmajor enterprise funds, and internal service funds, which are otherwise aggregated for presentation purposes in the related basic financial statements. The combining financial statements also provide details for the State's pension and other employee benefit trust funds, which are aggregated and presented in a single column in the basic fiduciary financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. The State's *combined* net assets for fiscal year 2008 were approximately $15.1 billion as shown in Table 1. Most of this balance consists of capital assets, with infrastructure being the largest component. Because the State uses its capital assets to provide services to citizens, the amount of net assets invested in capital assets, net of related debt, is not available for future spending. An additional portion of the State's net assets (27.3 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets is $1.6 billion.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 10,596.4	$ 11,819.7	$ 8,438.8	$ 7,750.6	$ 19,035.2	$ 19,570.3
Capital assets	10,057.7	10,553.2	1,734.4	1,596.6	11,792.1	12,149.8
Total assets	**20,654.1**	**22,372.9**	**10,173.2**	**9,347.2**	**30,827.3**	**31,720.1**
Long-term liabilities	6,574.4	6,693.1	4,029.8	3,761.1	10,604.2	10,454.2
Other liabilities	3,620.3	4,806.6	1,501.1	1,190.1	5,121.4	5,996.7
Total liabilities	**10,194.7**	**11,499.7**	**5,530.9**	**4,951.2**	**15,725.6**	**16,450.9**
Net assets:						
Invested in capital assets, net of related debt	8,554.1	8,696.8	808.0	756.8	9,362.1	9,453.6
Restricted	950.5	1,098.8	3,177.4	2,998.2	4,127.9	4,097.0
Unrestricted	954.8	1,077.6	656.9	641.0	1,611.7	1,718.6
Total net assets	**$ 10,459.4**	**$ 10,873.2**	**$ 4,642.3**	**$ 4,396.0**	**$ 15,101.7**	**$ 15,269.2**

Changes in net assets. The State's *combined* change in net assets as the result of current year operations was a decrease of $161.9 million as shown in Table 2. Net assets of governmental activities decreased by 3.8 percent of total governmental activities net assets, while net assets of business-type activities increased by 5.6 percent of total business-type activities net assets.

Total ending net assets of governmental activities for fiscal year 2008 were $10.5 billion, down from $10.9 billion reported for fiscal year 2007. Although personal income tax revenue was higher than the prior year, significant increases in program expenses, particularly in the areas of education, human services and transportation, resulted in a decrease in governmental activities net assets. Income tax revenue reported in fiscal year 2007 was lower due to recognition of the liability for income tax kicker refunds and credits of $1.1 billion.

For business-type activities, ending net assets were $4.6 billion, up from $4.4 billion reported for fiscal year 2007. A large transfer from the General Fund to the University System Fund contributed significantly to this increase. In the Unemployment Compensation Fund, employer-employee assessments and other operating revenues exceeded distributions of unemployment benefits during the fiscal year. The Lottery Operations Fund also saw a significant increase in net assets due to strong investment earnings.

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

	Governmental Activities		Business-type Activities		Total	
Revenues:	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	$ 1,462.1	$ 1,329.0	$ 3,441.9	$ 3,365.0	$ 4,904.0	$ 4,694.0
Operating grants & contributions	5,162.5	5,097.0	664.2	892.0	5,826.7	5,989.0
Capital grants & contributions	27.6	21.7	-	-	27.6	21.7
General revenues:						
Personal income taxes	6,102.9	4,486.1	-	-	6,102.9	4,486.1
Corporate income taxes	448.0	518.3	-	-	448.0	518.3
Other taxes	1,751.1	1,734.9	16.1	15.2	1,767.2	1,750.1
Unrestricted investment earnings	81.8	90.2	-	-	81.8	90.2
Total revenues	**15,036.0**	**13,277.2**	**4,122.2**	**4,272.2**	**19,158.2**	**17,549.4**
Expenses:						
Education	4,175.0	3,761.8	-	-	4,175.0	3,761.8
Human services	5,316.5	4,814.9	-	-	5,316.5	4,814.9
Public safety	1,184.0	1,023.2	-	-	1,184.0	1,023.2
Economic & community development	355.1	335.1	-	-	355.1	335.1
Natural resources	613.3	580.8	-	-	613.3	580.8
Transportation	2,251.4	1,709.8	-	-	2,251.4	1,709.8
Consumer and business services	461.0	340.3	-	-	461.0	340.3
Administration	570.9	467.9	-	-	570.9	467.9
Legislative	39.1	36.7	-	-	39.1	36.7
Judicial	311.8	286.5	-	-	311.8	286.5
Interest on long-term debt	315.5	265.1	-	-	315.5	265.1
Housing and community services	-	-	100.7	98.7	100.7	98.7
Veterans' loan	-	-	46.7	53.3	46.7	53.3
Lottery operations	-	-	573.2	564.1	573.2	564.1
Unemployment compensation	-	-	687.4	547.0	687.4	547.0
University system	-	-	1,808.4	1,893.2	1,808.4	1,893.2
State hospitals	-	-	203.8	184.5	203.8	184.5
Liquor control	-	-	307.4	284.3	307.4	284.3
Other business-type activities	-	-	75.1	76.9	75.1	76.9
Total expenses	**15,593.6**	**13,622.1**	**3,802.7**	**3,702.0**	**19,396.3**	**17,324.1**
Increase (decrease) before contributions, special and extraordinary items, and transfers	(557.6)	(344.9)	319.5	570.2	(238.1)	225.3
Contributions to permanent funds	-	4.2	-	-	-	4.2
Capital contributions	4.5	2.9	71.7	3.6	76.2	6.5
Additions to permanent endowments	-	-	-	0.1	-	0.1
Transfers	154.5	214.6	(154.5)	(214.6)	-	-
Increase (decrease) in net assets	**(398.6)**	**(123.2)**	**236.7**	**359.3**	**(161.9)**	**236.1**
Net assets – beginning	10,873.2	11,039.2	4,396.0	4,036.5	15,269.2	15,075.7
Prior period adjustments	(15.2)	(42.8)	9.6	0.2	(5.6)	(42.6)
Net assets – beginning – as restated	10,858.0	10,996.4	4,405.6	4,036.7	15,263.6	15,033.1
Net assets – ending	**$10,459.4**	**$ 10,873.2**	**$ 4,642.3**	**$ 4,396.0**	**$ 15,101.7**	**$15,269.2**

Figure 1 below illustrates fiscal year 2008 revenues of the State as a whole, by source. Approximately 30.3 percent of total revenue comes from other entities and governments in the form of operating grants and contributions (e.g., federal revenues). An additional 34.1 percent comes from personal and corporate income taxes and 25.5 percent comes from charges for services provided.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2008

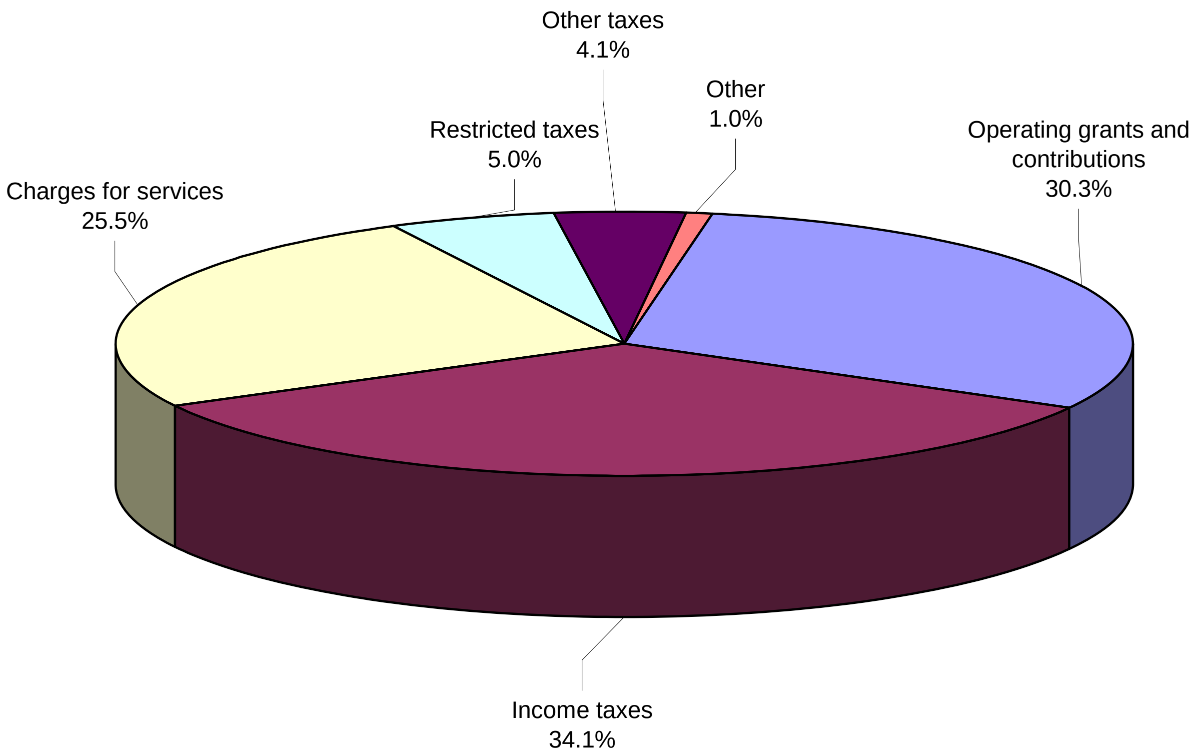
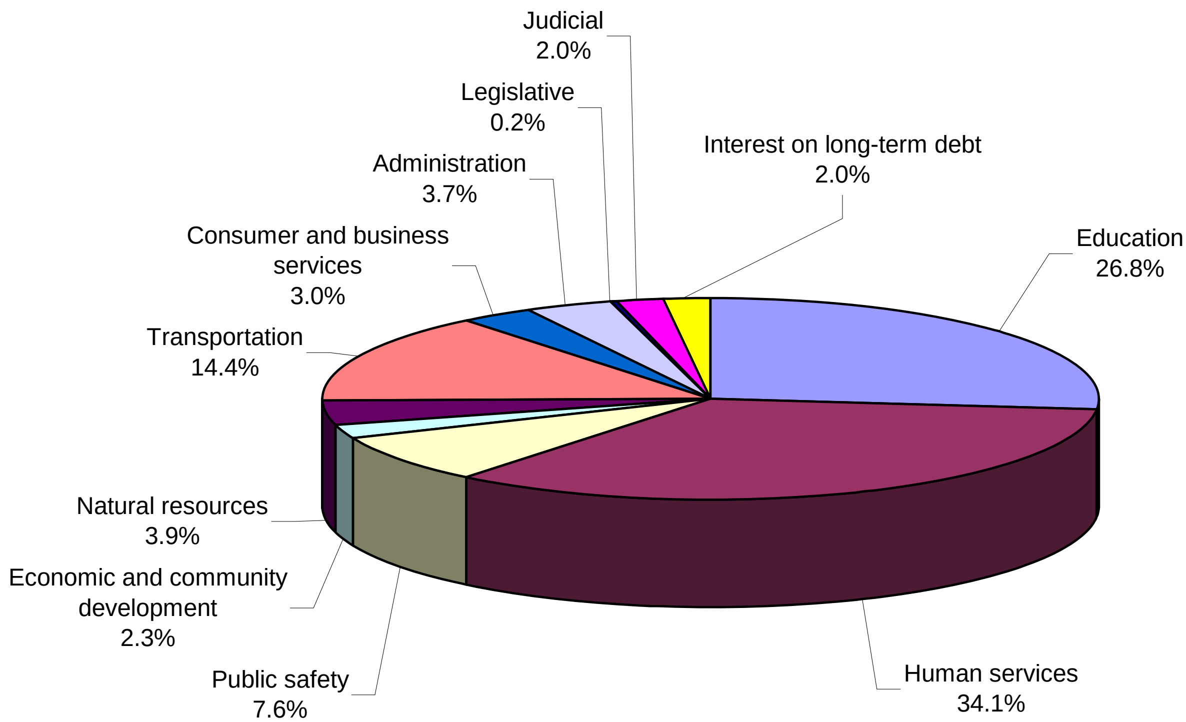


Figure 2 below shows the percentages of total governmental activity expenses for each function of the State. The largest portion of expenses is for human services to provide for Oregon's citizens in need of assistance at 34.1 percent, with elementary and secondary education the second largest at 26.8 percent of total governmental activity expenses.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2008



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* financial resources. In governmental funds, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2008, approximately 71.5 percent of the total fund balance of governmental funds represents unreserved, undesignated fund balance, which is available for spending on governmental programs at the State's discretion. The remainder of fund balance is reserved, meaning it is not available for new spending because it has already been committed, for example, to pay debt service or claims and judgments.

For fiscal year 2008, the State's governmental funds reported combined ending fund balances of $4.9 billion, the same combined total reported at the end of fiscal year 2007. Although combined ending fund balances did not change year over year, several governmental funds experienced significant changes in their individual fund balances as the result of fiscal year 2008 operations.

In the General Fund, which is the operating fund of the State, ending fund balance for fiscal year 2008 was up $20 million over the prior year. General Fund operating revenues increased by $1.5 billion, or 27.4 percent, due primarily to a 34.3 percent increase in personal income taxes. Expenditures as a percentage of operating revenues were down from 98 percent in 2007 to 90 percent in 2008; the excess revenues generated in fiscal year 2008 were offset by transfers to other funds, including $428.2 million to the University System Fund. Because fiscal year 2008 was the first year of the State's two year budget cycle, a large percentage of the General Fund's ending fund balance was encumbered (reserved) for expenditures expected to occur in fiscal year 2009. As a result, the General Fund's unreserved, undesignated fund balance decreased by $112.5 million as compared to fiscal year 2007.

The Health and Social Services Fund saw an increase in fund balance of $204.4 million, largely due to a 7.6 percent increase in federal funding. In the Public Transportation Fund, $10.1 million of long-term debt was issued in fiscal year 2008, compared to $655.1 million in fiscal year 2007. While the level of revenues and expenditures remained relatively constant, this reduction in other financing sources contributed significantly to the $247.6 million decrease in the fund balance of the Public Transportation Fund. An investment loss of $116 million in fiscal year 2008, versus investment income of $165.1 million in fiscal year 2007, was the primary reason for the $172.7 million decrease in the fund balance of the Common School Fund.

Proprietary funds. The State's enterprise funds provide the same type of information presented for business-type activities in the government-wide financial statements, but in greater detail. Housing and Community Services finances home ownership and multi-family units for elderly, disabled, and lower to moderate income persons through the issuance of bonds. For fiscal year 2008, the fund experienced a $14.7 million increase in total net assets due to operating income of $10.1 million and transfers from other funds of $4.6 million. The Veterans' Loan Program provides home purchase and home improvement loans at favorable interest rates to eligible veterans. Although both revenues and expenditures were down from the prior year, net assets of the Veterans' Loan Fund increased by 6.9 percent due to operating income of $8.4 million.

Net assets of the Lottery Operations Fund increased by $30.3 million, or 16.9 percent; operating income saw a modest increase of 2.7 percent, while investment income increased 15.1 percent over the prior year. In the Unemployment Compensation Fund, employer-employee assessments and other operating revenues exceeded distribution of benefits during the fiscal year, with investment income up 27.3 percent. The University System Fund saw a 37.5 percent reduction in federal revenues, coupled with a 34.6 percent decline in gifts and grants that resulted in an operating loss of $559.5 million for fiscal year 2008. However, the reductions in operating revenues were more than offset by capital contributions of $71.7 million and transfers from other funds, including a transfer of $428.2 million from the General Fund, which together increased ending net assets by $80.5 million.

Restrictions and commitments significantly affect the availability of Housing and Community Services Fund resources for future use. For example, net assets that will be used to repay outstanding bonds are restricted for debt service. A significant portion of University System Fund net assets are restricted for capital construction, higher education, debt service, and for purposes stipulated by donors of resources.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. Net assets of the Pension 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 and beneficiaries of the Public Employees Retirement System, decreased by $4.6 billion, or 7 percent. The net depreciation in fair value of investments was the primary factor contributing to this decrease. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State budgets on a biennial basis rather than an annual basis. Final amounts reflect the Legislatively Approved Budget as of June 30, 2008 for the 2007-2009 biennium. Final budgeted expenditures for the General Fund were $5.7 million less than original budgeted amounts, while forecasted revenues for the General Fund increased by $32.8 million. Although the increase in personal income taxes was largely offset by a decrease in corporate income taxes, the forecast for other taxes and investment income was higher than original projections.

During the 2008 special session, the Legislature approved a $20 million decrease in General Fund budgeted expenditures in the education program area that was offset by a transfer of $20 million of unallocated lottery funds for education. The net result was no change in the level of education appropriations, but an increase to the General Fund's ending balance. The Legislature also reduced the General Fund budget for human resources by $21.5 million and replaced this funding with two Emergency Board special purpose appropriations, totaling $22.4 million, to meet future needs related to increased caseloads and costs per case, start-up costs of the new Medicaid management information system, and the Oregon State Hospital improvement plan. The increase in General Fund budgeted expenditures for the legislative program area reflects these two special purpose appropriations. Another area that saw significant change was the natural resources program. General Fund budgeted expenditures increased $8.9 million, with nearly $5 million to be used for processing landowners' compensation claims of lost value under Ballot Measure 49.

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 2007-2009 biennium, actual expenditures and other financing uses in the General Fund exceeded actual revenues and other financing sources by $1.6 million. During fiscal year 2008, actual personal income tax collections were down $806.1 million compared to actual amounts collected in fiscal year 2007. Actual transfers to other funds during fiscal year 2008 were 86.5 percent of the total amount budgeted for the entire biennium. To manage the differences in the timing of cash flows, the State issued $741.2 million of tax anticipation notes on July 1, 2008. These notes will be repaid with income tax revenue prior to the end of the biennium.

DEBT ADMINISTRATION

The State Debt Policy Advisory Commission advises the Governor and the legislative assembly regarding policies and actions that enhance and preserve the State's credit rating and maintain the future availability of low-cost capital financing. The State's debt credit rating, which is an indication of the State's ability to repay its debt, was upgraded during the fiscal year to AA by Fitch and Standard & Poor's and to Aa2 by Moody's.

Debt outstanding for the years ended June 30, 2008 and 2007 is summarized in Table 3 below. For governmental activities, new revenue bonds were issued in fiscal year 2008 to fund community projects and public works, grants to local school districts, transportation infrastructure improvement projects, residential assistance for low income families, and capital improvements for higher education. The majority of new revenue bonds issued for business-type activities in fiscal year 2008 were single-family mortgage revenue bonds and homeowner revenue bonds.

During the fiscal year, the majority of new general obligation bonds were issued to finance acquisition and construction of new higher education facilities, including $200 million earmarked for construction of the University of Oregon sports arena. In addition, new general obligation bonds were issued to provide housing loans for veterans. New certificates of participation were issued to finance the implementation of the new Medicaid management information system, the initial costs of replacing the current Oregon State Hospital with two new facilities, and renovation of the State Capitol. In addition, the State refinanced some of its existing debt to take advantage of favorable interest rates. Additional information on the State's long-term debt may be found in Note 9 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2008 and 2007
(dollars in millions)

			2008 Over (Under) 2007	
	2008	2007	Amount	Percent
General obligation bonds	$ 4,596.6	$ 4,400.1	$ 196.5	4.5%
Revenue bonds	3,802.0	3,770.4	31.6	0.8%
Certificates of participation	1,120.1	1,131.3	(11.2)	-1.0%
General appropriation bonds	351.9	383.7	(31.8)	-8.3%
Total	**$ 9,870.6**	**$ 9,685.5**	**$ 185.1**	**1.9%**

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2008, was $11.8 billion (net of accumulated depreciation) as summarized in Table 4. Capital assets include land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and historical treasures. The State's investment in capital assets for fiscal year 2008 decreased by $232.9 million, or 1.9 percent, as construction in progress failed to keep pace with completed projects.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 1,691.3	$ 1,663.5	$ 106.5	$ 89.9	$ 1,797.8	$ 1,753.4
Buildings, property and equipment	1,608.3	1,391.7	1,385.4	1,336.1	2,993.7	2,727.8
Construction in progress	694.9	2,433.8	164.7	94.9	859.6	2,528.7
Infrastructure	6,062.0	4,938.4	16.5	16.4	6,078.5	4,954.8
Works of art and historical treasures	1.2	1.0	61.3	59.3	62.5	60.3
Total	**$ 10,057.7**	**$ 10,428.4**	**$ 1,734.4**	**$ 1,596.6**	**$ 11,792.1**	**$ 12,025.0**

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

- The State spent nearly $573.1 million on 592 highway and bridge construction projects.
- Commitments of $1.3 billion have been made for highway and bridge construction.

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

ECONOMIC FACTORS AND NEXT BIENNIUM'S BUDGET

The unemployment rate for Oregon rose from 6.4 percent in September 2008 to 8.1 percent in November 2008. The US unemployment rate rose from 6.1 percent to 6.7 percent over the same period. The unemployment rate in Oregon was 5.4 percent in November 2007.

Following seventeen consecutive quarters of job growth, employment began to decline in the second quarter of 2008. The State's December 2008 economic forecast shows employment declining between the first and second quarters of 2008 at an annual rate of 1.7 percent. The employment decline in the third quarter of 2008 was estimated at an annual rate of 0.9 percent, while the decline in the fourth quarter of 2008 is projected to be at an annual rate of 3.2 percent. The projections for the first three quarters of 2009 are declines of 1.8 percent, 1.1 percent, and 0.2 percent (all at annual rates of change). Job growth is expected to resume in the fourth quarter of 2009.

Although the December 2008 General Fund revenue forecast projects an increase in revenues of 6.8 percent for the 2009-11 biennium as compared to the 2007-09 biennium, this same forecast projects a drop in resources for the remainder of the 2007-09 biennium that would leave the General Fund in a deficit of $142.1 million. To cover this deficit, each state agency's General Fund appropriation will be reduced by just under 1.1 percent of the 2007-09 biennial total. Only monies allotted for payment of debt obligations will not be reduced.

The current economic downturn also affects the amount of revenue forecasted for the 2009-11 biennium. The budget proposed by the Governor for 2009-11 reduces program levels for many parts of state government. Ultimately, the Legislature will have to adopt a budget for the 2009-11 biennium that balances to the May 2009 revenue forecast.

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Basic Financial Statements

Statement of Net Assets
June 30, 2008
(In Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,592,990	$ 3,021,806	$ 5,614,796	$ 140,844
Cash and Cash Equivalents - Restricted	11	21,450	21,461	-
Investments	1,465,037	16,208	1,481,245	3,681,041
Investments - Restricted	-	110,106	110,106	-
Securities Lending Cash Collateral	1,900,163	937,960	2,838,123	570,060
Accounts and Interest Receivable (net)	712,514	415,775	1,128,289	592,502
Taxes Receivable	432,590	-	432,590	-
Pledges, Contributions and Grants Receivable (net)	-	-	-	263,371
Internal Balances	159,717	(159,717)	-	-
Due from Component Units	-	11,244	11,244	-
Due from Other Governments	121	7,687	7,808	-
Due from Primary Government	-	-	-	9,939
Inventories	81,553	36,657	118,210	12,190
Prepaid Items	5,477	18,591	24,068	52,969
Foreclosed and Deeded Property	-	660	660	-
Total Current Assets	7,350,173	4,438,427	11,788,600	5,322,916
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	238,970	935,698	1,174,668	-
Investments	-	97,524	97,524	439,643
Investments - Restricted	140,233	558,749	698,982	1,617,232
Cash and Securities Held in Trust	23,073	-	23,073	-
Taxes Receivable	330,038	-	330,038	-
Deferred Charges	23,496	18,875	42,371	8,099
Interfund Loans	(1,681)	1,681	-	-
Advances to Component Units	-	26,487	26,487	-
Net Contracts, Notes and Other Receivables	145,843	89,547	235,390	-
Long-term Receivables - Component Units	1,951	-	1,951	-
Loans Receivable	506,618	2,271,815	2,778,433	-
Pledges, Contributions and Grants Receivable (net)	-	-	-	19,107
Net Pension Asset	1,837,700	-	1,837,700	-
Capital Assets:				
Land	1,691,286	106,478	1,797,764	62,904
Buildings, Property and Equipment	2,657,864	2,669,657	5,327,521	1,816,515
Construction in Progress	694,961	164,680	859,641	54,308
Infrastructure	14,863,177	56,437	14,919,614	-
Works of Art and Historical Treasures	1,224	61,353	62,577	-
Less Accumulated Depreciation and Amortization	(9,850,788)	(1,324,191)	(11,174,979)	(768,853)
Total Noncurrent Assets	13,303,965	5,734,790	19,038,755	3,248,955
Total Assets	$ 20,654,138	$ 10,173,217	$ 30,827,355	$ 8,571,871

(continued on next page)

Statement of Net Assets
June 30, 2008
(In Thousands)
(continued from previous page)

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Units**
LIABILITIES				
Current Liabilities:				
Accounts and Interest Payable	735,363	195,044	930,407	180,363
Reserve for Loss and Loss Adjustment Expense	-	-	-	213,498
Obligations Under Securities Lending	1,900,163	937,960	2,838,123	570,060
Due to Component Units	9,795	-	9,795	-
Due to Other Governments	101,470	5,039	106,509	12,085
Due to Primary Government	-	-	-	26,332
Matured Bonds/COPS and Coupons Payable	11	7,432	7,443	-
Obligations Under Capital Lease	587	147	734	1,494
Bonds/COPS Payable	245,134	152,597	397,731	6,023
Claims and Judgments Payable	120,720	-	120,720	37,729
Trust Funds Payable	350,468	19,053	369,521	13,759
Unearned Revenue	52,467	96,394	148,861	289,930
Lottery Prize Awards Payable	-	30,698	30,698	-
Compensated Absences Payable	98,288	49,563	147,851	47,190
Arbitrage Rebate Payable	280	310	590	-
Contracts, Mortgages and Notes Payable	5,555	6,849	12,404	1,657
Total Current Liabilities	3,620,301	1,501,086	5,121,387	1,400,120
Noncurrent Liabilities:				
Bonds/COPS Payable	5,554,194	3,911,613	9,465,807	580,492
Obligations Under Capital Lease	1,893	17	1,910	6,746
Obligations Under Life Income Agreements	-	-	-	97,747
Obligations to Primary Government	-	-	-	1,951
Advances from Primary Government	-	-	-	26,487
Reserve for Loss and Loss Adjustment Expense	-	-	-	2,591,867
Claims and Judgments Payable	950,281	-	950,281	51,879
Trust Funds Payable	-	369	369	-
Lottery Prize Awards Payable	-	97,524	97,524	-
Compensated Absences Payable	48,410	4,138	52,548	-
Arbitrage Rebate Payable	2,419	7,788	10,207	-
Net OPEB Obligation	13,687	6,494	20,181	1,579
Contracts, Mortgages and Notes Payable	3,527	1,881	5,408	29,855
Total Noncurrent Liabilities	6,574,411	4,029,824	10,604,235	3,388,603
Total Liabilities	10,194,712	5,530,910	15,725,622	4,788,723
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	8,554,126	807,968	9,362,094	569,274
Expendable Restricted Net Assets:				
Restricted for Unemployment Compensation	-	2,321,424	2,321,424	-
Restricted for Residential Assistance	134,096	1,700	135,796	-
Restricted for Higher Education	-	190,284	190,284	-
Restricted for Debt Service	-	289,374	289,374	-
Restricted for Capital Construction	537	124,268	124,805	-
Restricted for Workers' Compensation	14	-	14	905,431
Restricted for Education	738,917	-	738,917	1,001,952
Restricted for Natural Resource Programs	27,372	-	27,372	-
Restricted for Health Services	21,104	-	21,104	-
Restricted for Lottery Projects	-	100,568	100,568	-
Restricted for War Veterans' Programs	-	132,469	132,469	-
Nonexpendable Restricted Net Assets:				
Restricted for Donor Purposes	-	17,333	17,333	620,164
Restricted for Education	1,443	-	1,443	130,326
Restricted for Residential Assistance	23,258	-	23,258	-
Restricted for Natural Resource Programs	3,500	-	3,500	-
Restricted for Workers' Compensation	250	-	250	-
Unrestricted	954,809	656,919	1,611,728	556,001
Total Net Assets	$ 10,459,426	$ 4,642,307	$ 15,101,733	$ 3,783,148

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

Statement of Activities
For the Year Ended June 30, 2008
(In Thousands)

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue**
Primary Government:					
Governmental Activities:					
Education	$ 4,174,928	$ 6,981	$ 573,973	$ 10,056	$ (3,583,918)
Human Services	5,316,540	230,058	3,264,678	-	(1,821,804)
Public Safety	1,183,931	67,869	168,608	14,018	(933,436)
Economic and Community Development	355,133	23,027	280,651	-	(51,455)
Natural Resources	613,329	300,685	13,605	-	(299,039)
Transportation	2,251,391	153,423	509,770	3,537	(1,584,661)
Consumer and Business Services	461,015	258,299	37,791	-	(164,925)
Administration	570,903	282,977	311,611	-	23,685
Legislative	39,142	2,459	304	-	(36,379)
Judicial	311,828	136,327	1,498	-	(174,003)
Interest on Long-term Debt	315,530	-	-	-	(315,530)
Total Governmental Activities	15,593,670	1,462,105	5,162,489	27,611	(8,941,465)
Business-type Activities:					
Housing and Community Services	100,706	80,135	30,604	-	10,033
Veterans' Loan	46,652	21,980	33,154	-	8,482
Lottery Operations	573,203	1,229,486	28,068	-	684,351
Unemployment Compensation	687,363	638,186	148,234	-	99,057
University System	1,808,424	954,039	410,433	-	(443,952)
State Hospitals	203,818	35,191	-	-	(168,627)
Liquor Control	307,380	406,421	-	-	99,041
Other Business-type Activities	75,134	76,452	13,686	-	15,004
Total Business-type Activities	3,802,680	3,441,890	664,179	-	303,389
Total Primary Government	$ 19,396,350	$ 4,903,995	$ 5,826,668	$ 27,611	$ (8,638,076)
Component Units:					
SAIF Corporation	$ 584,248	$ 480,244	$ 178,251	$ -	$ 74,247
Oregon Health and Science University	1,537,215	1,027,421	552,122	6,847	49,175
Oregon University System Foundations	208,524	17,197	344,340	748	153,761
Total Component Units	$ 2,329,987	$ 1,524,862	$ 1,074,713	$ 7,595	$ 277,183

(continued on next page)

Statement of Activities
For the Year Ended June 30, 2008
(In Thousands)
(continued from previous page)

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Changes in Net Assets:				
Net (Expense) Revenue	$ (8,941,465)	$ 303,389	$ (8,638,076)	$ 277,183
General Revenues:				
Taxes:				
Personal Income Taxes	6,102,900	-	6,102,900	-
Corporate Income Taxes	448,010	-	448,010	-
Tobacco Taxes	254,524	-	254,524	-
Healthcare Provider Taxes	154,460	-	154,460	-
Inheritance Taxes	116,186	-	116,186	-
Public Utilities Taxes	89,621	-	89,621	-
Insurance Premium Taxes	42,721	-	42,721	-
Other Taxes	123,907	16,086	139,993	-
Restricted for Transportation Purposes:				
Motor Fuels Taxes	413,858	-	413,858	-
Weight-Mile Taxes	237,296	-	237,296	-
Vehicle Registration Taxes	201,245	-	201,245	-
Restricted for Workers' Compensation and Workplace Safety Programs:				
Employer-Employee Taxes	76,576	-	76,576	-
Workers' Compensation Insurance Taxes	40,733	-	40,733	-
Total Taxes	8,302,037	16,086	8,318,123	-
Unrestricted Investment Earnings	81,815	-	81,815	-
Capital Contributions	4,482	71,716	76,198	-
Transfers - Internal Activities	154,510	(154,510)	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	8,542,844	(66,708)	8,476,136	-
Change in Net Assets	(398,621)	236,681	(161,940)	277,183
Net Assets - Beginning	10,873,196	4,395,977	15,269,173	3,506,149
Prior Period Adjustments	(15,149)	9,649	(5,500)	(184)
Net Assets - Beginning - As Restated	10,858,047	4,405,626	15,263,673	3,505,965
Net Assets - Ending	$ 10,459,426	$ 4,642,307	$ 15,101,733	$ 3,783,148

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

Balance Sheet
Governmental Funds
June 30, 2008
(In Thousands)

	General	Health and Social Services	Public Transportation
ASSETS			
Cash and Cash Equivalents	$ 20,023	$ 364,825	$ 563,840
Investments	-	28,320	113,623
Cash and Securities Held in Trust	-	-	19,036
Securities Lending Cash Collateral	11,160	203,938	355,642
Accounts and Interest Receivable (net)	9,459	274,196	117,737
Taxes Receivable	695,517	14,987	44,159
Due from Other Funds	28,654	14,702	2,027
Due from Other Governments	-	-	-
Inventories	30,222	1,736	21,972
Prepaid Items	4,587	14	-
Advances to Other Funds	40,598	-	-
Net Contracts, Notes and Other Receivables	12,601	4,062	2,582
Long-term Receivables - Component Units	-	-	-
Loans Receivable	-	278	15,819
Total Assets	$ 852,821	$ 907,058	$ 1,256,437
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 173,433	$ 160,290	$ 142,953
Obligations Under Securities Lending	11,160	203,938	355,642
Due to Other Funds	6,879	17,787	14,536
Due to Component Units	-	9,795	-
Due to Other Governments	127	10,193	58,933
Matured Bonds/COPs and Coupons Payable	11	-	-
Advances from Other Funds	985	-	24
Trust Funds Payable	6,801	14,844	19,046
Deferred Revenue	449,507	8,734	11,347
Contracts, Mortgages and Notes Payable	-	-	131
Total Liabilities	648,903	425,581	602,612
Fund Balances:			
Reserved for Encumbrances	127,412	2,806	-
Reserved for Inventories	30,222	1,736	21,972
Reserved for Loans Receivable	-	278	15,819
Reserved for Other Long-term Receivables	-	755	-
Reserved for Advances to Other Funds	40,598	-	-
Reserved for Prepaid Items	4,587	14	-
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	4	217	40
Unreserved, Undesignated	1,095	475,671	615,994
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Permanent Funds	-	-	-
Total Fund Balances	203,918	481,477	653,825
Total Liabilities and Fund Balances	$ 852,821	$ 907,058	$ 1,256,437

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

Environmental Management	Common School	Oregon Rainy Day	Other	Total
$ 304,106	$ 46,632	$ 329,808	$ 1,143,709	$ 2,772,943
873	1,015,175	-	356,289	1,514,280
867	682	-	2,488	23,073
169,575	123,376	183,941	671,134	1,718,766
32,444	9,499	-	196,501	639,836
-	-	-	7,965	762,628
41,005	916	867	328,650	416,821
-	-	-	122	122
19,626	20	-	6,289	79,865
12	-	-	440	5,053
-	332	-	-	40,930
2,631	20	-	122,002	143,898
-	-	-	1,951	1,951
387,324	1,661	-	101,536	506,618
$ 958,463	$ 1,198,313	$ 514,616	$ 2,939,076	$ 8,626,784
$ 24,402	$ 8,331	$ -	$ 153,918	$ 663,327
169,575	123,376	183,941	671,134	1,718,766
4,424	29,845	-	183,931	257,402
-	-	-	-	9,795
14,719	-	-	17,497	101,469
-	-	-	-	11
300	-	-	41,738	43,047
5,122	299,975	-	4,230	350,018
11,815	19	-	138,006	619,428
-	-	-	393	524
230,357	461,546	183,941	1,210,847	3,763,787
28,857	-	-	150,688	309,763
19,626	20	-	6,289	79,865
387,324	1,661	-	101,536	506,618
271	1	-	92	1,119
-	332	-	-	40,930
12	-	-	440	5,053
-	-	-	223,136	223,136
-	-	-	28,450	28,450
-	-	-	187,850	187,850
368	-	-	233	862
291,648	734,753	330,675	-	2,449,836
-	-	-	998,230	998,230
-	-	-	23,218	23,218
-	-	-	8,067	8,067
728,106	736,767	330,675	1,728,229	4,862,997
$ 958,463	$ 1,198,313	$ 514,616	$ 2,939,076	$ 8,626,784

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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008
(In Thousands)

Total fund balances of governmental funds		$	4,862,997
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:			
Land	1,680,397		
Buildings, property and equipment	2,112,509		
Construction in progress	678,396		
Infrastructure	14,862,540		
Works of art and historical treasures	1,083		
Accumulated depreciation and amortization	(9,632,690)		
Total capital assets			9,702,235
The net pension asset resulting from contributions in excess of the annual required contribution in 2004 are not financial resources and, therefore, are not reported in the funds. (See Note 13)			1,837,700
Some of the State's revenues will be collected after year end but are not available soon enough to pay the current year liabilities and, therefore, are deferred in the funds.			594,082
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.			201,817
Unamortized debt issuance costs are reported as deferred charges for governmental activities in the Statement of Net Assets but are reported as expenditures in the funds.			22,515
Some liabilities are not due and payable in the current year and, therefore, are not reported in the funds. Those liabilities consist of:			
Bonds and COPS	(5,596,654)		
Accrued interest on bonds and COPS	(50,511)		
Claims and judgments	(950,032)		
Compensated absences	(138,473)		
Obligations under capital leases	(2,480)		
Net OPEB obligation	(13,127)		
Arbitrage rebate	(2,390)		
Contracts, mortgages, and notes payable	(8,253)		
Total long-term liabilities			(6,761,920)
Net assets of governmental activities		$	10,459,426

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(In Thousands)

	General	Health and Social Services	Public Transportation
Revenues:			
Personal Income Taxes	$ 6,067,272	$ -	$ -
Corporate Income Taxes	446,734	-	-
Tobacco Taxes	58,395	196,395	-
Healthcare Provider Taxes	-	154,460	-
Inheritance Taxes	116,186	-	-
Public Utilities Taxes	-	-	-
Insurance Premium Taxes	42,721	-	-
Motor Fuels Taxes	-	-	413,105
Weight-Mile Taxes	-	-	238,860
Vehicle Registration Taxes	-	-	201,245
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	446	72,246	2,073
Licenses and Fees	36,574	81,930	64,289
Federal	-	2,705,061	569,762
Charges for Services	4,339	123,404	66,130
Fines and Forfeitures	1,065	1,057	5,614
Rents and Royalties	-	724	5,471
Investment Income	81,815	14,400	48,199
Sales	679	4,479	15,620
Donations and Grants	5	9,275	207
Tobacco Settlement Proceeds	-	90,297	-
Pension Bond Debt Service Assessments	-	-	-
Other	10,555	245,640	2,812
Total Revenues	6,866,786	3,699,368	1,633,387
Expenditures:			
Current:			
Education	3,103,319	-	-
Human Services	1,625,532	3,145,856	-
Public Safety	836,027	-	-
Economic and Community Development	8,677	-	-
Natural Resources	64,869	-	-
Transportation	4,293	8,259	1,614,096
Consumer and Business Services	6,228	159,411	-
Administration	135,342	79,117	127,802
Legislative	35,511	-	-
Judicial	263,990	1,151	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	43,643	-	-
Interest	68,712	-	652
Other Debt Service	834	304	301
Total Expenditures	6,196,977	3,394,098	1,742,851
Excess (Deficiency) of Revenues Over (Under) Expenditures	669,809	305,270	(109,464)
Other Financing Sources (Uses):			
Transfers from Other Funds	121,716	104,001	4,246
Transfers to Other Funds	(772,881)	(205,703)	(155,470)
Insurance Recoveries	41	-	1,948
Long-term Debt Issued	-	22,612	10,060
Debt Issuance Premium	-	306	-
Refunded Debt Issued	-	-	-
Leases Incurred	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(651,124)	(78,784)	(139,216)
Net Change in Fund Balances	18,685	226,486	(248,680)
Fund Balances - Beginning	183,896	277,093	901,384
Prior Period Adjustments	(466)	(21,919)	972
Fund Balances - Beginning - As Restated	183,430	255,174	902,356
Change in Reserve for Inventories	1,803	(183)	149
Fund Balances - Ending	$ 203,918	$ 481,477	$ 653,825

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

Environmental Management	Common School	Oregon Rainy Day	Other	Total
$ -	$ -	$ -	$ -	$ 6,067,272
-	-	-	-	446,734
-	-	-	-	254,790
-	-	-	-	154,460
-	-	-	-	116,186
-	-	-	89,621	89,621
-	-	-	-	42,721
-	-	-	-	413,105
-	-	-	-	238,860
-	-	-	-	201,245
-	-	-	76,576	76,576
-	-	-	40,733	40,733
18,634	-	-	23,781	117,180
110,182	1,569	-	143,964	438,508
93,737	-	-	1,605,221	4,973,781
36,318	130	-	77,457	307,778
538	21	-	91,880	100,175
3,469	3,707	-	4,814	18,185
26,177	(115,963)	13,350	100,336	168,314
96,963	849	-	6,692	125,282
1,717	-	1	25,735	36,940
-	-	-	-	90,297
-	-	-	121,035	121,035
15,414	318	-	79,779	354,518
403,149	(109,369)	13,351	2,487,624	14,994,296
-	-	-	1,071,603	4,174,922
-	-	-	576,602	5,347,990
-	-	-	339,854	1,175,881
-	-	-	345,719	354,396
512,797	13,174	-	38,784	629,624
-	-	-	9,512	1,636,160
-	-	-	301,278	466,917
1	-	1,964	182,465	526,691
-	-	-	1,945	37,456
-	-	-	46,575	311,716
-	-	-	78,195	78,195
71	-	-	135,457	179,171
-	-	-	237,124	306,488
145	-	-	736	2,320
513,014	13,174	1,964	3,365,849	15,227,927
(109,865)	(122,543)	11,387	(878,225)	(233,631)
165,996	10,217	-	1,809,787	2,215,963
(40,645)	(60,335)	-	(823,079)	(2,058,113)
872	-	-	1,185	4,046
15,142	-	-	50,195	98,009
63	-	-	1,343	1,712
-	-	-	14,310	14,310
134	-	-	-	134
-	-	-	(15,036)	(15,036)
141,562	(50,118)	-	1,038,705	261,025
31,697	(172,661)	11,387	160,480	27,394
707,856	909,431	319,288	1,552,008	4,850,956
(12,381)	-	-	14,987	(18,807)
695,475	909,431	319,288	1,566,995	4,832,149
934	(3)	-	754	3,454
$ 728,106	$ 736,767	$ 330,675	$ 1,728,229	$ 4,862,997

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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, 2008
(In Thousands)

Net change in fund balances of total governmental funds		$ 27,394
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:		
Capital outlay	211,251	
Depreciation expense	(715,112)	
Excess of depreciation over capital outlay		(503,861)
The net effect of sales, transfers, impairments, and donations of capital assets is a decrease to net assets.		(2,503)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing. In the Statement of Net Assets, a lease obligation is reported as a liability.		(134)
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Assets.		(114,031)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Assets.		194,207
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these items are deferred and amortized in the Statement of Activities.		5,589
Some expenses reported in the Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds.		
Accrued interest on long-term debt	5,727	
Claims and judgments payable	5,579	
Compensated absences	(10,863)	
Net pension asset	(45,400)	
Net OPEB obligation	(13,127)	
Contracts, mortgages and notes payable	(1,488)	
Total		(59,572)
Investment income related to rebatable arbitrage does not provide current financial resources and is not reported as revenue in the governmental funds.		(335)
Some revenues will not be collected for several months after the State's fiscal year ends. Therefore, they are not considered "available" revenues and are deferred in the governmental funds.		43,711
The change in inventory is reported as a separate line after the change in fund balances in governmental funds but is included in expenses in the Statement of Activities.		3,454
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.		7,460
Change in net assets of governmental activities		$ (398,621)

Balance Sheet
Proprietary Funds
June 30, 2008
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 9,535	$ 87,234	$ 269,728
Cash and Cash Equivalents - Restricted	11,756	6,686	-
Investments	-	2,511	13,697
Investments - Restricted	53,916	56,190	-
Securities Lending Cash Collateral	27,937	220,256	177,621
Accounts and Interest Receivable (net)	8,565	3,063	27,770
Due from Other Funds	39	63	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	2,215
Prepaid Items	-	16	908
Foreclosed and Deeded Property	650	10	-
Total Current Assets	112,398	376,029	491,939
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	47,206	372,931	-
Investments	-	-	97,524
Investments - Restricted	390,158	84,614	-
Deferred Charges	13,408	2,159	-
Advances to Other Funds	-	-	-
Advances to Component Units	-	-	-
Net Contracts, Notes and Other Receivables	-	4,385	2,694
Loans Receivable	1,381,959	304,414	-
Capital Assets:			
Land	-	-	-
Buildings, Property and Equipment	262	9,484	172,844
Construction in Progress	-	-	60
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	85	-
Less Accumulated Depreciation and Amortization	(257)	(5,226)	(63,402)
Total Noncurrent Assets	1,832,736	772,846	209,720
Total Assets	$ 1,945,134	$ 1,148,875	$ 701,659

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

Business-type Activities - Enterprise Funds				Governmental Activities
Unemployment Compensation	University System	Other	Total	Internal Service Funds
$ 2,135,570	$ 355,334	$ 164,405	$ 3,021,806	$ 58,754
-	2,905	103	21,450	-
-	-	-	16,208	83,863
-	-	-	110,106	-
9,097	414,901	88,148	937,960	181,398
170,327	185,449	20,601	415,775	71,878
-	7,392	12,490	19,984	4,530
-	11,244	-	11,244	-
7,687	-	-	7,687	-
-	6,686	27,756	36,657	1,689
-	16,582	1,085	18,591	423
-	-	-	660	-
2,322,681	1,000,493	314,588	4,618,128	402,535
-	457,709	57,852	935,698	272
-	-	-	97,524	-
-	81,729	2,248	558,749	7,127
-	-	3,308	18,875	981
1,108	-	19,368	20,476	757
-	26,487	-	26,487	-
11,570	70,890	7	89,546	1,945
-	-	585,442	2,271,815	-
-	101,018	5,460	106,478	10,889
-	2,373,988	113,079	2,669,657	545,355
-	164,620	-	164,680	16,565
-	55,557	880	56,437	637
-	61,228	40	61,353	141
-	(1,207,617)	(47,689)	(1,324,191)	(218,098)
12,678	2,185,609	739,995	5,753,584	366,571
$ 2,335,359	$ 3,186,102	$ 1,054,583	$ 10,371,712	$ 769,106

(continued on next page)

Balance Sheet
Proprietary Funds
June 30, 2008
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	$ 36,181	$ 3,668	$ 13,599
Obligations Under Securities Lending	27,937	220,256	177,621
Due to Other Funds	51	-	169,393
Due to Other Governments	-	-	-
Matured Bonds/COPS and Coupons Payable	26	4,398	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	30,681	41,510	-
Claims and Judgments Payable	-	-	-
Trust Funds Payable	-	2,287	131
Unearned Revenue	884	-	-
Lottery Prize Awards Payable	-	-	30,698
Compensated Absences Payable	182	280	1,630
Arbitrage Rebate Payable	-	268	-
Contracts, Mortgages and Notes Payable	-	1,000	-
Total Current Liabilities	95,942	273,667	393,072
Noncurrent Liabilities:			
Bonds/COPS Payable	1,657,154	735,046	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	-	-
Claims and Judgments Payable	-	-	-
Trust Funds Payable	-	-	-
Lottery Prize Awards Payable	-	-	97,524
Compensated Absences Payable	89	137	803
Arbitrage Rebate Payable	3,397	3,181	-
Net OPEB Obligation	27	32	190
Contracts, Mortgages and Notes Payable	1,500	-	-
Total Noncurrent Liabilities	1,662,167	738,396	98,517
Total Liabilities	1,758,109	1,012,063	491,589
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5	4,343	109,502
Expendable Restricted Net Assets:			
Restricted for Residential Assistance	1,700	-	-
Restricted for Higher Education	-	-	-
Restricted for Debt Service	176,323	-	-
Restricted for Capital Construction	-	-	-
Nonexpendable Restricted Net Assets:			
Restricted for Donor Purposes	-	-	-
Unrestricted	8,997	132,469	100,568
Total Net Assets	187,025	136,812	210,070
Total Liabilities and Net Assets	$ 1,945,134	$ 1,148,875	$ 701,659

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	**University System**	**Other**	**Total**	**Governmental Activities Internal Service Funds**
$ -	$ 110,586	$ 31,010	$ 195,044	$ 21,524
9,097	414,901	88,148	937,960	181,398
-	-	12,713	182,157	976
4,845	-	194	5,039	-
-	2,905	103	7,432	-
-	101	46	147	-
-	35,637	44,769	152,597	25,243
-	-	-	-	29,975
1,367	13,145	2,123	19,053	450
-	94,699	811	96,394	27,121
-	-	-	30,698	-
-	41,018	6,453	49,563	5,510
-	-	42	310	-
-	5,849	-	6,849	305
15,309	718,841	186,412	1,683,243	292,502
-	1,225,613	293,800	3,911,613	177,431
-	12	5	17	-
-	18,694	100	18,794	322
-	-	-	-	90,994
-	-	369	369	-
-	-	-	97,524	-
-	-	3,109	4,138	2,715
-	1,137	73	7,788	309
-	5,150	1,095	6,494	560
-	381	-	1,881	-
-	1,250,987	298,551	4,048,618	272,331
15,309	1,969,828	484,963	5,731,861	564,833
-	631,626	62,492	807,968	167,433
-	-	-	1,700	-
-	190,284	-	190,284	-
-	82,314	30,737	289,374	-
-	124,268	-	124,268	-
-	17,333	-	17,333	-
2,320,050	170,449	476,391	3,208,924	36,840
2,320,050	1,216,274	569,620	4,639,851	204,273
$ 2,335,359	$ 3,186,102	$ 1,054,583	$ 10,371,712	$ 769,106

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are included with the business-type activities.	2,456
Net assets of business-type activities	$ 4,642,307

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	Veterans' Loan	Lottery Operations
Operating Revenues:			
Assessments	$ -	$ -	$ -
Licenses and Fees	4,088	117	-
Federal	-	-	-
Charges for Services	1,349	2,773	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	640	-
Sales	-	3	1,233,782
Loan Interest Income	74,586	18,050	-
Investment Income	30,603	33,154	-
Gifts, Grants and Contracts	-	-	-
Other	6	397	-
Gain (Loss) on Foreclosed Property	106	-	-
Total Operating Revenues	110,738	55,134	1,233,782
Operating Expenses:			
Salaries and Wages	6,056	5,954	34,323
Services and Supplies	8,663	12,747	282,252
Cost of Goods Sold	-	-	-
Distributions to Other Governments	449	-	-
Loan Interest Expense	70	722	-
Special Payments	7,359	99	225,330
Bond and COP Interest	77,551	26,857	-
Other Debt Service	600	151	-
Depreciation and Amortization	17	160	30,843
Bad Debt Expense	(78)	-	-
Total Operating Expenses	100,687	46,690	572,748
Operating Income (Loss)	10,051	8,444	661,034
Nonoperating Revenues (Expenses):			
Investment Income (Loss)	-	-	28,068
Other Taxes	-	-	-
Other Nonoperating Items	-	-	(4,321)
Gain (Loss) on Disposition of Assets	-	-	-
Insurance Recoveries	-	-	26
Loan Interest Income	-	-	-
Loan Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	23,773
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	10,051	8,444	684,807
Capital Contributions	-	-	-
Transfers from Other Funds	4,647	399	-
Transfers to Other Funds	-	-	(654,443)
Change in Net Assets	14,698	8,843	30,364
Net Assets - Beginning	172,327	127,969	179,706
Prior Period Adjustments	-	-	-
Net Assets - Beginning - As Restated	172,327	127,969	179,706
Net Assets - Ending	$ 187,025	$ 136,812	$ 210,070

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ 621,928	$ -	$ -	$ 621,928	$ -
-	-	4,233	8,438	-
29,321	322,808	3,105	355,234	-
-	496,157	59,864	560,143	291,218
2,411	-	503	2,914	-
-	-	112	752	40,201
-	337,108	420,744	1,991,637	11,297
-	-	27,992	120,628	-
118,912	-	10,517	193,186	-
-	70,645	-	70,645	-
13,847	24,109	4,601	42,960	19,222
-	-	-	106	-
786,419	1,250,827	531,671	3,968,571	361,938
-	1,147,478	194,887	1,388,698	122,734
20,916	422,371	106,221	853,170	177,963
-	-	215,069	215,069	20,109
14,466	-	46,484	61,399	103
-	-	-	792	-
655,966	95,695	257	984,706	-
-	53,072	16,971	174,451	9,042
-	-	256	1,007	155
-	91,724	4,321	127,065	34,775
(4,484)	-	1,881	(2,681)	-
686,864	1,810,340	586,347	3,803,676	364,881
99,555	(559,513)	(54,676)	164,895	(2,943)
-	16,981	62	45,111	12,614
-	-	16,086	16,086	-
-	95,654	-	91,333	-
-	1,562	25	1,587	553
-	1,011	17	1,054	382
-	-	-	-	45
-	-	(9)	(9)	(20)
-	115,208	16,181	155,162	13,574
99,555	(444,305)	(38,495)	320,057	10,631
-	71,716	-	71,716	101
347	453,127	296,552	755,072	3,597
(35,814)	(70)	(219,254)	(909,581)	(7,452)
64,088	80,468	38,803	237,264	6,877
2,246,909	1,135,806	530,221	4,392,938	197,057
9,053	-	596	9,649	339
2,255,962	1,135,806	530,817	4,402,587	197,396
$ 2,320,050	$ 1,216,274	$ 569,620	$ 4,639,851	$ 204,273

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.	(583)
Change in net assets of business-type activities	$ 236,681

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(In Thousands)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
Cash Flows from Operating Activities:			
Receipts from Customers	$ 6,264	$ 3,239	$ 1,230,027
Receipts from Other Funds for Services	-	640	-
Loan Principal Repayments	100,197	43,405	-
Loan Interest Received	73,408	19,408	-
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(6,143)	(5,930)	(33,851)
Payments to Suppliers	(6,541)	(4,686)	(282,279)
Payments to Other Funds for Services	-	(433)	-
Payments to Prize Winners	-	-	(233,843)
Claims Paid	-	-	-
Loans Made	(323,999)	(66,542)	-
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(7,241)	184	-
Net Cash Provided (Used) in Operating Activities	(164,055)	(10,715)	680,054
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	445,065	110,015	-
Loan Proceeds	-	30,000	-
Principal Payments on Bonds/COPS	(381,258)	(71,916)	-
Principal Payments on Loans	-	(59,836)	-
Interest Payments on Bonds/COPS	(74,558)	(29,772)	-
Interest Payments on Loans	(72)	(722)	-
Bond/COP Issuance Costs	(2,784)	(1,145)	-
Repayments on Advances Received	-	-	-
Interest Payments on Advances	-	-	-
Taxes and Assessments Received	-	-	-
Other Nonoperating Receipts (Payments)	-	-	1,649
Transfers from Other Funds	4,647	399	-
Transfers to Other Funds	-	-	(691,911)
Net Cash Provided (Used) in Noncapital Financing Activities	(8,960)	(22,977)	(690,262)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Bond/COP Issuance Costs	-	-	-
Repayments on Advances Received	-	-	-
Interest Payments on Advances	-	-	-
Principal Payments on Loans	-	-	-
Interest Payments on Loans	-	-	-
Acquisition of Capital Assets	-	(124)	(44,233)
Proceeds from Disposition of Capital Assets	-	-	247
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	(124)	(43,986)
Cash Flows from Investing Activities:			
Purchases of Investments	(633,073)	(240,290)	(2,574)
Proceeds from Sales and Maturities of Investments	774,609	225,065	14,333
Interest on Investments and Cash Balances	22,387	25,433	10,966
Interest Income from Securities Lending	1,570	7,324	5,699
Interest Expense from Securities Lending	(1,424)	(6,679)	(5,047)
Net Cash Provided (Used) in Investing Activities	164,069	10,853	23,377
Net Increase (Decrease) in Cash and Cash Equivalents	(8,946)	(22,963)	(30,817)
Cash and Cash Equivalents - Beginning	77,443	489,814	302,940
Prior Period Adjustments Restating Beginning Cash Balances	-	-	(2,395)
Cash and Cash Equivalents - Ending	$ 68,497	$ 466,851	$ 269,728

Business-type Activities - Enterprise Funds				
Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ -	$ 1,219,969	$ 485,349	$ 2,944,848	$ 56,724
-	-	218	858	299,706
-	12,787	64,334	220,723	-
-	-	26,245	119,061	-
628,921	-	-	628,921	-
-	(1,138,163)	(193,357)	(1,377,444)	(124,338)
-	(430,733)	(313,957)	(1,038,196)	(133,328)
-	-	(6,379)	(6,812)	(30,615)
-	-	-	(233,843)	-
(654,152)	-	-	(654,152)	(11,695)
-	(86,388)	(105,877)	(582,806)	-
(13,645)	-	(43,412)	(57,057)	(103)
39,066	(12,302)	6,629	26,336	(27,383)
190	(434,830)	(80,207)	(9,563)	28,968
-	-	18,000	573,080	-
-	-	-	30,000	-
-	-	(41,686)	(494,860)	-
-	-	-	(59,836)	-
-	-	(16,425)	(120,755)	-
-	-	-	(794)	-
-	-	(27)	(3,956)	-
-	-	(67)	(67)	-
-	-	(4)	(4)	-
-	-	16,125	16,125	-
-	103,957	17	105,623	363
4,208	454,011	187,766	651,031	3,549
(41,074)	-	(122,264)	(855,249)	(7,377)
(36,866)	557,968	41,435	(159,662)	(3,465)
-	294,053	-	294,053	7,075
-	(72,984)	(1,103)	(74,087)	(24,030)
-	(52,647)	(439)	(53,086)	(9,945)
-	-	-	-	(144)
-	-	-	-	24
-	-	-	-	45
-	-	-	-	(28)
-	-	-	-	(19)
-	(215,701)	(3,053)	(263,111)	(43,492)
-	33,376	188	33,811	902
-	48,714	-	48,714	-
-	34,811	(4,407)	(13,706)	(69,612)
(176,145)	(310)	(45,233)	(1,097,625)	(82,804)
370,657	-	46,233	1,430,897	69,234
97,307	35,753	8,719	200,565	8,487
22,080	7,010	1,456	45,139	3,523
(20,916)	(6,378)	(1,329)	(41,773)	(3,221)
292,983	36,075	9,846	537,203	(4,781)
256,307	194,024	(33,333)	354,272	(48,890)
1,879,263	621,924	256,714	3,628,098	107,916
-	-	(1,021)	(3,416)	-
$ 2,135,570	$ 815,948	$ 222,360	$ 3,978,954	$ 59,026

(continued on next page)

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(In Thousands)
(continued from previous page)

	Business-type Activities - Enterprise Funds		
	Housing and Community Services	**Veterans' Loan**	**Lottery Operations**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 10,051	$ 8,444	$ 661,034
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	17	160	30,843
Amortization of Bond/COP Issuance Costs	865	-	-
Amortization of Bond/COP Premium and Discount	(476)	27	-
Amortization of Deferred Charges	(15)	151	-
Bad Debt Expense	(78)	-	-
Interest Income Reported as Operating Revenue	(30,603)	(33,153)	-
Investment Expense Reported as Operating Expense	1,424	6,679	-
Interest Payments Reported as Operating Expense	77,848	27,551	-
Bond/COP Issuance Costs Reported as Operating Expense	-	1,092	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	(840)	(68)	(3,755)
Due from Other Funds	-	10	-
Due from Other Governments	-	-	-
Inventories	-	-	103
Prepaid Items	-	24	427
Foreclosed and Deeded Property	(345)	-	-
Deferred Charges	-	-	-
Advances to Other Funds	-	-	-
Loans Receivable	(222,836)	(23,237)	-
Net Contracts, Notes and Other Receivables	-	-	-
Accounts and Interest Payable	267	1,401	(179)
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Trust Funds Payable	-	183	(11)
Unearned Revenue	647	-	-
Claims and Judgments Payable	-	-	-
Contracts, Mortgages and Notes Payable	-	-	-
Compensated Absences Payable	(9)	(12)	281
Lottery Prize Awards Payable	-	-	(8,880)
Net OPEB Obligation	28	33	191
Total Adjustments	(174,106)	(19,159)	19,020
Net Cash Provided (Used) by Operating Activities	$ (164,055)	$ (10,715)	$ 680,054
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ 7,595	$ (397)	$ 11,404
Noncash Assets Exchanged for Other Noncash Assets	5	-	-
Capital Assets Transferred from Governmental Funds	-	-	-
Liabilities Transferred to Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Assets Transferred to Governmental Funds	-	-	-
Capital Assets Contributed	-	-	-
Foreclosed Property	1,938	-	-
Total Noncash Investing and Capital and Related Financing Activities	$ 9,538	$ (397)	$ 11,404

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

Business-type Activities - Enterprise Funds				
Unemployment Compensation	University System	Other	Total	Governmental Activities Internal Service Funds
$ 99,555	$ (559,513)	$ (54,676)	$ 164,895	$ (2,943)
-	91,724	4,319	127,063	34,775
-	-	308	1,173	-
-	-	(38)	(487)	(804)
-	-	96	232	308
-	-	1,902	1,824	-
(98,819)	-	(8,788)	(171,363)	-
798	-	15	8,916	3,221
-	53,071	17,089	175,559	9,945
-	-	27	1,119	144
(1,383)	(37,307)	(3,360)	(46,713)	(14,026)
96	-	1,173	1,279	(1,840)
628	-	(2)	626	-
-	(92)	(2,112)	(2,101)	(398)
-	(5,045)	(41)	(4,635)	29
-	-	-	(345)	-
-	-	(65)	(65)	(86)
-	-	(4,240)	(4,240)	-
-	-	(37,206)	(283,279)	-
(2,563)	915	352	(1,296)	1,066
-	4,907	4,821	11,217	2,044
-	-	(1,144)	(1,144)	1,180
821	-	30	851	-
-	9	(511)	(330)	(48,891)
-	12,393	113	13,153	27,003
-	-	-	-	17,161
1,057	4,108	-	5,165	(364)
-	-	638	898	884
-	-	-	(8,880)	-
-	-	1,093	1,345	560
(99,365)	124,683	(25,531)	(174,458)	31,911
$ 190	$ (434,830)	$ (80,207)	$ (9,563)	$ 28,968
$ 1,794	$ (19,330)	$ (6)	$ 1,060	$ 592
-	-	-	5	-
-	-	-	-	77
-	-	(1,259)	(1,259)	-
-	78	-	78	-
-	-	876	876	(17)
-	7,165	-	7,165	24
-	-	-	1,938	-
$ 1,794	$ (12,087)	$ (389)	$ 9,863	$ 676

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	$ 646,574	$ 30,132	$ 4,025,189	$ 78,752
Investments:				
Fixed Income	18,391,468	381	-	-
Equity	26,846,675	890	-	-
Real Estate	5,365,989	-	-	-
Alternative Equity	10,504,724	-	-	-
Total Investments	61,108,856	1,271	-	-
Cash and Securities Held in Trust	-	97	-	1,556,676
Securities Lending Cash Collateral	4,677,862	16,503	2,021,404	-
Receivables:				
Employer Contributions	22,662	-	-	-
Plan Member Contributions	10,601	-	-	-
Interest and Dividends	229,780	-	17,205	-
Investment Sales	3,178,419	-	-	-
Accounts	-	1,139	-	5,696
From Other Funds	1,260	-	-	-
Total Receivables	3,442,722	1,139	17,205	5,696
Prepaid Items	2,184	-	-	-
Net Contracts, Notes and Other Receivables	-	63	-	76,454
Conservatorship and Custodial Assets	-	3,751	-	72
Receivership Assets	-	-	-	70,652
Loans Receivable	-	-	5,090	-
Capital Assets (net of accumulated depreciation):				
Land	944	14	-	-
Buildings, Property and Equipment	11,029	-	-	-
Total Assets	69,890,171	52,970	6,068,888	1,788,302
LIABILITIES				
Accounts and Interest Payable	3,426,763	50	49	5
Obligations Under Securities Lending	4,677,862	16,503	2,021,404	-
Obligations Under Reverse Repurchase Agreements	291,036	-	-	-
Due to Other Funds	1,260	800	-	-
Due to Other Governments	-	47	-	2,812
Bonds/COPS Payable	7,108	-	-	-
Trust Funds Payable	75,386	1,475	-	-
Custodial Liabilities	-	-	-	1,785,485
Deferred Revenue	911	-	-	-
Contracts, Mortgages and Notes Payable	-	1,928	-	-
Net OPEB Obligation	147	-	-	-
Total Liabilities	8,480,473	20,803	2,021,453	1,788,302
NET ASSETS				
Held in Trust for:				
Pension Benefits	60,234,561	-	-	-
Other Postemployment Benefits	245,068	-	-	-
Other Employee Benefits	930,069	-	-	-
External Investment Pool Participants	-	-	4,047,435	-
Individuals, Organizations and Other Governments	-	32,167	-	-
Total Net Assets	$ 61,409,698	$ 32,167	$ 4,047,435	$ -

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(In Thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	$ 792,739	$ -	$ -
Plan Members	651,870	-	-
Total Contributions	1,444,609	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(4,244,136)	-	-
Interest, Dividends and Other Investment Income	1,865,810	1,628	258,802
Total Investment Income	(2,378,326)	1,628	258,802
Less Investment Expense	566,406	354	71,300
Net Investment Income	(2,944,732)	1,274	187,502
Gifts, Grants and Contracts	-	1,070	-
Income of Individuals in State Care	-	3,520	-
Veterans' Income	-	6,694	-
Other Income	1,357	565	-
Share Transactions:			
Participant Contributions	-	-	19,216,700
Participant Withdrawals	-	-	18,828,528
Net Share Transactions	-	-	388,172
Transfers from Other Funds	-	497	-
Total Additions	(1,498,766)	13,620	575,674
DEDUCTIONS			
Pension Benefits	2,812,351	-	-
Death Benefits	11,432	-	-
Contributions Refunded	50,661	-	-
Healthcare Premium Subsidies	29,530	-	-
Distributions to Other Goverments	-	48	-
Distributions to Participants	-	-	204,623
Retiree Healthcare Expenses	101,781	-	-
Deferred Compensation Benefits	50,366	-	-
Administrative Expenses	44,749	7,677	-
Payments in Accordance with Trust Agreements	-	7,355	-
Total Deductions	3,100,870	15,080	204,623
Change in Net Assets Held in Trust For:			
Pension Benefits	(4,534,078)	-	-
Other Postemployment Benefits	(11,520)	-	-
Other Employee Benefits	(54,038)	-	-
External Investment Pool Participants	-	-	371,051
Individuals, Organizations and Other Governments	-	(1,460)	-
Net Assets - Beginning	66,009,334	33,627	3,676,384
Net Assets - Ending	$ 61,409,698	$ 32,167	$ 4,047,435

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

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Combining Balance Sheet
Discretely Presented Component Units
June 30, 2008
(In Thousands)

	SAIF Corporation	Oregon Health and Science University	Oregon University System Foundations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 39,862	$ 62,986	$ 37,996	$ 140,844
Investments	3,597,781	83,260	-	3,681,041
Securities Lending Cash Collateral	570,060	-	-	570,060
Accounts and Interest Receivable (net)	377,637	214,865	-	592,502
Pledges, Contributions and Grants Receivable (net)	-	10,661	252,710	263,371
Due from Primary Government	144	9,795	-	9,939
Inventories	75	12,115	-	12,190
Prepaid Items	8,172	10,626	34,171	52,969
Total Current Assets	4,593,731	404,308	324,877	5,322,916
Noncurrent Assets:				
Investments	-	439,643	-	439,643
Investments - Restricted	-	435,978	1,181,254	1,617,232
Deferred Charges	-	8,099	-	8,099
Pledges, Contributions and Grants Receivable (net)	-	19,107	-	19,107
Capital Assets:				
Land	3,029	59,875	-	62,904
Buildings, Property and Equipment	46,260	1,710,744	59,511	1,816,515
Construction in Progress	-	54,308	-	54,308
Less Accumulated Depreciation and Amortization	(29,623)	(728,166)	(11,064)	(768,853)
Total Noncurrent Assets	19,666	1,999,588	1,229,701	3,248,955
Total Assets	$ 4,613,397	$ 2,403,896	$ 1,554,578	$ 8,571,871
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts and Interest Payable	$ 42,942	$ 127,606	$ 9,815	$ 180,363
Reserve for Loss and Loss Adjustment Expense	213,498	-	-	213,498
Obligations Under Securities Lending	570,060	-	-	570,060
Due to Other Governments	3,755	8,330	-	12,085
Due to Primary Government	15,088	2,268	8,976	26,332
Obligations Under Capital Lease	-	1,494	-	1,494
Bonds/COPS Payable	-	6,023	-	6,023
Claims and Judgments Payable	-	37,729	-	37,729
Trust Funds Payable	-	-	13,759	13,759
Unearned Revenue	248,034	41,896	-	289,930
Compensated Absences Payable	2,812	44,378	-	47,190
Contracts, Mortgages and Notes Payable	-	1,657	-	1,657
Total Current Liabilities	1,096,189	271,381	32,550	1,400,120
Noncurrent Liabilities:				
Bonds/COPS Payable	-	520,232	60,260	580,492
Obligations Under Capital Lease	-	6,746	-	6,746
Obligations Under Life Income Agreements	-	20,509	77,238	97,747
Obligations to Primary Government	-	1,951	-	1,951
Advances from Primary Government	-	26,487	-	26,487
Reserve for Loss and Loss Adjustment Expense	2,591,867	-	-	2,591,867
Claims and Judgments Payable	-	51,879	-	51,879
Net OPEB Obligation	244	1,335	-	1,579
Contracts, Mortgages and Notes Payable	-	29,855	-	29,855
Total Noncurrent Liabilities	2,592,111	658,994	137,498	3,388,603
Total Liabilities	3,688,300	930,375	170,048	4,788,723
Net Assets:				
Invested in Capital Assets, Net of Related Debt	19,666	549,608	-	569,274
Expendable Restricted Net Assets:				
Restricted for Workers' Compensation	905,431	-	-	905,431
Restricted for Education	-	298,361	703,591	1,001,952
Nonexpendable Restricted Net Assets:				
Restricted for Donor Purposes	-	-	620,164	620,164
Restricted for Education	-	130,326	-	130,326
Unrestricted	-	495,226	60,775	556,001
Total Net Assets	925,097	1,473,521	1,384,530	3,783,148
Total Liabilities and Net Assets	$ 4,613,397	$ 2,403,896	$ 1,554,578	$ 8,571,871

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

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Discretely Presented Component Units
For the Year Ended June 30, 2008
(In Thousands)

	SAIF Corporation	Oregon Health and Science University	Oregon University System Foundations
Operating Revenues:			
Charges for Services	$ -	$ 934,371	$ -
Sales	-	29,029	-
Premiums Earned (net)	459,977	-	-
Investment Income (net)	-	-	(10,066)
Gifts, Grants and Contracts	-	476,172	354,406
Auxiliary Enterprises (net)	-	13,809	-
Other	20,267	50,212	17,197
Total Operating Revenues	480,244	1,503,593	361,537
Operating Expenses:			
Salaries and Wages	-	848,418	-
Services and Supplies	-	528,794	193,329
Loss and Loss Adjustment Expense	435,297	-	-
Policyholders' Dividends	59,979	-	-
Underwriting Expenses	88,972	-	-
Bond and COP Interest	-	27,576	-
Depreciation and Amortization	-	87,275	-
Bad Debt Expense	-	51,179	-
Other Expenses	-	-	15,195
Total Operating Expenses	584,248	1,543,242	208,524
Operating Income (Loss)	(104,004)	(39,649)	153,013
Nonoperating Revenues (Expenses):			
Investment Income	178,251	33,140	-
Other	-	6,027	-
State Appropriations	-	42,810	-
Total Nonoperating Revenues (Expenses)	178,251	81,977	-
Income (Loss) Before Capital Contributions and Transfers	74,247	42,328	153,013
Capital Contributions	-	6,847	748
Change in Net Assets	74,247	49,175	153,761
Net Assets - Beginning	850,850	1,424,346	1,230,953
Prior Period Adjustments	-	-	(184)
Net Assets - Beginning - As Restated	850,850	1,424,346	1,230,769
Net Assets - Ending	$ 925,097	$ 1,473,521	$ 1,384,530

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

Total	Adjustments to Recast	Statement of Activities
$ 934,371	$ 590,491	$ 1,524,862
29,029	(29,029)	-
459,977	(459,977)	-
(10,066)	10,066	-
830,578	244,135	1,074,713
13,809	(13,809)	-
87,676	(87,676)	-
2,345,374	254,201	2,599,575
848,418	-	848,418
722,123	-	722,123
435,297	-	435,297
59,979	-	59,979
88,972	-	88,972
27,576	-	27,576
87,275	-	87,275
51,179	-	51,179
15,195	(6,027)	9,168
2,336,014	(6,027)	2,329,987
9,360	260,228	269,588
211,391	(211,391)	-
6,027	(6,027)	-
42,810	(42,810)	-
260,228	(260,228)	-
269,588	-	269,588
7,595	-	7,595
277,183	-	277,183
3,506,149	-	3,506,149
(184)	-	(184)
3,505,965	-	3,505,965
$ 3,783,148	$ -	$ 3,783,148

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity. The State of Oregon (State) was admitted to the Union in 1859 and is governed by an elected governor and a ninety-member elected legislative body. The accompanying financial statements present the State, which includes all agencies, boards, commissions, courts, and colleges and universities that are legally part of the State (primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or entities that warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government.

Blended Component Unit

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

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

Discretely Presented Component Units

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

SAIF Corporation (SAIF) is a public corporation, created by an act of the Legislature, which is authorized to write workers' compensation insurance coverage in Oregon and certain other jurisdictions as required by the Department of Consumer and Business Services and to service accounts in the assigned risk pool. SAIF is governed by a board of directors appointed by the Governor and is financed solely through policyholder premiums and investment income. 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, 2007, financial information of SAIF is included in this report.

The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. It is an academic health center that provides education and training to health care professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives general fund monies from the State. The State legislature has acknowledged its intent to make funds available to pay any shortfall in general obligation bonds issued for OHSU purposes prior to July 1, 1995, when OHSU became an independent public corporation. OHSU uses proprietary fund accounting principles.

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

Complete financial statements for SAIF, OHSU, and OUS may be obtained from their respective administrative offices or from the State Controller's Division, 155 Cottage Street NE U50, Salem, Oregon 97301-3969.

Related Organizations

The following professional and occupational licensing boards are semi-independent: the Board of Architect Examiners, the Board of Examiners for Engineering and Land Surveying, the Landscape Architect Board, the Board of Geologist Examiners, the Board of Optometry, the Board of Massage Therapists, the Physical Therapists Licensing Board, the Appraiser Certification and Licensure Board, the Landscape Contractors Board, the Wine Board and the Patient Safety Commission. Although the Governor appoints the administrators of these boards, the boards are all self-supporting. The State has no financial accountability for these related organizations.

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

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Income taxes are recognized as revenue, net of estimated refunds, in the year when the underlying exchange (earning of income) has occurred, to the extent such amounts are measurable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The State reports the following major governmental funds:

> The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund.
>
> The *Health and Social Services Fund* accounts for programs that provide assistance, services, training, and health care to individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of funding for these programs come from federal grants, tobacco taxes, healthcare provider taxes, and charges for services.
>
> The *Public Transportation Fund* accounts for the planning, design, construction, and maintenance of highways, roads, bridges, and public systems relating to air, water, rail, and highway transportation. Funding is provided from dedicated highway user taxes and vehicle registration taxes, in addition to various federal highway administration funds.
>
> The *Environmental Management Fund* accounts for programs that promote, protect, and preserve the State's forests, parks, wildlife, fish, and waterways. The main funding sources for these programs are usage fees, federal grants, and sales revenue.
>
> The *Common School Fund* accounts for programs to manage state-owned land, including a leasing program that generates annual revenues, for the benefit of the public school system. Estate funds that become the property of the State, unclaimed property, and income derived from unclaimed property are also accounted for in this fund. Assets of the fund, including investment income, are dedicated through statutory, as well as constitutional provisions, to be used for common school purposes. Constitutionally dedicated assets of the Common School Fund represent a trust created to support the State's public school system. The primary funding sources for these programs include investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.
>
> The *Oregon Rainy Day Fund* accounts for resources that have been transferred from the General Fund in accordance with state law. These resources, along with investment income generated, can be appropriated by the Legislature only when certain criteria related to economic or revenue conditions have been met.

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

> The *Housing and Community Services Fund* accounts for activities that finance multi-family rental housing and single-family mortgages for low to moderate income families. Mortgage loans related to these activities are financed with the proceeds of bonds issued under various bond indentures of trust. Mortgage loan payments and interest earnings on invested bond proceeds are used to pay debt service on the bonds.
>
> The *Veterans' Loan Fund* accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.
>
> The *Lottery Operations Fund* accounts for the operation of the Oregon State Lottery which markets and sells Lottery products to the public. The primary objective of the Oregon State Lottery is to produce the maximum amount of net revenues to be used for creating jobs, furthering economic

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

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

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

Additionally, the State reports the following fund types:

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The primary operating revenues for the State's enterprise funds and internal service funds include assessments, charges for services, sales revenue, and grants. For the Unemployment Compensation Fund and for those enterprise funds for which the principal activity is lending, investment income is also reported as operating revenue. The primary operating expenses for enterprise funds and internal service funds include salaries and wages, services and supplies, and special payments. Bond costs, including bond interest expense, are reported as operating transactions within those funds for which lending is the primary activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Deposits and Investments

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

Investments

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

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

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

The fair value of debt and equity securities is determined by the custodial agent, using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued using evaluated bid prices. A small percentage of debt securities cannot be priced in this manner and, for these, a similar benchmark security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued, and its market risk is similar, considering current market conditions.

Investments in private equities are reported at values provided by the general partners which are March 31, 2008 cash adjusted, not a June 30^{th} valuation. Investments in private equities representing publicly traded securities are stated at the quoted market price. In establishing the estimated fair value of investments without readily determinable market values, the general partners assume a reasonable period of time for liquidation of the investments and take into consideration the financial condition and operating results of the underlying portfolio companies, their historical cost, prices of recent public or private transactions in similar companies, the nature of the investments, restrictions on marketability, holding periods, cash flows, market conditions, foreign currency and interest rate exposures, and other factors deemed appropriate.

Direct investments in real estate are reported at values provided by investment managers based on periodic appraisals conducted every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate partnerships are reported at values provided by general partners. In the absence of observable market prices, general partners determine fair value by using valuation methodologies considered to be most appropriate for the type of investment, giving consideration to a range of factors they believe would be considered by market participants, 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. Mortgage loans on real estate are stated at the amortized unpaid principal balance.

Due to the inherent uncertainty and the degree of judgment involved in determining private equity and real estate valuations, the estimated fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material. In addition, these investments are generally considered to be illiquid long-term investments, and the recorded estimated fair values may materially 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 Office of the State Treasurer invests either directly or through outside investment managers on behalf of the State in contracts that have derivative characteristics. Derivatives are used to manage the overall risk of investment portfolios.

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

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

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

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

G. Inventories. Inventories, which consist primarily of operating supplies, are stated at cost utilizing the first-in, first-out cost valuation method. In governmental funds, inventories are recorded as expenditures when purchased. Reported inventories in governmental funds are equally offset by a reservation of fund balance since they are not available for appropriation. In proprietary funds, inventories are expended when consumed rather than when purchased. OHSU records inventories at the lower of cost or market, with the majority accounted for under the first-in-first-out method.

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

I. Restricted Assets. Certain proceeds of the State’s bond and certificate of participation (COP) issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net assets because these resources are segregated and their use is limited by applicable bond covenants or COP financing agreements. Generally, this includes cash and investments set aside for current and future debt service payments.

J. Foreclosed and Deeded Properties. Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or fair market value.

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

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

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

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

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

N. Long-term Obligations. In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities for governmental activities or business-type activities, as applicable. In proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the balance sheet. Bond or certificate of participation (COP) premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the debt using the effective interest method or the bonds outstanding method. Bonds/COP payable is reported net of the applicable bond/COP premium or discount. Bond/COP issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

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

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

P. Changes in Accounting Principles. During the fiscal year ended June 30, 2008, the State adopted several new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, establishes standards for the measurement, recognition, and disclosure of OPEB expenses/expenditures and related liabilities (assets) when postemployment benefits are provided separately from a pension plan. Implementation of this standard resulted in recognition of a net OPEB obligation of $20.3 million at June 30, 2008. Additional information, including the funded status of the State's three OPEB plans, is disclosed in Note 14.

GASB Statement No. 47, *Accounting for Termination Benefits*, establishes measurement, recognition, and disclosure requirements for both voluntary and involuntary termination benefits. For termination benefits provided through an existing OPEB plan, the provisions of Statement No. 47 were implemented simultaneously with the requirements of Statement No. 45. The implementation of Statement No. 47 had no impact on the financial statements. Information about termination benefits is disclosed in Note 16.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* addresses transactions in which governments exchange an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This Statement establishes criteria to determine whether the transaction should be treated as a sale or a collateralized borrowing. The Statement also requires disclosures pertaining to future revenues that have been pledged or sold. The State does not sell receivables. However, it does pledge revenues for repayment of lottery revenue bonds and highway user tax revenue bonds. Information about pledged revenues is presented in Note 10.

GASB Statement No. 50, *Pension Disclosures*, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB). Implementation of this accounting standard had no impact on the State's financial statements.

Q. Pending Accounting Changes**.** The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* effective in fiscal year 2009. This Statement establishes accounting and financial reporting standards for pollution remediation obligations. These obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The State is currently evaluating the impact of GASB Statement No. 49 on the financial statements.

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

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, requires that land and other real estate held as investments by endowments be reported at fair market value. Endowments include permanent and term endowments, and permanent funds. The standard does not apply to lands granted by the Federal government in connection with a state being admitted to the United States or to quasi-endowments. The implementation date for this standard is fiscal year 2009. The State is currently evaluating the impact of Statement No. 52 on the financial statements.

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

2. DEPOSITS AND INVESTMENTS

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

The Deferred Compensation Fund, the Education Stability Fund, the State Board of Higher Education, and the Oregon Health and Science University (OHSU) may also invest in equities.

The Treasurer maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in the investment trust fund. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the financial statements as cash and cash equivalents. A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained from the Office of the State Treasurer, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896, or from their website at: http://www.ost.state.or.us/divisions/investment/index.htm#fund.

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

A. Custodial Credit Risk

Custodial Credit Risk for Deposits

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

Monies in the OSTF are held in demand deposit accounts and time certificates of deposits. Where balances continually exceed $100,000, Oregon Revised Statute (ORS) 295.002 requires the depositor to obtain certificates of participation in the amount of the excess deposits from its pool manager. ORS 295.001 provides that the pool manager can be the Treasury, an insured bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank. Barring any exceptions, a bank depository is required to pledge collateral with a value of at least 10 percent of their quarter-end public fund deposits if they are well capitalized, 25 percent of their quarter-end public fund deposits if they are adequately capitalized, or 110 percent of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110 percent by the Treasury. There are three exceptions to this calculation, and any exception is required to be collateralized at 100 percent.

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

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

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

Deposits in the OSTF in excess of FDIC coverage and the State's statutory collateralization requirement are not collateralized and are uninsured. These deposits are considered exposed to custodial credit risk.

As of June 30, 2008, bank balances of $91.9 million of the primary government and its discretely presented component units' deposits were exposed to custodial credit risk as follows (in thousands):

	Primary Government	Discretely Presented Component Units	Total
Uninsured and uncollateralized	$ 45,171	$ 35,546	$ 80,717
Uninsured and collateralized by the pledging bank's trust department, but not in the State's name	11,187	-	11,187
Total	$ 56,358	$ 35,546	$ 91,904

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

- Bond and COP trustees held $7.3 million of unregistered and uninsured monies with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the State's name.
- Fiscal Agents held $7.4 million of deposits for redemption of the State's bonds and coupons that have matured, but have not yet been redeemed. Bondholders are covered by the FDIC for up to $100,000. Of the total deposits, $3.3 million are uninsured and uncollateralized.

Custodial Credit Risk for Investments

Custodial credit risk for investments of the primary government is the risk that, in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of securities by a custodian or counterparty. No investment holdings of SAIF Corporation or Oregon Health and Science University were exposed to custodial credit risk. As of June 30, 2008, $1.2 billion of investments for the primary government were exposed to custodial credit risk because the securities were held by a custodial agent and were not registered in the State's name nor insured (in thousands):

Investment Type	Carrying Value
Domestic Equity	$ 949,700
Money Market Fund	121,800
Time Certificates of Deposit	108,300
U.S. Agency Securities	14,556
Total	$ 1,194,356

B. Investments – Primary Government Excluding the Oregon Public Employees Retirement Fund

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

Interest Rate Risk

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

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

The following table presents the interest rate risk information for investments of the primary government (excluding the OPERF) using the segmented time distribution method as of June 30, 2008 (in thousands):

Schedule of Interest Rate Risk

	Investment Maturities (in years)				
Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Fair Value
U.S. Treasury Securities	$ 83,587	$ 194,491	$ 88,111	$ 80,109	$ 446,298
U.S. Treasury Strips	9,978	24,588	17,291	21,563	73,420
U.S. Treasury Receipts	2,784	-	-	-	2,784
U.S. Agency Securities	558,545	374,716	47,804	83,439	1,064,504
U.S. Agency Strips	1,871	22,471	12,185	2,462	38,989
U.S. Agency Mortgage Securities	739	-	-	55,900	56,639
International Debt Securities	205	1,058	1,570	2,956	5,789
Commercial Paper	1,579,867	-	-	-	1,579,867
Corporate Bonds	2,892,495	263,100	21,722	9,610	3,186,927
Municipal Bonds	16,016	187,821	205,715	625,490	1,035,042
Collateralized Mortgage Obligations	19,038	-	-	6,049	25,087
Asset-Backed Securities	4,156	370	-	1,049	5,575
Time Certificates of Deposit	151,722	1,454	-	-	153,176
Money Market Fund	1,604	-	-	-	1,604
Guaranteed Investment Contracts	54,229	100,184	31,326	22,226	207,965
Annuity Contracts	-	-	-	370	370
Mutual Funds – Domestic Fixed Income	-	167,022	20,850	-	187,872
Mutual Funds – International Fixed Income	-	3,392	2,524	-	5,916
Total Debt Investments	$ 5,376,836	$ 1,340,667	$ 449,098	$ 911,223	$ 8,077,824

Included in the schedule above are fixed income mutual funds reported using the duration method instead of average maturity: Domestic, $187.9 million and International, $5.9 million. In addition, the schedule above includes $3.1 billion in interest-rate sensitive securities. The terms and relevant indexes of these interest-rate sensitive securities include the following: 85.4 percent and 13.2 percent are indexed to the three-month and one-month London Interbank Offered Rate (LIBOR), respectively. The remaining securities use different indexes or contain other variable rate features.

Credit Risk

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

The following table presents the credit quality ratings of investments in debt securities of the primary government (excluding the OPERF) using Standard & Poor's ratings as of June 30, 2008 (in thousands):

Credit Quality Ratings (Standard & Poor's)	Fair Value
AAA	$ 1,521,762
AA	3,375,880
A	1,993,079
BBB	60,497
BB	10,969
B	9,911
CCC	865
C and below	36
Not rated	343,598
Total	$ 7,316,597

Included in the AAA rated securities total of $1.5 billion is $14.8 million in a Federal Home Loan Bank (FHLB) Senior Discount Note rated P-1, due to its short-term maturity.

Concentration of Credit Risk

Investment policy for fixed income investments under the management of the Treasurer generally limits investments in a single issuer to 5 percent of the portfolio, with the exception of securities of the U.S. government and U.S. agencies. For investments not under the management of the Treasurer, there are no formal policies on concentration of credit risk. At June 30, 2008, there were three issuers that exceeded 5 percent of the primary government's holdings: $2.1 billion invested in Federal Home Loan Bank (14.5 percent), $1.5 billion in Federal National Mortgage Association (10.2 percent), and $1.3 billion in Federal Home Loan Mortgage Corporation (8.9 percent).

The Oregon Housing and Community Services Department also carried concentration of credit risk with 35 percent of their total investments in Federal Home Loan Bank, 34.3 percent in Federal National Mortgage Association, and 20.2 percent in Trinity Funding Company, LLC.

The Oregon Department of Veterans' Affairs total investments included 9 percent in Lehman Brothers Inc, 8.7 percent in Citigroup FDG Inc, 7 percent in Federal Home Loan Mortgage Corporation, 7 percent in Federal National Mortgage Association, 6.9 percent in Morgan Stanley Group Inc, and 6.8 percent in Bear Stearns Inc.

The Oregon State Lottery's investments included 35.1 percent in the Resolution Funding Corporation (RFC), a U.S. government agency.

The major governmental funds held the following concentrations of credit risk: the Health and Social Services Fund had non-participating guaranteed investment contracts (GICs) with Natixis Funding Corporation (72 percent) and U.S. Agency Securities (28 percent); the Public Transportation Fund held Federal Home Loan Mortgage Corporation (FHLMC) securities (21.7 percent); and the Environmental Management Fund had GICs with Natixis Funding Corporation (100 percent).

The nonmajor governmental funds also had concentrations of credit risk as follows: the Business Development Fund was invested in Northwest Technology Ventures (100 percent), a venture capital firm; the Community Protection Fund was invested in U.S. Agency Securities (100 percent); the Educational Support Fund held investments in Endeavour Capital (23.2 percent) and Smart Forest Ventures (14.5 percent), which are both venture capital firms; the Employment Services Fund held FHLMC securities (18.1 percent); and the Other Special Revenue Fund had an FHLB Senior Note (60 percent) and GICs with Natixis Funding Corporation (40 percent).

The State's Debt Service and Capital Projects Funds also held concentrations of credit risk. The Revenue Bond Fund was invested in GICs with 40.8 percent in Municipal Bond Insurance Association (MBIA), and 36.2 percent with American International Group (AIG). The Revenue Bond Fund also had 22.7 percent of the fund's investments in an FHLB Discount Note. The Certificates of Participation Fund was 100 percent invested in Natixis Funding Corporation GICs. The General Obligation Bond Fund had 92 percent of its investments in corporate bonds as follows: Safeway Inc. (23.1 percent), Calenergy Inc. (23.1 percent), Associates Corporation of North America (23.1 percent), and Morgan Stanley Group Inc. (22.7 percent). The Capital Projects Fund was 90 percent invested in GICs with Natixis Funding Corporation.

Within governmental activities, the Central Services Fund held 24.3 percent of its investments in FHLMC securities.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Oregon state agencies are required to deposit monies in state-qualified depositories under Oregon law. Exceptions due to foreign field offices and related circumstances are approved by the Treasurer. International debt securities denominated in U.S. dollars are not subject to currency risk if the investment's obligations will be paid in U.S. dollars. Investment policy for fixed income investments under the management of the Treasurer generally prohibits investments in non-U.S. dollar denominated international securities. In addition, the Common School Fund and the Oregon University System Pooled Endowment Fund are allowed to invest in international equity securities within a target allocation range of 25 to 35 percent of their portfolios. For investments not under the management of the Treasurer, there are no formal policies on foreign currency risk.

The following tables present deposits and investments that are exposed to foreign currency risk for the primary government (excluding the OPERF) as of June 30, 2008 (in thousands):

Foreign Currency Denomination	Deposits (U.S. Dollars)
Eurodollar	$ 117
Japanese yen	114
New Taiwan dollar	24
Total	$ 255

Foreign Investment Type	Investments (U.S. Dollars)
Equity	$ 236,910
Mutual Fund (Equity)	208,756
Mutual Fund (Fixed Income)	5,916
Fixed Income	5,789
Total	$ 457,371

Derivatives - Interest Rate Swap

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

The following table lists the terms, fair values, counterparty, and credit ratings of the outstanding swaps as of June 30, 2008 (dollars in thousands).

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty	S&P
MF[1] 2004 B	$ 14,795	12/16/2004	3.894%	64% of LIBOR[3] +.27%	$ (270)	7/1/2046	Merrill Lynch	A
MRB[2] 2004 C	15,000	1/24/2006	4.032%	64% of LIBOR +.29%	(250)	7/1/2034	Morgan Stanley	A+
MRB 2004 I	15,000	1/24/2006	4.012%	64% of LIBOR +.29%	(349)	7/1/2034	Morgan Stanley	A+
MRB 2006 C	20,000	2/28/2006	4.184%	64% of LIBOR +.29%	(719)	7/1/2036	Morgan Stanley	A+
MRB 2006 F	20,000	7/18/2006	4.430%	64% of LIBOR +.29%	(1,179)	7/1/2037	Bank of America	AA+
MRB 2006 G	16,105	7/18/2006	3.833%	64% of LIBOR +.19%	(963)	7/1/2016	Merrill Lynch	A
MRB 2007 E	30,000	7/31/2007	4.388%	64% of LIBOR +.29%	(1,962)	7/1/2038	Bear Stearns	AAA
MRB 2007 H	30,000	11/20/2007	4.060%	64% of LIBOR +.30%	(1,040)	7/1/2038	Merrill Lynch	A
MRB 2008 C	35,000	2/26/2008	3.747%	64% of LIBOR +.30%	26	7/1/2038	Bank of America	AA+
MRB 2008 F	35,000	5/13/2008	3.738%	64% of LIBOR +.31%	310	7/1/2039	Bank of America	AA+
Total	$ 230,900				$ (6,396)			

[1] Multifamily Housing Revenue Bonds

[2] Mortgage Revenue Bonds

[3] One-month London Interbank Offered Rate

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

Credit risk is the risk that a counterparty will not fulfill its obligations. OHCSD is exposed to credit risk in the amount of the fair value for each swap with a positive fair value. As of June 30, 2008, OHCSD was exposed to credit risk in the amount of $336,299 based on the two swaps that had positive fair values. The valuations provided are derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. This valuation methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

Basis risk is the risk that arises when variable interest rates on a derivative and the associated bond are based on different indexes. All variable interest rates on OHCSD's tax exempt bonds are determined weekly by a Remarketing Agent. OHCSD is exposed to basis risk when the variable rate received, which is based on the one month LIBOR rate, does not offset the variable rate paid on the bonds. As of June 30, 2008, the LIBOR rate was 2.47 percent.

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

Using rates as of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments are as follows (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swaps (Net)	Total
2009	$ 160	$ 4,926	$ 4,179	$ 9,265
2010	165	4,732	4,898	9,795
2011	175	4,719	4,895	9,789
2012	180	4,706	4,891	9,777
2013	190	4,692	4,875	9,757
2014-2018	1,075	23,225	24,363	48,663
2019-2023	1,325	22,774	24,244	48,343
2024-2028	21,545	22,109	23,962	67,616
2029-2033	88,010	16,956	18,126	123,092
2034-2038	96,405	7,965	7,477	111,847
2039-2043	19,175	1,804	666	21,645
2044-2048	2,495	389	103	2,987
Total	$ 230,900	$ 118,997	$ 122,679	$ 472,576

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

Series	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Paid	Fair Value	Swap Termination Date	Counterparty	Counterparty Rating
84	$25,000	3/1/2008	3.665%	62.6% of LIBOR* + .265%	$(231)	6/1/2040	Morgan Stanley	Aa3/A+**

*London Interbank Offered Rate
**Moody's/S&P

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

Because of interest rate decreases after the swap was executed, the fair value as of June 30, 2008 is negative. The valuations provided are from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions and are provided by an independent third party source. This valuation methodology is believed to be consistent with accepted practice in the market for interest rate swaps.

As interest rates fluctuate, variable-rate bond interest payments and net swap payments will differ between the fixed payments paid to the counterparty and the variable rate paid to the Department of Veteran's Affairs.

Using interest rates as of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments are as follows (in thousands):

Year Ending June 30,	Principal	Interest	Interest Rate Swap (Net)	Total
2009	$ -	$ 450	$ 472	$ 922
2010	-	450	465	915
2011	-	450	465	915
2012	-	451	465	916
2013	-	450	465	915
2014-2018	1,335	2,220	2,277	5,832
2019-2023	2,895	2,016	2,047	6,958
2024-2028	3,980	1,713	1,719	7,412
2029-2033	5,490	1,294	1,269	8,053
2034-2038	7,535	719	649	8,903
2039-2043	3,765	81	36	3,882
Total	$ 25,000	$ 10,294	$ 10,329	$ 45,623

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

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

Interest Rate Risk

Investment policy requires that the fixed income manager positions will maintain an average bond duration level of plus or minus 20 percent of the benchmark duration. There is no policy restriction for non-fixed income investment managers who may hold fixed income positions. As of June 30, 2008, the average duration of the debt investment portfolio was 5.1 years. In this schedule, Domestic Fixed Income Mutual Funds of $1.9 billion and International Fixed Income Mutual Funds of $411.8 million are reported using duration instead of average maturity, and amounts are a portion of the amount shown in the financial statements. Since the debt investment portfolio may contain holdings with prepayments and variable cash flows, an analysis of interest rate risk using the segmented time distribution method as of June 30, 2008, is presented in the schedule below (in thousands):

Schedule of Interest Rate Risk

	Investment Maturities (in years)				
Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Fair Value
U.S. Treasury Securities	$ 395,388	$ 127,900	$ 23,871	$ 24,178	$ 571,337
U.S. Agency Mortgage Securities	442,485	6,112	76,733	1,856,323	2,381,653
U.S. Agency Securities	36,523	39,171	99,403	70,773	245,870
U.S. Agency Strips	-	-	3,058	3,481	6,539
U.S. Treasury Securities Strips	-	9,616	-	47,087	56,703
U.S. Treasury Securities TIPS	10,602	1,988	90,873	170,833	274,296
International Debt Securities	482,161	554,424	659,248	486,594	2,182,427
Corporate Bonds	608,305	1,177,185	1,356,766	708,178	3,850,434
Municipal Bonds	538	2,006	2,607	13,094	18,245
Collateralized Mortgage Obligations	1,356,582	7,579	12,815	914,227	2,291,203
Asset-Backed Securities	195,491	88,516	136,431	80,978	501,416
Mutual Funds - Short Term Investments	2,359,347	-	-	-	2,359,347
Mutual Funds - Domestic Fixed Income	-	2,203,881	400,746	-	2,604,627
Mutual Funds - International Fixed Income	-	59,520	799,492	188,358	1,047,370
Total Debt Investments	$ 5,887,422	$ 4,277,898	$ 3,662,043	$ 4,564,104	$ 18,391,467

Credit Risk

Investment policy requires that no more than 30 percent of the fixed income manager positions be below investment grade. Securities with a quality rating below BBB- (using Standard & Poor's credit ratings) are considered below investment grade. Policies also require that the minimum aggregate credit quality be A+ as measured by the weighted average of the portfolio. There is no policy restriction on other investment managers who may hold debt securities. As of June 30, 2008, the fair value of below grade investments is $2.5 billion or 13.4 percent of the fixed income securities portfolio, and the weighted quality rating average is AA-. The following table presents the credit quality ratings for debt securities within the OPERF investment portfolio as of June 30, 2008 (in thousands):

Credit Quality Ratings (Standard & Poor's)	Fair Value
AAA	$ 7,633,640
AA	3,579,525
A	1,759,150
BBB	1,937,663
BB	877,512
B	851,672
CCC	89,109
CC	15,414
C	184
D	7,895
Not Rated	619,256
Total	$ 17,371,020

Concentrations of Credit Risk

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

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

At June 30, 2008, there were no single issuer debt investments that exceeded the above guidelines, nor were there investments in any one issuer that represent 5 percent or more of plan net assets.

Foreign Currency Risk

Foreign currency and security risk of loss arises from changes in currency exchange rates. Foreign currency risk is controlled via contractual agreements with the investment managers. Policy requires that no more than 15 percent of the fixed income manager positions may be invested in non-dollar denominated securities.

Policies for the non-fixed portion of the portfolio are silent regarding this risk. As of June 30, 2008 approximately 7 percent of the debt investment portfolio was invested in non-dollar denominated securities.

The OPERF's exposure to foreign currency risk as of June 30, 2008 is as follows (in thousands):

	Deposits and Investments (U.S. Dollars)			
Foreign Currency Denomination	**Deposits**	**International Equity Securities**	**International Debt Securities**	**Total**
Argentine peso	$ 110	$ -	$ -	$ 110
Australian dollar	2,393	452,539	22,363	477,295
Brazilian real	245	223,619	58,583	282,447
British sterling pound	8,090	2,080,541	183,811	2,272,442
Canadian dollar	1,769	595,889	20,486	618,144
Chilean peso	87	6,092	-	6,179
Colombian peso	(646)	2,293	846	2,493
Czech koruna	7	18,607	-	18,614
Danish krone	223	47,868	112,781	160,872
Egyptian pound	108	27,422	1,309	28,839
Euro	35,354	3,374,839	405,743	3,815,936
Hong Kong dollar	3,395	460,487	-	463,882
Hungarian forint	4	13,779	576	14,359
Indonesian rupiah	48	34,449	11,420	45,917
Israeli shekel	67	28,617	-	28,684
Japanese yen	33,678	2,173,670	420,892	2,628,240
Malaysian ringgit	42	26,006	-	26,048
Mexican peso	(35)	70,986	(64)	70,887
New Russian ruble	-	-	410	410
New Taiwan dollar	12,299	175,144	-	187,443
New Turkish lira	835	111,994	-	112,829
New Zealand dollar	164	8,773	36,497	45,434
Norwegian krone	2,310	102,288	1,200	105,798
Pakistan rupee	(205)	22,448	-	22,243
Peruvian nuevo sol	-	734	1,403	2,137
Philippine peso	8	5,891	-	5,899
Polish zloty	6	13,911	1,458	15,375
Singapore dollar	2,080	143,564	500	146,144
South African rand	64	125,052	14	125,130
South Korean won	160	250,594	-	250,754
Sri Lanka rupee	-	1,517	-	1,517
Sudanese pound	2	-	-	2
Swedish krona	4,656	167,631	4,719	177,006
Swiss franc	4,115	569,139	-	573,254
Thai baht	335	29,015	-	29,350
Uruguayan peso	-	-	313	313
Venezuelan bolivar	12	-	-	12
Zimbabwe dollar	50	767	-	817
Total	$ 111,830	$ 11,366,165	$ 1,285,260	$ 12,763,255

Derivatives

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

D. Investments – Discretely Presented Component Units

Interest Rate Risk

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

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

As of June 30, 2008, OHSU held $74 million of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations. These securities are valued at fair value. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments. These factors may increase the interest rate volatility of OHSU’s investment portfolio. OHSU has certain joint ventures and partnerships, alternative investments, real estate investments and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

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

SAIF’s policy for fixed income investments effective January 1, 2005, provides that a duration target be used to manage interest rate risk. The policy calls for the portfolio duration to be within 20 percent of the benchmark duration. The benchmark duration as of December 31, 2007 was 7.3 years, with an acceptable range of 5.8 to 8.8 years. As of that date, the fixed income portfolio’s duration was 7 years. Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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

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

The following table presents the interest rate risk information for debt investments of OHSU as of June 30, 2008 and SAIF as of December 31, 2007 (in thousands):

Schedule of Interest Rate Risk

Investment Type	Investment Maturities (in years): Less than 1	1 to 5	6 to 10	More than 10	Fair Value
U.S. Treasury Securities	$ 7,660	$ 180,961	$ 35,051	$ 293,769	$ 517,441
U.S. Treasury Securities TIPS	-	-	-	22,269	22,269
U.S. Treasury Securities Strips	-	-	-	53,534	53,534
U.S. Agency Securities	5,491	188,155	15,377	49,134	258,157
U.S. Agency Mortgage Securities	84,992	216,303	132,363	167,072	600,730
Corporate Bonds	19,871	418,431	348,076	523,463	1,309,841
International Debt Securities	6,536	57,715	57,642	191,634	313,527
Asset-Backed Securities	57,425	64,713	11,681	5,554	139,373
Collateralized Mortgage Obligations	23,313	67,689	123,553	18,745	233,300
Municipal Bonds	-	-	1,418	26,268	27,686
Money Market Fund	43,290	-	-	-	43,290
Mutual Funds – Domestic Fixed Income	-	-	-	7,056	7,056
Total Debt Investments	$ 248,578	$ 1,193,967	$ 725,161	$ 1,358,498	$ 3,526,204

Credit Risk

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

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

The following table presents the credit quality ratings for debt investments of OHSU as of June 30, 2008 and SAIF as of December 31, 2007 (in thousands):

Credit Quality Ratings (Standard & Poor's)	Fair Value
AAA	$ 1,636,401
AA	326,832
A	548,439
BBB	580,241
BB	57,937
B and Lower	60,189
Not Rated	80,246
Total	$ 3,290,285

Concentration of Credit Risk

OHSU's operating and trustee-held portfolios limit investments in any one issue to a maximum of 10 percent depending on the investment type, except for issues of the U.S. Government or agencies of the U.S. Government, which may be held without limitation. The endowment and charitable gift annuity portfolios limit investments in any one issue to a maximum of 5 percent, except for issues of the U.S Government or agencies of the U.S. Government, which may also be held without limitation. The charitable trusts place no limit on the amount that may be invested in any one issuer. As of June 30, 2008, OHSU had no investments in excess of these thresholds.

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

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

As of December 31, 2007, SAIF did not have a concentration of credit risk in any one issuer that represented 5 percent or more of total investments.

Foreign Currency Risk

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

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

For the discretely presented component units, there were no deposits in foreign currencies. However, there were international securities denominated in foreign currencies for OHSU. The following table details the fair value of foreign-denominated securities by currency type as of June 30, 2008 (in thousands):

Foreign Currency Denomination	Investments (U.S. Dollars)
Australian dollar	$ 1,845
Brazilian real	567
British sterling pound	31
Canadian dollar	419
Eurodollar	196
Iceland krona	277
Indonesian rupiah	321
Japanese yen	988
Malaysian ringgit	918
Mexican peso	634
New Zealand dollar	630
Norwegian krone	330
Polish zloty	757
Singapore dollar	981
South African rand	500
Swedish krona	569
Turkish lira	221
Total	$ 10,184

Derivatives - Interest Rate Swap

In connection with the issuance of the 2005 Revenue Bonds, OHSU entered into two interest rate swap agreements with the notional amounts of $45.93 million and $45.90 million, respectively. The intention of the swaps was to effectively change the variable rate debt to a synthetic fixed rate of 3.34 percent as of the closing date of the bonds.

The notional amounts of the swaps and the principal amounts of the associate debt decline over time and terminate on July 1, 2028 (the final maturity date of the underlying bonds). OHSU is currently making fixed rate interest payments to the counterparty for the two swaps and receives variable rate payments computed as 62.67 percent of the London Interbank Offered Rate (LIBOR) plus .177 percent. The variable rate bonds reprice weekly based upon market conditions.

The aggregated estimated fair value of the interest rate swaps was a liability of $1.7 million at June 30, 2008. The fair value represents the estimated amount that OHSU would pay if the swap agreements were terminated at year-end, taking into account current interest rates and the credit worthiness of the underlying counterparty.

OHSU is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2008, the counterparty's credit ratings were AA- from S&P and Aa2 from Moody's. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formula of 62.67 percent of one-month LIBOR plus .177 percent varies from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments. As these rates change, the effective synthetic rate on the bonds will change. OHSU or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract.

E. Repurchase and Reverse Repurchase Agreements. Investments in repurchase agreements made with cash collateral from securities lending transactions had the following fair values at June 30, 2008:

- $1.9 billion, or 33.6 percent of the Oregon Short-Term Investment Fund, the cash collateral pool for all agencies except PERS.

- $105.6 million, or 2.4 percent of PERS' share of the collective investment pool, the cash collateral pool in which PERS is a participant along with other qualified pension plans.

Oregon Investment Council policy permits OPERF to enter into reverse repurchase agreements. As of June 30, 2008, OPERF had outstanding reverse repurchase agreements of $291 million, including accrued interest as of June 30, 2008 (rates from 2.45 to 2.55 percent), the balance to be repaid on the maturity date of the agreements, July 14, 2008. The securities underlying the reverse repurchase agreements were federal agency mortgage pool securities with coupon rates from 5 to 6 percent. As of June 30, 2008, the underlying securities had a fair value of $306.4 million and, therefore, the economic exposure on that date was $15 million, should the dealers fail to resell the securities to OPERF or provide collateral of equal value. In reinvesting the proceeds of these agreements, the investment manager follows the contractual investment guidelines under which it operates.

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

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

The cash collateral received on loans from the OPERF was invested, together with cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (Pool) maintained by State Street. The cash collateral received on loans from State entities, other than the OPERF, was invested in the Oregon Short-term Investment Fund (Fund), also maintained by State Street. Both the Pool and the Fund are considered “external investment pools” for purposes of GASB Statement No. 31.

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

During the year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral is reported in the Statement of Net Assets and, since the cash collateral for all agencies is pooled, it is not exposed to custodial credit risk. Because loans were terminable at will by either party, their duration did not generally match the duration of investments made with cash collateral in either the Pool or the Fund. The State had no credit risk exposure to borrowers related to securities on loan. As of December 31, 2007, the fair values of securities on loan and collateral held for SAIF Corporation were $558.6 million and $570.1 million, respectively. The securities lending balances on loan, collateral received, and investments of cash collateral as of June 30, 2008, of the primary government are presented below (in thousands):

Investment Type	Securities on Loan at Fair Value	Cash and Securities Collateral Received	Investments of Cash Collateral at Fair Value
U.S. Treasury and Agency Securities	$ 5,911,502	$ 6,030,112	$ 5,986,736
International Equity Securities	2,049,669	2,157,708	1,197,737
Domestic Equity Securities	1,967,834	2,031,464	1,891,182
Domestic Fixed Income Securities	345,041	353,148	349,300
International Fixed Income Securities	41,706	42,930	41,213
Total	$ 10,315,752	$ 10,615,362	$ 9,466,168

G. Restricted Assets. Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2008, the primary government had restricted assets of $1.2 billion in deposits and $809 million in investments. The discretely presented component units had restricted assets of $1.6 billion in investments.

3. RECEIVABLES AND PAYABLES

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

Receivables reported for governmental activities at June 30, 2008, were as follows (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities:								
General accounts	$ 9,666	$ 85,332	$ 32,975	$ 10,364	$ 152	$ 97,394	$ 235,883	$ 71,824
Due from federal government	-	191,665	82,745	20,998	-	95,481	390,889	-
Interest	-	-	2,136	1,835	1,799	4,776	10,546	959
Broker receivable	-	-	-	-	7,548	-	7,548	-
Notes - short-term	-	-	-	-	-	3	3	-
Contracts	-	-	1,574	355	20	92	2,041	-
Mortgages	-	3,979	-	-	-	-	3,979	-
Court fines and fees	-	-	-	-	-	246,983	246,983	-
Collection assessments	-	-	-	-	-	193,712	193,712	-
Child support recoveries	-	-	-	-	-	264,589	264,589	-
Workers' compensation recoveries	-	-	-	-	-	48,991	48,991	-
Other	33,302	109	3,004	4,111	-	62,858	103,384	1,961
Gross receivables	42,968	281,085	122,434	37,663	9,519	1,014,879	1,508,548	74,744
Allowance for uncollectibles	(20,908)	(2,827)	(2,115)	(2,588)	-	(696,376)	(724,814)	(921)
Total receivables, net	$ 22,060	$278,258	$ 120,319	$ 35,075	$ 9,519	$ 318,503	$ 783,734	$ 73,823

Receivables reported for business-type activities at June 30, 2008, were as follows (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	Unemployment Compensation	University System	Other	Total
Business-type activities:							
General accounts	$ 30	$ 118	$ 28,101	$ 162,007	$ 185,294	$ 9,266	$ 384,816
Due from federal government	-	-	-	9,298	-	512	9,810
Interest	8,535	2,945	-	637	48	13,373	25,538
Broker receivable	-	-	-	-	133	-	133
Contracts	-	4,385	-	-	-	-	4,385
Loans	-	-	-	-	17,769	-	17,769
Loans - long-term	-	-	-	-	74,145	-	74,145
Other	-	-	2,694	15,691	-	88	18,473
Gross receivables	8,565	7,448	30,795	187,633	277,389	23,239	535,069
Allowance for uncollectibles	-	-	(331)	(5,736)	(21,050)	(2,631)	(29,748)
Total receivables, net	$ 8,565	$ 7,448	$ 30,464	$ 181,897	$ 256,339	$ 20,608	$ 505,321

Receivables reported for fiduciary funds at June 30, 2008, were as follows (in thousands):

	Agency	Private Purpose Trust
Fiduciary fund activities:		
Restitution	$ 301,222	$ -
Other	874	91
Gross receivables	302,096	91
Allowance for uncollectibles	(225,642)	(28)
Total receivables, net	$ 76,454	$ 63

Receivables reported for the SAIF Corporation (SAIF) at December 31, 2007, and the Oregon Health and Science University (OHSU) at June 30, 2008, were as follows (in thousands):

	SAIF	OHSU
Discretely presented component units:		
Patient accounts	$ -	$ 267,004
Premiums	327,284	-
Due from federal government	-	18,773
Interest	35,210	2,969
Student loans	-	27,506
Broker receivable	280	-
Other	16,002	11,647
Gross receivables	378,776	327,899
Allowance for uncollectibles	(1,139)	(113,034)
Total receivables, net	$ 377,637	$ 214,865

B. Payables. The following tables disaggregate payables reported in the fund financial statements as Accounts and Interest Payable and Contracts, Mortgages and Notes Payable.

Payables reported for governmental activities at June 30, 2008, were as follows (in thousands):

	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Other	Total	Internal Service
Governmental activities:								
General accounts	$ 173,407	$ 160,290	$ 142,953	$ 24,402	$ 407	$ 153,889	$ 655,348	$ 20,077
Interest	-	-	-	-	-	29	29	1,447
Broker payable	-	-	-	-	7,924	-	7,924	-
Taxes	26	-	-	-	-	-	26	-
Contracts	-	-	131	-	-	393	524	305
Total payables	$ 173,433	$ 160,290	$ 143,084	$ 24,402	$ 8,331	$ 154,311	$ 663,851	$ 21,829

Payables reported for business-type activities at June 30, 2008, were as follows (in thousands):

	Housing and Community Services	Veterans' Loan	Lottery Operations	University System	Other	Total
Business-type activities:						
General accounts	$ 1,199	$ 466	$ 13,599	$ 94,726	$ 24,712	$ 134,702
Interest	34,982	3,202	-	15,739	6,298	60,221
Broker payable	-	-	-	121	-	121
Loans	1,500	-	-	-	-	1,500
Notes	-	1,000	-	27	-	1,027
Contracts	-	-	-	6,203	-	6,203
Total payables	$ 37,681	$ 4,668	$ 13,599	$ 116,816	$ 31,010	$ 203,774

Payables reported for fiduciary funds at June 30, 2008, were as follows (in thousands):

	Pension Trust	Private Purpose Trust	Investment Trust	Agency
Fiduciary fund activities:				
General accounts	$ 286,260	$ 50	$ 49	$ 5
Compensated absences payable	1,241	-	-	-
Broker payable	3,139,262	-	-	-
Mortgages	-	1,928	-	-
Total payables	$ 3,426,763	$ 1,978	$ 49	$ 5

Payables reported for the SAIF Corporation (SAIF) at December 31, 2007, and the Oregon Health and Science University (OHSU) at June 30, 2008, were as follows (in thousands):

	SAIF	OHSU
Discretely presented component units:		
General accounts	$ 20,615	$ 127,606
Contracts	-	31,512
Reinsurance	10,975	-
Commission payable	11,347	
Broker payable	5	-
Total payables	$ 42,942	$ 159,118

4. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and the operating expenses of MUSL. The Oregon Lottery's share of MUSL's operating expenses for the fiscal year ended June 30, 2008, was $20,000.

MUSL is governed by a board on which each member lottery is represented. Each member lottery has one vote. The board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties, and qualifications. The executive committee carries out the budgeting and financing of MUSL, and the board contracts annually with an independent auditor. Upon termination of the MUSL's existence, if such termination should occur, the member lotteries would receive any proceeds determined available for distribution by the board.

The fiscal year end for MUSL is June 30. Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. Government Securities.

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

5. CAPITAL ASSETS

A. Primary Government

Capital Asset Activity

Capital asset activity for the primary government for the year ended June 30, 2008, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,663,529	$ 32,012	$ 4,255	$ 1,691,286
Construction in Progress	2,433,828	53,231	1,792,098	694,961
Works of Art and Historical Treasures	940	306	22	1,224
Total capital assets not being depreciated	4,098,297	85,549	1,796,375	2,387,471
Capital assets being depreciated:				
Buildings, Property and Equipment	2,364,358	341,974	48,468	2,657,864
Infrastructure	13,587,253	1,762,530	486,606	14,863,177
Total capital assets being depreciated	15,951,611	2,104,504	535,074	17,521,041
Less accumulated depreciation for:				
Buildings, Property and Equipment	972,637	111,034	34,075	1,049,596
Infrastructure	8,648,833	638,853	486,494	8,801,192
Total accumulated depreciation	9,621,470	749,887	520,569	9,850,788
Total capital assets being depreciated, net	6,330,141	1,354,617	14,505	7,670,253
Governmental activities capital assets, net	$ 10,428,438	$ 1,440,166	$ 1,810,880	$10,057,724

The beginning balance has been restated to $10,428,438 to reflect a prior period adjustment of $124,760.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 89,866	$ 5,400	$ (11,212)	$ 106,478
Construction in Progress	94,883	175,563	105,766	164,680
Works of Art and Historical Treasures	59,276	2,113	36	61,353
Total capital assets not being depreciated	244,025	183,076	94,590	332,511
Capital assets being depreciated:				
Buildings, Property and Equipment	2,538,292	195,029	63,664	2,669,657
Infrastructure	54,456	2,332	351	56,437
Total capital assets being depreciated	2,592,748	197,361	64,015	2,726,094
Less accumulated depreciation for:				
Buildings, Property and Equipment	1,202,142	124,933	42,822	1,284,253
Infrastructure	38,037	2,132	231	39,938
Total accumulated depreciation	1,240,179	127,065	43,053	1,324,191
Total capital assets being depreciated, net	1,352,569	70,296	20,962	1,401,903
Business-type activities capital assets, net	$ 1,596,594	$ 253,372	$ 115,552	$ 1,734,414

	Beginning Balance	Increases	Decreases	Ending Balance
Fiduciary fund activities:				
Capital assets not being depreciated:				
Land	$ 958	$ -	$ -	$ 958
Total capital assets not being depreciated	958	-	-	958
Capital assets being depreciated:				
Buildings, Property and Equipment	18,889	466	-	19,355
Total capital assets being depreciated	18,889	466	-	19,355
Less accumulated depreciation for:				
Buildings, Property and Equipment	6,926	1,400	-	8,326
Total accumulated depreciation	6,926	1,400	-	8,326
Total capital assets being depreciated, net	11,963	(934)	-	11,029
Fiduciary fund activities capital assets, net	$ 12,921	$ (934)	$ -	$ 11,987

Depreciation Expense

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

Governmental activities:	
Education	$ 215
Human Services	2,110
Public Safety	34,676
Economic and Community Development	970
Natural Resources	15,249
Transportation	653,808
Consumer and Business Services	163
Administration	5,139
Legislative	1,265
Judicial	1,517
Subtotal	715,112
Internal Service Funds	34,775
Total depreciation expense - governmental activities	$ 749,887
Business-type activities:	
Housing and Community Services	$ 17
Veterans' Loan	160
Lottery Operations	30,843
University System	91,724
Other Business-type Activities	4,321
Total depreciation expense - business-type activities	$ 127,065
Fiduciary fund activities:	
Pension and Other Employee Benefit Trust	$ 1,400
Total depreciation expense - fiduciary activities	$ 1,400

Construction Commitments

The State has active construction projects as of June 30, 2008, which will be funded either through general fund appropriation, federal grants, lottery resources, or other funding sources as noted in the schedule below. At year end, the State's construction commitments with contractors are as follows (in thousands):

			Remaining Commitment Source of Funds			
Project	Spent-to-Date	Remaining Commitment	General	Federal	Lottery	Other
Emergency coordination facility	$ 21,851	$ 21,828	$ -	$ 16,137	$ -	$ 5,691
Military facilities	4,993	81,665	562	63,601	-	17,502
Forestry headquarters building	745	357	-	-	-	357
Oregon State Hospital facility	3,035	52,381	-	-	-	52,381
State parks facilities	4,124	6,015	-	-	3,404	2,611
Prison construction and upgrades	148,361	10,010	157	-	-	9,853
University building construction and upgrades	442,298	366,272	14,302	-	19,735	332,235
Road and bridge construction	518,213	1,319,506	-	848,800	-	470,706
Upgrade and maintenance of various facilities	49,711	19,841	271	2,478	-	17,092
Total	$ 1,193,331	$ 1,877,875	$ 15,292	$ 931,016	$ 23,139	$ 908,428

Collections Not Capitalized

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

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

Insurance Recoveries

In the Statement of Activities, program revenues include insurance recoveries of the applicable functions as follows (in thousands):

Governmental activities:	
Public Safety	$ 747
Natural Resources	1,409
Transportation	1,948
Administration	304
Judicial	20
Total insurance recoveries - governmental activities	$ 4,428
Business-type activities:	
Lottery Operations	$ 26
University System	1,011
Other Business-type Activities	17
Total insurance recoveries - business-type activities	$ 1,054

B. Discretely Presented Component Units

Activity for SAIF Corporation for the year ended December 31, 2007, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,922	$ 107	$ -	$ 3,029
Total capital assets not being depreciated	2,922	107	-	3,029
Capital assets being depreciated:				
Buildings, Property and Equipment	45,926	1,507	1,173	46,260
Total capital assets being depreciated	45,926	1,507	1,173	46,260
Less accumulated depreciation for:				
Buildings, Property and Equipment	29,051	1,711	1,139	29,623
Total accumulated depreciation	29,051	1,711	1,139	29,623
Total capital assets being depreciated, net	16,875	(204)	34	16,637
SAIF Corporation capital assets, net	$ 19,797	$ (97)	$ 34	$ 19,666

Activity for the Oregon Health and Science University (OHSU) for the year ended June 30, 2008, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 59,053	$ 8,566	$ 7,744	$ 59,875
Construction in Progress	72,301	64,027	82,020	54,308
Equipment not placed in service	6,802	55,561	54,152	8,211
Total capital assets not being depreciated	138,156	128,154	143,916	122,394
Capital assets being depreciated:				
Buildings, Property and Equipment	1,585,273	136,172	18,912	1,702,533
Total capital assets being depreciated	1,585,273	136,172	18,912	1,702,533
Less accumulated depreciation for:				
Buildings, Property and Equipment	653,813	87,275	12,922	728,166
Total accumulated depreciation	653,813	87,275	12,922	728,166
Total capital assets being depreciated, net	931,460	48,897	5,990	974,367
OHSU capital assets, net	$ 1,069,616	$ 177,051	$ 149,906	$ 1,096,761

6. LEASES

A. Operating Leases. Operating leases are rental agreements where the payments are chargeable as rent and recorded as services and supplies expenditures. Should the Legislature disallow the necessary funding for a particular lease, each lease agreement contains a termination clause that provides for cancellation of the lease as of the end of the fiscal year. Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases that have higher rental rates due to inflation. Rental costs for such leases for the year ended June 30, 2008, for the primary government were $88.1 million and for the component units were $26 million.

The following schedule summarizes the future minimum lease payments as of June 30, 2008 (in thousands):

Year Ending June 30,	Primary Government	Component Units
2009	$ 86,378	$ 27,508
2010	71,184	28,400
2011	60,976	26,137
2012	44,545	26,924
2013	35,067	8,879
2014-2018	92,650	11,657
2019-2023	22,878	287
2024-2028	10,202	15
2029-2033	40	-
2034-2038	40	-
2039-2043	40	-
2044-2048	40	-
2049-2053	40	-
Total future minimum lease payments	$ 424,080	$ 129,807

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

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

Asset Class	Governmental Activities	Business-type Activities	Component Units
Buildings, Property and Equipment	$ 4,074	$ 879	$ 14,172
Less accumulated depreciation	(309)	(600)	(6,246)
Total	$ 3,765	$ 279	$ 7,926

The following schedule summarizes the future minimum lease payments and net present value of these minimum lease payments as of June 30, 2008 (in thousands):

Year Ending June 30,	Governmental Activities	Business-type Activities	Component Units
2009	$ 715	$ 151	$ 1,942
2010	721	11	1,899
2011	687	7	1,394
2012	685	-	758
2013	-	-	3,565
Total future minimum lease payments	2,808	169	9,558
Less amounts representing interest	(328)	(5)	(1,318)
Present value of minimum lease payments	$ 2,480	$ 164	$ 8,240

C. Lease Receivables. The State receives income from operating leases on land, property, and equipment that is leased to non-state entities. Rental income received was $9.4 million for the year ended June 30, 2008, on assets valued at over $18 million, net of $7.8 million in accumulated depreciation. Minimum future lease revenue for non-cancelable operating leases at June 30, 2008, was (in thousands):

Year Ending June 30,	Primary Government
2009	$ 8,925
2010	7,397
2011	6,775
2012	5,986
2013	5,454
2014-2018	16,901
2019-2023	15,292
2024-2028	15,304
2029-2033	14,888
2034-2038	13,278
2039-2043	1,411
2044-2048	990
2049-2053	366
Total future minimum lease revenue	$ 112,967

7. DONOR-RESTRICTED ENDOWMENTS

Oregon University System

Oregon Revised Statute 351.130 provides the Oregon University System (OUS) with the authority to use interest income, dividends, or profits of endowments specifically for the higher education institution receiving the gift. Any donee restrictions must also be abided. Current OUS Board policy is to annually distribute for spending purposes 4 percent of the five-year moving average of the market value of the endowment fund. Securities may be sold to provide for the income needs. However, the original corpus of endowments may not be spent. For the year ended June 30, 2008, the net amount of appreciation available for authorization for expenditure was $17.7 million. The amount of net appreciation is reported in the University System Fund as part of expendable net assets restricted for higher education.

Oregon Health and Science University

Oregon Revised Statutes 128.318, 128.322, 128.326, and 128.328 provide the Oregon Health and Science University (OHSU) with the authority to use the net appreciation of restricted endowments as established by the donee. Current OHSU Board policy is to allow distributions of 4.7 percent of the three-year moving average of the market value of the endowment pool. For the year ended June 30, 2008, the net amount of appreciation available for authorization for expenditure was $81.1 million. The amount of net appreciation is reported as part of expendable net assets restricted for education.

8. SHORT-TERM DEBT

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

The Oregon Department of Forestry used a line of credit to provide temporary cash flow for the protection of forest lands and emergency fire suppression.

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

Short-term debt activity for the year ended June 30, 2008, was as follows (in thousands):

	Beginning Balance	Issued	Repaid	Ending Balance
Governmental activities:				
Tax anticipation notes	$ -	$ 794,965	$ 794,965	$ -
Forestry line of credit	-	5,000	-	5,000
Business-type activities:				
Veterans' Affairs line of credit	$ 30,835	$ 31,000	$ 60,835	$ 1,000
Total short-term debt activity	$ 30,835	$ 830,965	$ 855,800	$ 6,000

9. LONG-TERM LIABILITIES

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

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

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

The following schedule shows the debt service requirements for general obligation bonds as of June 30, 2008 (in thousands):

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal [1]	Interest
2009	$ 24,920	$ 129,142	$ 96,380	$ 87,651
2010	31,185	128,117	47,546	88,727
2011	38,345	126,780	50,213	87,058
2012	46,160	125,055	57,421	85,447
2013	54,630	122,910	55,732	84,004
2014-2018	423,000	563,385	476,274	370,403
2019-2023	769,380	411,079	511,852	247,651
2024-2028	920,640	144,167	325,595	153,872
2029-2033	5,415	2,348	266,845	85,766
2034-2038	6,870	894	212,910	35,978
2039-2043	-	-	90,165	5,788
2044-2048	-	-	7,936	276
Total	$ 2,320,545	$ 1,753,877	$ 2,198,869	$ 1,332,621

[1] Includes a total of $598.3 million of bonds with a variable interest rate based on the daily or weekly rate determination of the Remarketing Agent. The interest rate at the end of the fiscal year was 1.43 percent for $430 million, 1.7 percent for $119.4 million, 1.8 percent for $10 million, and 1.45 percent for $38.9 million.

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

The State is authorized in ORS 286A.560 through 286A.580 and 348.716 to issue revenue bonds that are supported by unobligated net lottery proceeds. To date, these lottery revenue bonds have been issued for infrastructure improvements, state parks, expansion and refurbishment of school facilities, light rail transportation, improvement of state fair facilities, and economic development in rural and distressed communities. Lottery revenue bonds have been issued for both governmental and business-type activities.

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

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

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

The following schedule shows the debt service requirements for revenue bonds as of June 30, 2008 (in thousands):

	Governmental Activities		Business-type Activities		Discretely Presented Component Units	
Year ending June 30,	Principal [1]	Interest	Principal [2-5]	Interest	Principal [6]	Interest
2009	$ 97,399	$ 96,886	$ 52,157	$ 74,056	$ 6,023	$ 23,004
2010	90,471	85,241	130,179	71,714	10,046	22,814
2011	92,420	72,959	42,926	68,142	10,785	22,443
2012	96,742	68,668	43,038	66,405	11,296	21,982
2013	340,332	64,090	43,343	64,604	11,765	21,844
2014-2018	526,344	251,352	242,115	292,350	68,682	113,193
2019-2023	340,525	170,466	280,515	232,663	85,659	110,789
2024-2028	21,264	110,569	321,326	159,825	138,660	56,106
2029-2033	404,710	35,807	318,525	82,355	163,430	21,636
2034-2038	-	-	225,650	29,818	-	-
2039-2043	-	-	39,595	5,624	-	-
2044-2048	-	-	6,420	698	-	-
Total	$ 2,010,207	$ 956,038	$ 1,745,789	$ 1,148,254	$ 506,346	$ 413,811

[1] Includes a total of $265.3 million of bonds with a variable interest rate based on the weekly rate determination of the Remarketing Agents. The interest rate at the end of the fiscal year was 1.43 percent for $105.1 million, 1.45 percent for $160.1 million of bonds.

[2] Includes bonds with a monthly adjusted variable interest rate based on the London Interbank Offered Rate (LIBOR) plus 0.4 percent not to exceed 11 percent for $2.5 million and not to exceed 11.5 percent for $3.1 million. The interest rate at the end of the fiscal year for those bonds was 2.86 percent.

[3] Includes bonds with a weekly adjusted variable interest rate based on the rate determination of the Remarketing Agent, not to exceed 12 percent. The interest rate at the end of the fiscal year was 1.54 percent for $16.1 million, 1.55 percent for $35 million, 1.64 percent for $50 million, 1.66 for $44.9 million, 1.75 percent for $95.5 million, 1.77 percent for $30 million, and 7.65 percent for $14.8 million in bonds.

[4] Includes $51.1 million of bonds with a monthly adjusted variable rate of interest based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index rate plus 0.75 percent, not to exceed the one month LIBOR rate plus 0.23 percent or fall below 95 percent of the one month LIBOR rate. The interest rate at the end of the fiscal year was 2.37 percent.

[5] Includes $36.3 million of bonds with a monthly adjusted variable rate of interest based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index rate plus 0.8 percent, not to exceed the one month LIBOR rate plus 0.23 percent or fall below 95 percent of the one month LIBOR rate. The interest rate at the end of the fiscal year was 2.42 percent.

[6] Includes $143.9 million of bonds with a variable rate of interest adjusted every 35 days based on the auction rate. The rate as of fiscal year end was 4.77 percent.

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

The following schedule shows the debt service requirements for certificates of participation as of June 30, 2008 (in thousands):

	Governmental Activities		Business-type Activities		Pension Trust Fund	
Year ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 70,605	$ 49,558	$ 4,060	$ 1,294	$ 2,520	$ 334
2010	74,566	47,001	4,629	1,109	470	239
2011	69,826	43,382	3,734	909	500	214
2012	62,661	40,330	3,239	762	520	188
2013	59,324	37,446	2,761	637	550	160
2014-2018	274,123	146,832	7,672	1,774	2,510	338
2019-2023	228,070	83,853	2,155	871	-	-
2024-2028	149,345	35,701	2,150	275	-	-
2029-2033	70,410	7,150	-	-	-	-
Total	$ 1,058,930	$ 491,253	$ 30,400	$ 7,631	$ 7,070	$ 1,473

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

The following schedule shows the debt service requirements for general appropriation bonds as of June 30, 2008 (in thousands):

	Governmental Activities	
Year ending June 30,	Principal	Interest
2009	$ 52,210	$ 15,188
2010	56,340	12,518
2011	60,545	9,623
2012	65,100	6,502
2013	69,900	3,136
2014-2018	28,195	696
Total	$ 332,290	$ 47,663

E. Changes in Long-Term Liabilities. The following schedule summarizes the changes in long-term liabilities for governmental activities for the year ended June 30, 2008 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	$ 2,329,370	$ 9,300	$ 18,125	$ 2,320,545	$ 24,920
Revenue bonds	2,067,808	46,309	103,910	2,010,207	97,399
Certificates of participation	1,066,299	59,737	67,106	1,058,930	70,605
General appropriation bonds	360,240	-	27,950	332,290	52,210
Less deferred amounts:					
For issuance discounts	(614)	-	(42)	(572)	-
For issuance premiums	111,590	1,827	10,848	102,569	-
On refunding	(28,044)	(530)	(3,933)	(24,641)	-
Total bonds/certificates payable	5,906,649	116,643	223,964	5,799,328	245,134
Other liabilities:					
Obligations under capital lease	2,949	134	603	2,480	587
Claims and judgments	1,059,418	55,367	43,784	1,071,001	120,720
Compensated absences	134,951	11,951	204	146,698	98,288
Arbitrage rebate	2,275	1,207	783	2,699	280
Net OPEB obligation	-	13,687	-	13,687	-
Contracts, mortgages and notes	25,696	7,050	23,664	9,082	5,555
Total other liabilities	1,225,289	89,396	69,038	1,245,647	225,430
Total governmental activities long-term liabilities	$ 7,131,938	$ 206,039	$ 293,002	$ 7,044,975	$ 470,564

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

The following schedule summarizes the changes in long-term liabilities for business-type activities for the year ended June 30, 2008 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds/certificates payable:					
General obligation bonds	$ 1,992,596	$ 367,090	$ 160,817	$ 2,198,869	$ 96,380
Revenue bonds	1,660,960	488,695	403,866	1,745,789	52,157
Certificates of participation	30,591	5,543	5,734	30,400	4,060
Less deferred amounts:					
For issuance discounts	(3,179)	-	(439)	(2,740)	-
For issuance premiums	36,485	8,024	3,071	41,438	-
On refunding	(20,443)	(602)	(1,349)	(19,696)	-
Accreted interest	72,318	7,970	10,138	70,150	-
Total bonds/certificates payable	3,769,328	876,720	581,839	4,064,210	152,597
Other liabilities:					
Obligations under capital lease	335	17	188	164	147
Claims and judgments	1	-	1	-	-
Compensated absences	51,957	43,023	41,279	53,701	49,563
Arbitrage rebate	5,447	2,971	320	8,098	310
Net OPEB obligation	-	6,494	-	6,494	-
Contracts, mortgages and notes	35,652	34,075	60,997	8,730	6,849
Lottery prize awards	137,103	234,400	243,281	128,222	30,698
Trust funds	18,950	386,557	386,085	19,422	19,053
Total other liabilities	249,445	707,537	732,151	224,831	106,620
Total business-type activities long-term liabilities	$ 4,018,773	$ 1,584,257	$ 1,313,990	$ 4,289,041	$ 259,217

The following schedule summarizes the changes in long-term liabilities for fiduciary fund activities for the year ended June 30, 2008 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary fund activities:					
Bonds/certificates payable:					
Certificates of participation	$ 9,510	$ -	$ 2,440	$ 7,070	$ 2,520
Less deferred amounts:					
For issuance premiums	279	-	41	238	-
On refunding	(229)	-	(29)	(200)	-
Total bonds/certificates payable	9,560	-	2,452	7,108	2,520
Other liabilities:					
Net OPEB obligation	-	147	-	147	-
Contracts, mortgages and notes	1,899	226	197	1,928	64
Total other liabilities	1,899	373	197	2,075	64
Total fiduciary fund activities long-term liabilities	$ 11,459	$ 373	$ 2,649	$ 9,183	$ 2,584

The following schedule summarizes the changes in long-term liabilities for the SAIF Corporation for the year ended December 31, 2007, and for the Oregon Health and Science University (OHSU) for the year ended June 30, 2008 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented component units:					
Bonds/certificates payable:					
Revenue bonds	$ 518,750	$ -	$ 12,404	$ 506,346	$ 6,023
Less deferred amounts:					
For issuance discounts	(2,569)	-	(179)	(2,390)	-
For issuance premiums	977	-	49	928	-
On refunding	(5,403)	-	(351)	(5,052)	-
Accreted interest	23,933	2,490	-	26,423	-
Total bonds/certificates payable - OHSU	535,688	2,490	11,923	526,255	6,023
Other liabilities:					
Obligations under capital lease	5,625	4,318	1,703	8,240	1,494
Claims and judgments	79,784	47,339	37,515	89,608	37,729
Net OPEB obligation	-	1,579	-	1,579	-
Contracts, mortgages and notes	33,698	683	2,869	31,512	1,657
Obligations under life income agreements	21,798	-	1,289	20,509	-
Obligation to primary government	-	1,951	-	1,951	-
Reserve for loss and loss adjustment	2,686,401	435,297	316,333	2,805,365	213,498
Advances from Primary Government	32,140	1,099	4,484	28,755	2,268
Total other liabilities - SAIF and OHSU	2,859,446	492,266	364,193	2,987,519	256,646
Total SAIF and OHSU long-term liabilities	$ 3,395,134	$ 494,756	$ 376,116	$ 3,513,774	$ 262,669

F. Demand Bonds. The following schedule shows State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, included in long-term debt, along with selected terms of their Standby Bond Purchase Agreements (SBPAs) at June 30, 2008 (dollars in thousands):

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

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

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

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

The following schedule shows State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, included in long-term debt, along with their respective remarketing fees, at June 30, 2008 (dollars in thousands):

Series	Outstanding Principal Amount	Designated Remarketing Agent	Remarketing Mode	Remarketing Fee
73 E & G	$ 185,000	Morgan Stanley	Weekly	0.048%
73 F & H	185,000	JP Morgan Securities Inc.	Weekly	0.050%
83	30,000	JP Morgan Securities Inc.	Weekly	0.050%
84	30,000	JP Morgan Securities Inc.	Weekly	0.050%
85	49,000	JP Morgan Securities Inc.	Daily	0.070%
86	31,320	JP Morgan Securities Inc.	Daily	0.070%
87C	9,045	JP Morgan Securities Inc.	Daily	0.070%
88B	30,000	JP Morgan Securities Inc.	Daily	0.070%
89B	10,000	JP Morgan Securities Inc.	Daily	0.070%
90B	38,885	JP Morgan Securities Inc.	Weekly	0.070%

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

As of June 30, 2008, no tender advances or draws have been necessary to purchase any unremarketed bonds under any of the SBPAs. Therefore, no tender advances or draws are outstanding as of June 30, 2008.

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

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

Each bank's present purchase commitment consists of the payment of the purchase price equal to the principal and accrued interest, if any, on the bonds of the applicable series tendered for purchase and not remarketed on the purchase date. The purchase commitment of each bank may be reduced from time to time upon occurrence of certain events specified in the SBPAs. As of June 30, 2008, DVA is required to pay a yearly commitment fee, which is payable quarterly in arrears.

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

The following schedule shows no-commitment debt as of June 30, 2008 (in thousands):

Primary Government		
Economic and Community Development Department	$	408,603
Oregon Facilities Authority		1,047,866
Housing and Community Services Department		205,567
Total Primary Government		1,662,036
Discretely Presented Component Units		
Oregon Health and Science University		112,500
Total No-Commitment Debt	$	1,774,536

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

The following provides a brief description of the current/advance refunding issues that occurred between July 1, 2007, and June 30, 2008:

On November 20, 2007, the Oregon University System issued $21.3 million in X1-F (1) 2007 Series F General Obligation Bonds with an average interest rate of 4.3 percent. These bonds refunded $21.2 million of previously issued general obligation bonds with an average interest rate of 5.2 percent. The current refunding was undertaken to reduce the total debt service payments over the next 18 years by $1.9 million and resulted in an economic gain of $1.4 million.

On November 20, 2007, the Oregon University System issued $7.5 million in XI-G 2007 Series G General Obligation Bonds with an average interest rate of 4.3 percent. These bonds refunded $7.4 million of previously issued general obligation bonds with an average interest rate of 5.2 percent. The current refunding was undertaken to reduce the total debt service payments over the next 18 years by $683 thousand and resulted in an economic gain of $508 thousand.

On June 4, 2008, the Department of Administrative Services issued $14.3 million in 2008 Series A Lottery Revenue Bonds with an average interest rate of 4.28 percent. The bonds were issued to refund $15.1 million of outstanding 1999 Series B Lottery Revenue Bonds with an average interest rate of 5.3 percent. The advance refunding was undertaken to reduce the total debt service payments over the next 7 years by $1.5 million and resulted in an economic gain of $1 million.

I. Defeased Debt. The following schedule summarizes the amount of bonds and certificates of participation outstanding that are considered defeased as of June 30, 2008 (in thousands):

Primary Government	
Department of Administrative Services	$ 7,930
Economic and Community Development Department	36,064
Department of Corrections	131,505
Department of Energy	7,430
Department of Environmental Quality	8,095
Employment Department	645
Oregon University System	263,392
Department of Education	96,295
Department of Parks and Recreation	11,166
Department of Transportation	473,663
Total defeased bonds and certificates of participation	$ 1,036,185

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

The following schedule identifies outstanding arbitrage rebate liabilities as of June 30, 2008 (in thousands):

Primary Government	
Department of Human Services	$ 254
Department of Administrative Services	323
Economic and Community Development Department	629
Legislative Administration Committee	66
Military Department	21
Department of State Police	15
Department of Veterans' Affairs	3,448
Department of Corrections	761
Department of Energy	115
Department of Environmental Quality	5
Oregon Youth Authority	7
Oregon University System	1,137
Department of Education	286
Community Colleges and Workforce Development	166
Department of Forestry	4
Parks and Recreation Department	66
Department of Fish and Wildlife	3
Department of Transportation	88
Housing and Community Services Department	3,403
Total arbitrage rebate liability	$ 10,797

10. PLEDGED REVENUES

A. Unobligated Net Lottery Proceeds

The State has pledged future unobligated net lottery proceeds to repay $694.2 million of lottery revenue bonds. Unobligated net lottery proceeds consist of all revenues derived from the operation of the Oregon State Lottery except for (1) revenues used for payment of prizes and expenses of the Lottery and (2) revenues previously dedicated to the payment of the State's Westside Lottery Bonds to fund reserves for the Westside Lottery Bonds and to pay related costs of the Department of Transportation with respect to the Westside Lottery Bonds. Proceeds from lottery revenue bonds provide financing for furthering 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 2028. In fiscal year 2009, principal and interest payments on the bonds are expected to require approximately 13.8 percent of unobligated net lottery proceeds. The total principal and interest remaining to be paid on the bonds is $943 million. Principal and interest paid for the current year and total unobligated net lottery proceeds were $80.5 million and $644.5 million, respectively.

B. Highway User Taxes and Vehicle Registration Fees

The State has pledged future highway user taxes and vehicle registration fees, net of administrative expenses, operating transfers and statutory transfers to counties, to repay $1.4 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 2032. Fiscal year 2009 principal and interest payments on the bonds are expected to require less than 23.6 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is $2.3 billion. Principal and interest paid for the current year and total pledged revenues were $94.6 million and $506.9 million, respectively.

11. INTERFUND TRANSACTIONS

Interfund balances reported in the fund financial statements as of June 30, 2008, consisted of the following (in thousands):

Due from Other Funds

Due to Other Funds	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Oregon Rainy Day	Nonmajor Governmental Funds	Housing and Community Services	Veterans' Loan	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 593	$ -	$ 271	$ -	$ 867	$ 516	$ -	$ -	$ 10	$ 4,512	$ 110	$ -	$ 6,879
Health and Social Services	4,606	-	-	724	310	-	3,986	-	-	183	7,978	-	-	17,787
Public Transportation	-	200	-	12,551	-	-	1,785	-	-	-	-	-	-	14,536
Environmental Management	8	-	2,027	-	603	-	1,711	-	-	75	-	-	-	4,424
Common School	-	-	-	2,128	-	-	27,717	-	-	-	-	-	-	29,845
Nonmajor Governmental Funds	18,518	8,409	-	25,331	-	-	120,110	39	-	7,124	-	4,400	-	183,931
Housing and Community Services	-	-	-	-	-	-	51	-	-	-	-	-	-	51
Lottery Operations	-	-	-	-	-	-	169,393	-	-	-	-	-	-	169,393
Nonmajor Enterprise Funds	5,522	5,500	-	-	-	-	1,612	-	63	-	-	16	-	12,713
Internal Service Funds	-	-	-	-	-	-	972	-	-	-	-	4	-	976
Fiduciary Funds	-	-	-	-	3	-	797	-	-	-	-	-	1,260	2,060
Total	$ 28,654	$ 14,702	$ 2,027	$ 41,005	$ 916	$ 867	$ 328,650	$ 39	$ 63	$ 7,392	$ 12,490	$ 4,530	$ 1,260	$ 442,595

Advances to Other Funds

Advances from Other Funds	General	Common School	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Total
General	$ -	$ -	$ -	$ 228	$ 757	$ 985
Public Transportation	-	-	-	24	-	24
Environmental Management	-	300	-	-	-	300
Nonmajor Governmental Funds	40,598	32	1,108	-	-	41,738
University System	-	-	-	18,694	-	18,694
Nonmajor Enterprise Funds	-	-	-	100	-	100
Internal Service Funds	-	-	-	322	-	322
Total	$ 40,598	$ 332	$ 1,108	$ 19,368	$ 757	$ 62,163

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

Interfund transfers reported in the fund financial statements as of June 30, 2008, consisted of the following (in thousands):

Transfers from Other Funds

Transfers to Other Funds	General	Health and Social Services	Public Transportation	Environmental Management	Common School	Nonmajor Governmental Funds	Housing and Community Services	Veterans' Loan	Unemployment Compensation	University System	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 9,458	$ 23	$ 11,929	$ -	$ 171,608	$ 4,647	$ 300	$ -	$ 428,200	$ 146,692	$ 24	$ -	$ 772,881
Health and Social Services	170	-	26	9,447	361	148,767	-	-	-	2,666	44,099	167	-	205,703
Public Transportation	-	4,489	-	31,409	-	119,553	-	-	-	19	-	-	-	155,470
Environmental Management	-	27	327	-	9,856	28,682	-	-	-	1,467	-	286	-	40,645
Common School	-	-	-	4,892	-	55,443	-	-	-	-	-	-	-	60,335
Nonmajor Governmental Funds	38,880	82,092	3,870	107,914	-	566,153	-	99	347	20,775	154	2,298	497	823,079
Lottery Operations	-	-	-	-	-	654,443	-	-	-	-	-	-	-	654,443
Unemployment Compensation	-	-	-	-	-	35,814	-	-	-	-	-	-	-	35,814
University System	-	-	-	-	-	70	-	-	-	-	-	-	-	70
Nonmajor Enterprise Funds	82,666	7,934	-	158	-	22,100	-	-	-	-	105,607	789	-	219,254
Internal Service Funds	-	1	-	247	-	7,154	-	-	-	-	-	33	-	7,435
Total	$ 121,716	$ 104,001	$ 4,246	$ 165,996	$ 10,217	$ 1,809,787	$ 4,647	$ 399	$ 347	$ 453,127	$ 296,552	$ 3,597	$ 497	$ 2,975,129

	Transfers From Other Funds	Transfers To Other Funds
Amount per table above	$ 2,975,129	$ 2,975,129
Transfer of capital assets from Central Services Fund to general government	-	17
Total transfers to/from	$ 2,975,129	$ 2,975,146

In the fund financial statements, total transfers to other funds of $2,975,146 are more than total transfers from other funds of $2,975,129 due to a transfer of capital assets from the Central Services Fund to the general government, as described in the above reconciliation.

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

12. SEGMENT INFORMATION

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

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

Summary financial information for the Special Public Works Fund, the Water Fund and the various funds that account for the bond activity with pledged revenues of the HCSD for the year ended June 30, 2008, is as follows (in thousands):

Condensed balance sheet	Special Public Works Fund	Water Fund	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Assets:				
Other current assets	$ 96,660	$ 22,769	$ 52,971	$ 171
Interfund receivables	-	100	-	-
Other noncurrent assets	268,731	92,469	1,273,661	89,627
Total assets	$ 365,391	$ 115,338	$ 1,326,632	$ 89,798
Liabilities:				
Other current liabilities	$ 50,490	$ 19,333	$ 46,920	$ 171
Interfund payables	-	-	106	-
Other noncurrent liabilities	101,779	41,195	1,207,727	89,583
Total liabilities	152,269	60,528	1,254,753	89,754
Net assets:				
Restricted	6,700	165	71,879	44
Unrestricted	206,422	54,645	-	-
Total net assets	213,122	54,810	71,879	44
Total liabilities and net assets	$ 365,391	$ 115,338	$ 1,326,632	$ 89,798

Condensed statement of revenues, expenses, and changes in fund net assets	Special Public Works Fund	Water Fund	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Loan interest income	$ 12,996	$ 4,207	$ 50,427	$ -
Other operating revenue	4,092	984	11,264	9,135
Other operating expenses	(11,634)	(4,603)	(58,099)	(9,176)
Operating income (loss)	5,454	588	3,592	(41)
Transfers from other funds	-	-	3,500	10
Transfers to other funds	(11)	(2,413)	-	-
Change in net assets	5,443	(1,825)	7,092	(31)
Beginning net assets (as restated)	207,679	56,635	64,787	75
Ending net assets	$ 213,122	$ 54,810	$ 71,879	$ 44

Condensed statement of cash flows	Special Public Works Fund	Water Fund	Mortgage Revenue Bonds	Homeowner Revenue Bonds
Net cash provided (used) by:				
Operating activities	$ 11,714	$ (4,023)	$ (201,839)	$ (10)
Noncapital financing activities	(33,373)	(7,922)	260,937	(228,489)
Investing activities	4,205	823	(69,773)	227,336
Net increase (decrease)	(17,454)	(11,122)	(10,675)	(1,163)
Beginning cash and cash equivalents (as restated)	78,065	25,447	19,926	1,349
Ending cash and cash equivalents	$ 60,611	$ 14,325	$ 9,251	$ 186

Condensed balance sheet	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Assets:			
Other current assets	$ 9,055	$ 3,662	$ 32,627
Capital assets	-	-	42
Accumulated depreciation	-	-	(41)
Other noncurrent assets	176,487	35,288	239,473
Total assets	$ 185,542	$ 38,950	$ 272,101
Liabilities:			
Other current liabilities	$ 8,117	$ 3,405	$ 31,437
Interfund payables	-	-	2
Other noncurrent liabilities	159,712	22,088	181,466
Total liabilities	167,829	25,493	212,905
Net assets:			
Invested in capital assets, net of related debt	-	-	1
Restricted	17,713	13,457	59,195
Total net assets	17,713	13,457	59,196
Total liabilities and net assets	$ 185,542	$ 38,950	$ 272,101

Condensed statement of revenues, expenses, and changes in fund net assets	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Loan interest income	$ 10,099	$ 2,732	$ 11,188
Other operating revenue	1,614	988	6,431
Depreciation and amortization	-	-	(4)
Other operating expenses	(9,437)	(1,513)	(12,988)
Operating income (loss)	2,276	2,207	4,627
Transfers from other funds	325	-	-
Transfers to other funds	-	(1,881)	(117)
Change in net assets	2,601	326	4,510
Beginning net assets (as restated)	15,112	13,131	54,686
Ending net assets	$ 17,713	$ 13,457	$ 59,196

Condensed statement of cash flows	Multifamily Housing Revenue Bonds	Multiple Purpose Bonds	Elderly and Disabled Housing Fund
Net cash provided (used) by:			
Operating activities	$ 12,348	$ 9,969	$ 16,041
Noncapital financing activities	(10,773)	(13,776)	(19,537)
Investing activities	(1,704)	3,772	4,249
Net increase (decrease)	(129)	(35)	753
Beginning cash and cash equivalents (as restated)	724	673	46,925
Ending cash and cash equivalents	$ 595	$ 638	$ 47,678

13. EMPLOYEE RETIREMENT PLANS

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

PERS is a single pension plan that features both a cost-sharing multiple-employer pension plan and an agent multiple-employer pension plan. All plan assets may legally be used to pay benefits to any of the plan members or beneficiaries for which the assets were accumulated. Participation in the PERS cost-sharing multiple-employer plan is mandatory for units of State government, community colleges, and school districts. PERS is an agent multiple-employer plan for political subdivisions that have not elected to join the State and Local Government Rate Pool. Participation by most political subdivisions is optional, but irrevocable if elected. The State has no obligation to contribute, and it does not contribute, to the agent multiple-employer pension plan. At June 30, 2008, PERS had 887 employer members consisting of:

State Agencies	117
Community Colleges	17
School Districts	263
Political Subdivisions	490
	887

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

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

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

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

Plan investments are reported at fair value. The custodial agent determines the fair value of debt and equity securities using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued using evaluated bid prices. A small percentage of debt securities cannot be priced in this manner and, for these, a similar benchmark security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued, and its market risk is similar considering current market conditions.

Investments in private equities are reported at values provided by the general partners. Investments in private equities representing publicly traded securities are stated at the quoted market price. In establishing the estimated fair value of investments without readily determinable market values, the general partners assume a reasonable period of time for liquidation of the investments and take into consideration the financial condition and operating results of the underlying portfolio companies, their historical cost, prices of recent public or private transactions in similar companies, the nature of the investments, restrictions on marketability, holding periods, cash flows, market conditions, foreign currency and interest rate exposures, and other factors deemed appropriate.

Direct investments in real estate are reported at values provided by investment managers based on periodic appraisals conducted every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate partnerships are reported at values provided by general partners. In the absence of observable market prices, general partners determine fair value by using valuation methodologies considered to be most appropriate for the type of investment giving consideration to a range of factors that they believe would be considered by market participants including, but not limited to, 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. Mortgage loans on real estate are stated at the amortized unpaid principal balance.

C. Funding Policies. The PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, coupled with employee contributions, are intended to accumulate sufficient assets to pay retirement benefits when due. Plan member contributions are established by State statute; the Board, based on the required actuarially determined rate, establishes State employer contributions.

The following schedule summarizes the required State employee contributions and the required State employer pension contributions, shown as a percentage of covered salary, for the PERS multiple-employer plans, as of July 1, 2007:

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

* A subcomponent of the State and Local Government Rate Pool

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

The State 238 and 238A combined employer contributions for the primary government for the years ended June 30, 2008, 2007, and 2006 were approximately $33.2 million, $43.4 million, and $66.7 million, respectively. The State 238 and 238A combined employer contributions for the discretely presented component units for the years ended June 30, 2008, 2007, and 2006 were approximately $16.5 million, $26.7 million, and $23.8 million, respectively. For both the primary government and the discretely presented component units, actual contributions were equal to the annual required contributions in each year. Contributions in excess of the annual required contribution in fiscal year 2004 resulted in a net pension asset that is being amortized using the level dollar closed method over 22 years and assumed interest rate of 8 percent. The employer pension cost of $95.1 million for fiscal year 2008 includes $45.4 million of amortization of the net pension asset.

Under the ORP Tier One, Tier Two and Tier Three, the employee contribution rate is 6 percent and is paid by OUS. The employer contribution rate for the ORP Tier One and Tier Two is 16.01 percent and for Tier Three is 5.82 percent as of June 30, 2008. The OUS employer contributions to the ORP for the years ended June 30, 2008, 2007, and 2006 were approximately $24.3 million, $26.2 million, and $25.3 million, respectively. The OUS employee contributions to the ORP for the years ended June 30, 2008, 2007, and 2006 were approximately $11.9 million, $11.2 million, and $10.4 million, respectively.

The OHSU Board of Directors determines contribution levels for the UPP. Employer contributions to the plan are 6 percent of salary and employee contributions are an additional 6 percent. Currently OHSU is funding employee contributions. The OHSU employer contributions to the UPP for the years ended June 30, 2008, 2007, and 2006 were approximately $13.2 million, $11.3 million, and $10.7 million, respectively, and were equal to the employee contributions for each year.

14. OTHER POSTEMPLOYMENT BENEFIT PLANS

A. Public Employees Retirement System

Plan Description. The Public Employees Retirement Board (Board), as established by Oregon Revised Statute (ORS) 238.410, contracts for healthcare insurance coverage on behalf of Public Employees Retirement System (PERS) members. Retirees who are eligible for PERS healthcare coverage pay their own age-adjusted premiums. PERS administers two separate defined benefit other postemployment benefit (OPEB) plans: the Retirement Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA).

The RHIA is a cost-sharing multiple-employer OPEB plan in which 887 employers participate. Established through ORS 238.420, the plan provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health insurance plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIA plan. The number of RHIA plan members was 38,053 as of June 30, 2008.

The RHIPA is a single-employer OPEB plan established through ORS 238.415. The plan provides payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the Board, and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage. A surviving spouse or dependent of a deceased retired state employee is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died, and the member retired on or after September 29, 1991. The Legislature has sole authority to amend the benefit provisions and employer obligations for the RHIPA plan. The number of RHIPA plan members was 715 as of June 30, 2008.

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

Summary of Significant Accounting Policies. The financial statements for the PERS OPEB plans are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. The fair value of debt and equity securities is determined by the custodial agent, using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued using evaluated bid prices. A small percentage of debt securities cannot be priced in this manner and, for these, a similar benchmark security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued, and its market risk is similar, considering current market conditions.

Investments in private equities are reported at values provided by the general partners. Investments in private equities representing publicly traded securities are stated at the quoted market price. In establishing the estimated fair value of investments without readily determinable market values, the general partners assume a reasonable period of time for liquidation of the investments and take into consideration the financial condition and operating results of the underlying portfolio companies, their historical cost, prices of recent public or private transactions in similar companies, the nature of the investments, restrictions on marketability, holding periods, cash flows, market conditions, foreign currency and interest rate exposures, and other factors deemed appropriate.

Direct investments in real estate are reported at values provided by investment managers based on periodic appraisals conducted every two to three years. Between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. Investments in real estate partnerships are reported at values provided by general partners. In the absence of observable market prices, general partners determine fair value by using valuation methodologies considered to be most appropriate for the type of investment giving consideration to a range of factors that they believe would be considered by market participants including, but not limited to, 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. Mortgage loans on real estate are stated at the amortized unpaid principal balance.

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

Contributions and Funding. Both of the PERS OPEB plans are advance-funded through employer contributions established on an actuarially determined basis. All PERS employers currently contribute 0.37 percent of covered payroll to fund the RHIA. This contribution is included in the employer contribution rates discussed in Note 13. The employer contribution rate covers the normal cost payment and an amount to amortize the unfunded actuarial accrued liability over a period commencing on the actuarial valuation date and ending on December 31, 2027. The employers' aggregate actual contributions for the years ended June 30, 2008, 2007, and 2006 totaled approximately $27.8 million, $41.2 million and $38.2 million, respectively, and were equal to the annual required contribution for each year.

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

Retirement Health Insurance Account (RHIA) Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	$ 250.8	$ 499.6	$ 248.8	50.2%	$ 7,721.8	3.2%

State agencies currently contribute 0.10 percent of PERS covered salaries to fund the RHIPA. State employer contributions for the years ended June 30, 2008, 2007, and 2006 totaled approximately $1.8 million, $2.4 million, and $2.2 million, respectively, and were equal to the annual required contribution for each year. The funded status of the RHIPA postemployment healthcare plan as of the most recent actuarial valuation date is as follows (in millions):

Retiree Health Insurance Premium Account (RHIPA) Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	$ 7.8	$ 23.3	$ 15.5	33.6%	$ 2,080.2	0.7%

<u>Actuarial Methods and Assumptions.</u> The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 2007 using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include an 8 percent per annum rate of return on the investment of present and future assets, projected payroll growth of 3.75 percent, a 2 percent cost of living adjustment, and a healthcare cost inflation adjustment graded from 8 percent in 2008 to 5 percent in 2013. The RHIPA plan uses an inflation assumption of 2.75 percent. However, the RHIA plan does not use an inflation assumption because statute sets the payment amount and does not adjust for increases in healthcare costs. The actuarial value of plan assets for both RHIA and RHIPA is equal to the fair market value of assets on the valuation date. The amount of net assets available for other postemployment benefits for RHIA and RHIPA at June 30, 2008 is $237.7 million and $7.3 million, respectively. Both PERS plans use the level percentage of payroll amortization method with a remaining closed amortization period of 20 years. Because both plans implemented GASB Statement No. 45 prospectively, there was no net OPEB liability at transition. In addition, there is no net OPEB obligation to report for either plan for the year ended June 30, 2008, because the actual contribution for the year equals the annual required contribution.

B. Public Employees Benefit Board

<u>Plan Description.</u> The State participates in a defined benefit postemployment healthcare plan, administered by the Public Employees Benefit Board (PEBB), which offers medical, dental, and vision benefits to eligible retired state employees and their beneficiaries. The PEBB Plan is an agent multiple-employer postemployment healthcare plan in which 11 employers participate. Chapter 243 of the Oregon Revised Statutes gives PEBB the authority to establish and amend the benefit provisions of the PEBB Plan. As the administrator of the PEBB Plan, PEBB has the authority to determine postretirement benefit increases and decreases. The PEBB Plan allows qualifying retired employees to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. Participating retirees pay their own monthly premiums based on a blended premium rate determined by pooling the retirees with active employees for insurance rating purposes, thus, creating an “implicit rate subsidy.” This means that the healthcare insurance premiums paid by the State for active employees are higher than they would be if the premiums were based on active employees alone. As of June 30, 2008, PEBB Plan members consist of 47,724 active employees and 2,721 retired employees and beneficiaries receiving benefits. PEBB does not issue a separate, publicly available financial report.

Summary of Significant Accounting Policies. The PEBB plan implicit rate subsidy, if not fully funded, represents an obligation of the State, the net OPEB obligation. The net OPEB obligation for the year ended June 30, 2008 is $20.3 million and is allocated to the participating funds based on each fund's proportionate share of the annual OPEB cost as determined by health insurance premium payments.

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

Funding Policy. The PEBB Plan funding policy provides for employer contributions at amounts sufficient to fund benefits, including the rate subsidy, on a pay-as-you-go basis. Active employees do not make contributions. Administrative costs of the PEBB Plan are financed by up to 2 percent of employer and plan member contributions. For the year ended June 30, 2008, retired plan members contributed $26.9 million through their required contributions of an average of $823.56 per month.

Annual OPEB Cost and Net OPEB Obligation. The PEBB postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by the PEBB consulting actuary at July 1, 2007, using the entry age normal cost method. The State's annual OPEB expense is based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over thirty years. Significant assumptions used in the actuarial valuation include a 4.5 percent per annum rate of return on the investment of present and future assets, and a medical healthcare cost inflation adjustment graded from an average of 11.2 percent in 2008 to an average of 5 percent in 2024. The dental healthcare cost inflation adjustment was graded from an average of 5.3 percent in 2008 to an average of 4 percent for 2017 and beyond. The plan has an open amortization period of 30 years and uses the level dollar amortization method. For the PEBB plan, GASB Statement No. 45 has been implemented prospectively; there was no net OPEB liability at transition. The following table shows the components of OPEB cost for the year, the amount actually contributed, and changes to the net OPEB obligation (in millions):

	June 30, 2008
Annual Required Contribution	$ 34.8
Interest on net OPEB obligation	-
Annual OPEB cost (expense)	34.8
Contributions made	(14.5)
Increase in net OPEB obligation	20.3
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	$ 20.3
Percent of annual OPEB cost contributed	41.7%

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

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

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

C. Discretely Presented Component Units

SAIF Corporation (SAIF) administers a single-employer defined benefit healthcare plan. SAIF employees retiring under Oregon PERS are eligible to receive medical coverage for self and spouse until age 65. Retirees must pay the full premium for the coverage elected. Premiums for coverage are identical for active and retired employees, except to the extent which SAIF pays all or a portion of its active employees' premiums. Benefit provisions are established by SAIF Corporation. The plan does not issue a separate, publicly available financial report.

Funding Policy. The plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Full-time active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. For the year ended December 31, 2007, the amount actually contributed to the plan and changes in SAIF's net OPEB Obligation (in thousands):

	June 30, 2008
Annual Required Contribution	$ 391
Interest on net OPEB obligation	-
Annual OPEB cost (expense)	391
Contributions made	(147)
Increase in net OPEB obligation	244
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	$ 244
Percent of annual OPEB cost contributed	37.6%

Actuarial Methods and Assumptions. The postemployment healthcare benefit obligation was determined as part of the actuarial valuation prepared by a consulting actuary as of December 31, 2007, using the projected unit credit cost method. Significant assumptions used in the actuarial valuation include a 5.5 percent investment rate of return and an annual medical healthcare cost trend rate of 9 percent initially, reduced by 1 percent decrements annually to an ultimate rate of 5 percent in 2011. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll on an open basis for 15 years. GASB Statement No. 45 was implemented prospectively, and there was no net OPEB obligation at transition.

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

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

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

The following table shows the components of OHSU's annual OPEB cost for the fiscal year ended June 30, 2008, the amount actually contributed to the plan, and changes in OHSU's net OPEB obligation (in thousands):

	June 30, 2008
Annual Required Contribution	$ 2,355
Interest on net OPEB obligation	118
Annual OPEB cost (expense)	2,473
Contributions made	(1,138)
Increase in net OPEB obligation	1,335
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	$ 1,335
Percent of annual OPEB cost contributed	46%

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

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

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

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

15. DEFERRED COMPENSATION PLANS

A. Deferred Compensation Fund. The Oregon Savings Growth Plan (State Plan) is a deferred compensation plan available to eligible state employees. Employee contributions are deposited into the Deferred Compensation Fund established by Oregon Revised Statute (ORS) 243.411. To participate, an employee enters into an individual agreement with the State to defer current earnings to be paid at a future date. The Public Employees Retirement Board (Board) administers the State Plan. As trustee of the assets, the Board contracts with ING, which recently acquired CitiStreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain participant records. The Office of the State Treasurer, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. Activity of the State Plan is reported as other employee benefit trust funds. As of June 30, 2008, the fair value of the investments was $918.4 million.

B. SAIF Corporation Deferred Compensation Plan. SAIF Corporation administers a deferred compensation plan that is available to SAIF employees (SAIF Plan). Employees may enter into an individual agreement with SAIF Corporation to defer current earnings to be paid at a future date. The SAIF Plan assets are held in a custodial account or an annuity contract by the plan provider for the exclusive benefit of the participants or their beneficiaries. The plan assets and the corresponding liability are not reported in the SAIF Corporation balance sheet at December 31, 2007.

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

16. TERMINATION BENEFITS

During the year ended June 30, 2008, the Oregon University System provided termination benefits through an early retirement program at Southern Oregon University (SOU). Since 1998, SOU has offered a voluntary tenure relinquishment and early retirement program to tenured faculty who are at least 55 years of age. Faculty, who elect this plan, relinquish all claims to tenure and receive an annual full-time fixed term contract for up to three years. An option within the plan provides that SOU will subsidize health and dental benefits up to a specified dollar amount for up to seven years after the employee’s retirement date. As of June 30, 2008, twenty-seven retirees were participating in the plan.

An early retirement liability of $182 thousand is included in current Notes, Contracts and Mortgages Payable and an early retirement liability of $360.6 thousand is included in noncurrent Notes, Contracts and Mortgages Payable in the University System Fund. The liability is calculated using the discounted present value of expected future benefit payments, with a discount rate of 6 percent.

17. RISK FINANCING

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

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

The fund is backed by commercial policies, such as an excess property policy with a limit of $400 million and a blanket commercial excess bond with a limit of $20 million. The division purchases commercial insurance for specific insurance needs not covered by the fund. The amount of claim settlements did not exceed commercial insurance coverage for each of the past three fiscal years.

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

The division purchases workers' compensation insurance for the State from SAIF Corporation. The Insurance Fund reimburses SAIF Corporation for claim costs and service fees. The division purchases retrospective paid loss plans that have cash flow and investment earnings advantages. The plans are ten years in length. The accumulated claim loss liability for the plans was approximately $50 million as of June 30, 2008. Independent actuaries determine biennial loss forecasts.

The division reevaluates claim liabilities periodically, considering recently settled claims, the frequency of claims, and other economic and social factors. Liabilities include an amount for claims and legal expenses that have been incurred but not reported (IBNR). The estimation process is not exact since actual claim liabilities depend on inflation and changes in legal doctrines and damage awards. The division discounts claim liabilities at annual rates of 4 to 6 percent. Contracted actuaries estimate claims and allocated and unallocated expenses, including legal expenses, which are incurred but not reported. They use the last 20 to 25 years of State claims data and the projected numbers of employees, payroll, vehicles, and other property. They forecast ultimate losses by line of coverage.

The changes in the Insurance Fund balances of aggregate claim liabilities for the years ended June 30, 2008 and 2007 (in thousands) are:

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2008	$ 103,795	$ 50,383	$ (33,209)	$ 120,969
2007	109,139	37,716	(43,060)	103,795

The June 30, 2008, balance of claim liabilities is reported as claims and judgments payable in the Central Services Fund.

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

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

The changes in the balances of aggregate claim liabilities for supplemental workers' compensation insurance for the years ended June 30, 2008 and 2007 (in thousands) are:

Fiscal Year	Beginning Balance	Increase in Claims or Estimate	Claim Payments	Ending Balance
2008	$ 955,559	$ 586	$ (6,168)	$ 949,977
2007	1,037,462	12,888	(94,791)	955,559

Long-term liabilities were actuarially computed as of June 30, 2008, using the discounted cost valuation method. The discount rate for the Retroactive Program is 6 percent. This liability is reported as part of claims and judgments payable in the government-wide Statement of Net Assets.

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

The reserve for loss and loss adjustment expense increased during 2007 primarily due to growth in SAIF's book of business as both the number of policyholders and premium amount grew during the year. There was a favorable development of $74.4 million related to prior accident years that was attributable to a number of factors. Medical cost escalation for 2007 was lower than expected, and the explicit assumption for medical cost escalation for the next three years was lowered to recognize the current short-term trend. Development for indemnity reserves related to prior accident years was also favorable due to lower tail factors for permanent total disabilities and fatal awards. The favorable loss adjustment expense development was largely attributable to a reduction in the number of payments and reserve changes performed by claims adjusters during calendar year 2007.

The changes in the balance of the reserve for loss and loss adjustment expense related to workers' compensation insurance underwritten by SAIF for 2007 and 2006 (in thousands) are:

Calendar Year	Beginning Balance	Incurred Losses and Loss Adjustment Expenses	Loss and Loss Adjustment Expense Payments	Ending Balance
2007	$ 2,686,401	$ 435,297	$ (316,333)	$ 2,805,365
2006	2,588,005	407,854	(309,458)	2,686,401

D. Oregon Health and Science University Self-Funded Insurance Programs. The Oregon Health and Science University (OHSU), which is also a discretely presented component unit of the State, maintains several self-funded insurance programs. Coverage for professional, general, automobile, directors and officers, and employment practices liabilities is provided through OHSU's solely-owned captive insurance company, OPS. OHSU has contracted with independent actuaries to estimate the ultimate cost of settlements related to the coverage provided by OPS. The liability reported for fiscal years 2008 and 2007 was calculated using a 5 percent discount rate.

In addition, OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental and vision coverage. A third-party actuary has been utilized to assist in the estimation of OHSU's liability for the employee health programs related to claims payable and those claims incurred, but not yet paid or reported, of approximately $14.1 million and $7.8 million as of June 30, 2008 and 2007, respectively. These amounts are included in the current portion of claims and judgments payable in the accompanying financial statements.

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

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

The total liability reported for OHSU's self-funded insurance programs was $89.6 million and $79.8 million for fiscal years ending June 30, 2008 and 2007, respectively. The amount of claim settlements did not exceed OHSU's self-insurance and commercial insurance coverage for each of the past three fiscal years.

18. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

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

The following schedule summarizes discounts and allowances in proprietary funds for the year ended June 30, 2008 (in thousands):

Primary Government

Proprietary Funds	Type of Revenue	Amount
Lottery Operations	Sales	$ 992
Unemployment Compensation	Assessments	464
Unemployment Compensation	Fines and forfeitures	113
University System	Charges for services	96,859
Nonmajor Enterprise Funds	Charges for services	94,729
Nonmajor Enterprise Funds	Sales	5,729
Nonmajor Enterprise Funds	Other	1
Internal Service Funds	Other	10
Total primary government		$ 198,897

Discretely Presented Component Units

Component Units	Type of Revenue	Amount
SAIF Corporation	Charges for services	$ (1,198)
Oregon Health and Science University	Charges for services	777,361
Oregon Health and Science University	Gifts, grants and contracts	(175)
Total SAIF and Oregon Health and Science University		$ 775,988

19. PRIOR PERIOD ADJUSTMENTS

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

Governmental Funds

Environmental Management Fund. Prior period adjustments were made for $4.3 million to correct federal revenue accrued but not received in the prior year and for $8.3 million for revenue recognized but not yet earned.

Health and Social Services Fund. A prior period adjustment for $32.1 million was made to restate beginning fund balance for revenue collected and reported in a prior period that had not been earned.

Other Special Revenue Funds. Beginning fund balance was restated by $19 million for revenue that should have been recognized in a prior period, but was deferred.

Proprietary Funds

Unemployment Compensation Fund. A restatement of beginning fund balance was made to correct a $10.4 million overstatement of expenditures in the prior year.

20. FUND EQUITY

A. Net Assets Restricted by Enabling Legislation. The following schedule summarizes the State's net assets at June 30, 2008, that are restricted by enabling legislation (in thousands). All of these legislative restrictions are in the governmental activities.

	Restricted Net Assets
Expendable Restricted Net Assets Restricted for:	
Residential Assistance	$ 134,096
Workers' Compensation	14
Education	2,584
Natural Resource Programs	9,726
Health Services	21,104
Nonexpendable Restricted Net Assets Restricted for:	
Education	1,443
Residential Assistance	23,258
Natural Resource Programs	3,500
Workers' Compensation	250
Total	$ 195,975

B. Reserved for Permanent Fund Principal. The amount reported as reserved for permanent fund principal in the governmental funds financial statements is higher than the prior fiscal year. The $568 thousand increase is not supported by contributions to permanent funds in the current fiscal year because this amount should have been reported as contributions to permanent funds in prior fiscal years. The amount reported as reserved for permanent fund principal should have been $568 thousand higher in the prior fiscal year. This did not result in reporting a prior period adjustment because beginning fund balance in total is correct.

21. COMMITMENTS

The State has made commitments that are to be funded with general funds, federal funds, lottery funds, or other funds resources. These commitments may take the form of grants, loans, or contracts for services. Commitments in effect as of June 30, 2008, and the anticipated sources of funding are summarized in the following table (in thousands):

Purpose	General Funds	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	$ 268,683	$ 333,503	$ 962	$ 26,668	$ 629,816
Grant and loan commitments	175,897	138,643	89,456	261,159	665,155
Personal services contracts	67,464	28,972	-	19,358	115,794
Equipment purchases	11	45	17,614	637	18,307
Indigent defense contracts	68,481	-	-	-	68,481
Total	$ 580,536	$ 501,163	$ 108,032	$ 307,822	$ 1,497,553

In addition, the Oregon Investment Council has entered into agreements that commit the Public Employees Retirement Fund (PERF) investment managers, upon request, to make additional investment purchases up to a predetermined amount. As of June 30, 2008, the PERF had $8.7 billion in commitments to purchase private equity investments and $2.1 billion in commitments to purchase real estate investments. These amounts are unfunded and are not recorded in the Statement of Fiduciary Net Assets.

22. CONTINGENCIES

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

The Supreme Court's decision in the *City of Eugene* appeal affects certain pending cases that challenge PERB's actions taken to address the 1999 over-crediting addressed in the litigation, the City of Eugene settlement, and the PERS legislation. The decision most directly affects a class action suit filed by certain retirees which challenges PERB's recovery of funds from the 1999 over-crediting. The amount at issue is approximately $800 million. In June 2007, the Multnomah County Circuit Court issued an opinion in favor of the retirees, ruling that the retirees were not liable for the repayment of any excess benefits and that PERS should treat the overpayments as administrative expenses. The State is in the process of determining its response to the court's decision. A similar issue is pending in another case filed by non-retired participants, whose account balances were lowered to adjust for the 1999 over-crediting. The amount at issue for the non-retirees is also approximately $800 million.

Other legal claims pending against the State relate to Measure 37, which was approved by Oregon voters in November 2004. Measure 37 entitled certain landowners either to compensation for the decline in market value of their property as a result of certain land use regulations that were enacted or enforced by the State or local governments, or to have the land use regulations waived. Measure 37 did not apply to laws that were enacted to prevent nuisances or to protect public health or to laws that are required to comply with federal law. A property owner was not entitled to compensation for land use regulations that were enacted before the property owner or a member of the property owner's family acquired the property. Claimants had approximately two years after the effective date of Measure 37 or two years from the date the land use regulation was applied, whichever was later, to file a claim. As of December 5, 2007, the State had received 6,857 Measure 37 claims. Of those filed claims, 3,722 were closed by issuance of a final order or through withdrawal and 3,135 were being processed. More than $19 billion in compensation had been requested under the claims filed with the State. The State denied claims or waived regulations for the claims submitted. Numerous lawsuits were pending as of December 2007 that asserted the State's actions in waiving State laws or denying claims were unlawful or violated the Oregon Constitution for various reasons.

Measure 49, which modifies Measure 37, was approved by voters in November 2007. Under Measure 49, Measure 37 claimants are not entitled to monetary compensation. However, if the claimant had proceeded far enough under Measure 37 to have a "vested right," the claimant may be entitled to continue to pursue the use authorized pursuant to its original claim under Measure 37. Otherwise, claimants may be entitled to relief in the form of home site approvals. Measure 49 also provides for transferability of development rights, revises the claims process for future land use regulations, and provides a method for determining the amount of compensation to which a claimant may be entitled. As of March 2008, 147 Measure 37 circuit court cases were pending and 65 had been dismissed. Some claimants are resisting motions to dismiss their Measure 37 cases, contending that Measure 49 does not apply to their claims or is unconstitutional. Several cases challenge the Legislative Assembly's referral of Measure 49 to voters. To date, the courts have ruled in the State's favor. Final resolution of the constitutional issues raised regarding Measure 49, the impact of Measure 49 on Measure 37 claims, and the amount of claims compensation that may eventually be paid is uncertain.

In December 2007, the Oregon Supreme Court upheld a challenge to the constitutionality of parts of the Oregon Tort Claims Act in *Clarke v. Oregon Health Sciences University* (OHSU). Under the Act, the State's common law sovereign immunity from suit is lifted and claims may be brought against a public body in Oregon, including the State. The liability of public bodies is capped at $200,000 for individual claims. The public body may be substituted as a defendant in lieu of individual employees of the public body, limiting recovery for claims against individual employees. In *Clarke*, the plaintiff was severely disabled as a result of the negligence of health professionals employed at OHSU. The alleged damages amount to approximately $12 million. The Oregon Supreme Court concluded that, based on the amount of damages alleged, the substitution of OHSU for the individual defendants did not provide substantial remedy to the plaintiff and, therefore, violated Article I, Section 10 of the Oregon Constitution, which provides the right to a remedy to persons who are injured in their person, property, or reputation. The impact of the court's ruling in this case on other public bodies is uncertain. The decision may mean that the State must pay higher amounts to indemnify its employees because the State may not substitute its limited liability for its employees. The State is in the process of assessing its potential exposure to increased liability amounts, but initial estimates are that the ruling could result in an additional $75 million in liability costs per biennium.

The State of Oregon is involved in negotiations related to a non-judicial allocation of costs associated with the investigation and clean-up of sediment contamination in the Portland Harbor. The U.S. Environmental Protection Agency (EPA) has listed a stretch of the lower Willamette River in Portland, Oregon on its National Priorities List. The boundaries of the Portland Harbor Superfund site have not been finally delineated but could likely include the lower eleven mile stretch of the Willamette River. There are over 200 parties, private and public, that may eventually bear a share of the costs related to investigation and clean-up of the site. The EPA has not identified any state agency as a potentially responsible party, but the State will likely participate in a non-judicial allocation of response costs. It is too early in the process to estimate the amount of liability that may be assessed for clean-up of the river, and what portion of that, if any, will be assessed against the State. Initial estimates of total costs range from approximately $600 million to $1 billion.

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

B. Debt Guarantees. Article XI-K of the Oregon Constitution authorizes the State to guarantee the general obligation bonded debt of Oregon school districts, community colleges, and education service districts. The Article authorizes the issuance of state general obligation bonds to satisfy the guarantee. Short-term borrowing from eligible state funds may also satisfy the guarantee. Ultimate responsibility for debt service payments remains the responsibility of the respective district, and the Office of the State Treasurer will seek recovery if payments are made on behalf of any district. As of June 30, 2008, a total of $2.4 billion in bonds was outstanding and guaranteed under these provisions.

C. Unemployment Benefits. State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. There appears to be no practical method of estimating the amount of future benefit payments, which may be made to former employees for wage credits earned prior to fiscal year end. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2008, totaled approximately $8.9 million.

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

23. COMPARABILITY

In prior fiscal years, short-term investments classified as cash equivalents by the Public Employees Retirement System (PERS) custodial agent were reported as cash equivalents. In fiscal year 2008, PERS changed its accounting policy related to the definition of cash equivalents and reported these short-term investments as investments.

During fiscal year 2008, PERS became aware of the following that had not been reported in accordance with GAAP in prior fiscal years: (1) derivatives reported in Investments, Investment Sales, and Accounts and Interest Payable were reported at notional value instead of fair value, and (2) short sales of securities were reported as Investments instead of obligations in Accounts and Interest Payable.

For comparability to fiscal year 2008, fiscal year 2007 balances in the Statement of Fiduciary Net Assets for Pension and Other Employee Benefit Trust should be restated as follows: Cash and Cash Equivalents reduced by $2.4 billion, Investment Sales reduced by $2.9 billion, Investments increased by $464.8 million, Accounts and Interest Payable reduced by $4.8 billion. The effect of these adjustments on Net Assets is zero for the fiscal year ended June 30, 2007. No other balances reported for 2007 were affected.

24. SUBSEQUENT EVENTS

A. Long-term Debt Issues. The following schedule summarizes long-term debt issues, including refunding, that have occurred since July 1, 2008 (in thousands):

General Obligation Bonds		
Oregon University System	$	31,195
Oregon Department of Education		4,900
Oregon Department of Energy		15,445
Revenue Bonds		
Housing and Community Services Department	$	92,710
Certificates of Participation		
Department of Administrative Services	$	119,285

B. Bond Calls. The following schedule summarizes bond calls that have occurred since July 1, 2008 (in thousands):

General Obligation Bonds		
Department of Veterans' Affairs	$	1,790
Revenue Bonds		
Housing and Community Services Department	$	368,615

C. Interest Rate Swaps. On August 26, 2008, the Housing and Community Services Department (HCSD) entered into an interest rate swap transaction for Mortgage Revenue Bond Series 2008 I. The notional amount of the swap is $34.7 million and the termination date is July 1, 2037. HCSD will pay the counterparty (Bank of America, NA) a fixed rate of 3.72 percent and receive a variable payment of 64 percent of LIBOR plus 31 basis points.

D. Tax Anticipation Notes Issuance. On July 1, 2008, the State issued $741.2 million of full faith and credit Tax Anticipation Notes, 2008 Series A. The proceeds of these notes will be used to meet seasonal cash needs of the State and for cash management purposes within the 2007-2009 biennium.

E. Debt Guarantees. Under Article XI-K of the Oregon Constitution, $252 million in bonds for school districts were issued and guaranteed following the fiscal year ended June 30, 2008, as noted below (in thousands). Debt service payments remain the ultimate responsibility of the respective district.

Multnomah County School District 51J	$	6,070
Marion County School District 4J		7,005
Douglas County School District 130		3,045
Hood River County School District		25,100
Lane County School District 4J		47,295
Chemeketa Community College		50,000
Multnomah County School District 39		3,495
Deschutes County School District 2J - 2008A		72,530
Deschutes County School District 2J - 2008B		37,468

F. Economic Conditions. Continued disruption in the credit markets and overall declines in financial markets in the United States of America and internationally have resulted in significant declines in the value of investments subsequent to June 30, 2008. The decline in value could impact the funded status of the retirement funds and the overall investment earnings of the State.

The net asset values of the investment portfolios under the State Treasurer's management for the primary government, the Public Employees Retirement System (PERS), and SAIF Corporation (a discretely presented component unit of the State) at June 30, 2008, were $11.3 billion, $60.2 billion, and $3.6 billion, respectively. The net asset values of the investment portfolios for the primary government, PERS, and SAIF Corporation, as of October 31, 2008, were $9.8 billion, $47.8 billion, and $3.1 billion, respectively. Net asset value is not the same as fair value and does not include investments held outside the State Treasury.

The State Treasurer's investment portfolios had exposure to financial institutions that were either acquired by another institution or the U.S. Government, or filed for bankruptcy. From the State's perspective, the most noteworthy was Lehman Brothers, which filed for bankruptcy in September 2008. As of October 31, 2008, the unrealized losses related to Lehman Brothers for the primary government, PERS, and SAIF Corporation were $196 million, $89 million, and $28 million, respectively.

Required Supplementary Information

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Budgeted Appropriated Funds

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

General Fund

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

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

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

Other Funds

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

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2009
As of June 30, 2008
(In Thousands)

	General Fund			
	2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	$ 11,183,198	$ 11,304,582	$ 4,789,692	$ (6,514,890)
Corporate Income Taxes	920,897	808,307	440,733	(367,574)
Tobacco Taxes	119,933	117,821	58,265	(59,556)
Motor Fuels Taxes	-	-	-	-
Weight-Mile Taxes	-	-	-	-
Vehicle Registration Taxes	-	-	-	-
Employer-Employee Taxes	-	-	-	-
Other Taxes	299,960	306,658	158,551	(148,107)
Licenses and Fees	101,964	103,032	36,248	(66,784)
Federal	-	-	-	-
Charges for Services	8,666	8,666	4,382	(4,284)
Fines and Forfeitures	3,566	3,566	2,422	(1,144)
Rents and Royalties	-	-	-	-
Investment Income	78,000	90,800	68,578	(22,222)
Sales	5,039	5,039	679	(4,360)
Donations and Grants	-	-	5	5
Pension Bond Debt Service Assessments	-	-	-	-
Other	6,801	12,321	17,376	5,055
Total Revenues	12,728,024	12,760,792	5,576,931	(7,183,861)
Expenditures:				
Education	7,477,056	7,457,075	3,824,588	(3,632,487)
Human Services	3,421,791	3,400,328	1,671,005	(1,729,323)
Public Safety	1,845,747	1,846,732	905,543	(941,189)
Economic and Community Development	33,644	34,944	18,170	(16,774)
Natural Resources	157,508	166,440	77,959	(88,481)
Transportation	4,505	4,505	4,282	(223)
Consumer and Business Services	12,608	12,608	6,161	(6,447)
Administration	189,469	188,588	95,877	(92,711)
Legislative	281,690	307,062	34,747	(272,315)
Judicial	530,686	530,686	368,500	(162,186)
Total Expenditures	13,954,704	13,948,968	7,006,832	(6,942,136)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,226,680)	(1,188,176)	(1,429,901)	(241,725)
Other Financing Sources (Uses):				
Transfers from Other Funds	1,135,221	1,149,069	555,863	(593,206)
Transfers to Other Funds	(870,616)	(893,202)	(772,496)	120,706
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	$ (962,075)	$ (932,309)	(1,646,534)	$ (714,225)
Budgetary Fund Balances - Beginning			1,165,162	
Prior Period Adjustments			(494)	
Budgetary Fund Balances - Beginning - As Restated			1,164,668	
Prior Biennium Transactions			410,338	
Budgetary Fund Balances - Ending			$ (71,528)	

Federal Funds				Lottery Funds			
2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	Variance Over/ (Under)	2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	Variance Over/ (Under)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	808	808	-	-	-	-
9,641,666	9,814,829	3,375,720	(6,439,109)	-	-	-	-
-	-	439	439	-	-	-	-
-	-	190	190	-	-	-	-
-	-	2,149	2,149	-	-	-	-
-	-	1,729	1,729	-	-	18,528	18,528
-	-	151	151	-	-	-	-
-	-	99	99	-	-	-	-
-	-	-	-	-	-	-	-
-	-	67,434	67,434	43,334	44,403	208	(44,195)
9,641,666	9,814,829	3,448,719	(6,366,110)	43,334	44,403	18,736	(25,667)
861,683	866,242	501,760	(364,482)	726,419	746,419	353,187	(393,232)
5,843,942	5,903,483	2,597,981	(3,305,502)	13,161	13,161	5,834	(7,327)
338,185	444,521	153,850	(290,671)	6,927	6,927	3,327	(3,600)
396,519	396,519	185,843	(210,676)	138,287	138,287	64,780	(73,507)
221,858	222,069	87,880	(134,189)	212,757	212,757	73,944	(138,813)
88,188	90,402	23,978	(66,424)	46,560	46,560	18,963	(27,597)
2,325	2,325	921	(1,404)	-	-	-	-
13,792	13,792	6,005	(7,787)	7,463	7,463	3,668	(3,795)
-	-	-	-	-	-	-	-
980	980	448	(532)	-	-	-	-
7,767,472	7,940,333	3,558,666	(4,381,667)	1,151,574	1,171,574	523,703	(647,871)
1,874,194	1,874,496	(109,947)	(1,984,443)	(1,108,240)	(1,127,171)	(504,967)	622,204
24,955	24,955	8,580	(16,375)	2,933,885	2,972,815	1,176,317	(1,796,498)
(427,175)	(427,175)	(69,454)	357,721	(1,662,918)	(1,681,849)	(366,538)	1,315,311
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 1,471,974	$ 1,472,276	(170,821)	$ (1,643,097)	$ 162,727	$ 163,795	304,812	$ 141,017
		22,804				239,290	
		19,070				331	
		41,874				239,621	
		(26,468)				(151,386)	
		$ (155,415)				$ 393,047	

(continued on next page)

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2009
As of June 30, 2008
(In Thousands)

(continued from previous page)

	Other Funds			
	2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	Variance Over/ (Under)
Revenues:				
Personal Income Taxes	$ 15	$ 15	$ -	$ (15)
Corporate Income Taxes	-	-	-	-
Tobacco Taxes	411,100	411,100	171,965	(239,135)
Motor Fuels Taxes	889,774	889,774	344,049	(545,725)
Weight-Mile Taxes	506,071	506,071	239,880	(266,191)
Vehicle Registration Taxes	-	-	182,902	182,902
Employer-Employee Taxes	628,615	628,615	-	(628,615)
Other Taxes	2,631,354	2,572,367	201,417	(2,370,950)
Licenses and Fees	923,888	925,356	288,953	(636,403)
Federal	1,997,596	1,997,596	426,837	(1,570,759)
Charges for Services	3,050,138	3,056,769	931,267	(2,125,502)
Fines and Forfeitures	198,364	198,364	84,353	(114,011)
Rents and Royalties	130,795	131,230	50,953	(80,277)
Investment Income	11,422,568	11,422,568	88,733	(11,333,835)
Sales	517,318	517,318	146,135	(371,183)
Donations and Grants	369,598	364,578	14,650	(349,928)
Pension Bond Debt Service Assessments	-	-	118,158	118,158
Other	1,969,682	1,994,917	274,285	(1,720,632)
Total Revenues	25,646,876	25,616,638	3,564,537	(22,052,101)
Expenditures:				
Education	1,924,375	2,131,380	732,392	(1,398,988)
Human Services	1,383,907	1,334,329	493,562	(840,767)
Public Safety	524,894	524,575	228,588	(295,987)
Economic and Community Development	316,049	317,349	135,390	(181,959)
Natural Resources	702,173	699,073	333,132	(365,941)
Transportation	3,322,501	3,359,339	1,282,632	(2,076,707)
Consumer and Business Services	306,026	306,284	142,489	(163,795)
Administration	1,235,806	1,244,908	565,086	(679,822)
Legislative	39,048	39,048	17,852	(21,196)
Judicial	32,970	42,970	14,003	(28,967)
Total Expenditures	9,787,749	9,999,255	3,945,126	(6,054,129)
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,859,127	15,617,383	(380,589)	(15,997,972)
Other Financing Sources (Uses):				
Transfers from Other Funds	8,349,551	8,376,417	2,205,012	(6,171,405)
Transfers to Other Funds	(9,458,503)	(9,484,515)	(2,005,154)	7,479,361
Long-term Debt Issued	3,132,230	3,360,963	297,681	(3,063,282)
Debt Issuance Premium	-	-	924	924
Loan Proceeds	-	-	50	50
Gain(Loss) on Disposition of Assets	-	-	858	858
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 17,882,405	$ 17,870,248	118,782	$ (17,751,466)
Budgetary Fund Balances - Beginning			3,792,139	
Prior Period Adjustments			(5,519)	
Budgetary Fund Balances - Beginning - As Restated			3,786,620	
Prior Biennium Transactions			(186,887)	
Budgetary Fund Balances - Ending			$ 3,718,515	

Total All Budgeted Appropriated Funds

2007-2009 Original Budget	2007-2009 Final Budget	1st Year Actual	Variance Over/ (Under)
$ 11,183,213	$ 11,304,597	$ 4,789,692	$ (6,514,905)
920,897	808,307	440,733	(367,574)
531,033	528,921	230,230	(298,691)
889,774	889,774	344,049	(545,725)
506,071	506,071	239,880	(266,191)
-	-	182,902	182,902
628,615	628,615	-	(628,615)
2,931,314	2,879,025	359,968	(2,519,057)
1,025,852	1,028,388	326,009	(702,379)
11,639,262	11,812,425	3,802,557	(8,009,868)
3,058,804	3,065,435	936,088	(2,129,347)
201,930	201,930	86,965	(114,965)
130,795	131,230	53,102	(78,128)
11,500,568	11,513,368	177,568	(11,335,800)
522,357	522,357	146,965	(375,392)
369,598	364,578	14,754	(349,824)
-	-	118,158	118,158
2,019,817	2,051,641	359,303	(1,692,338)
48,059,900	48,236,662	12,608,923	(35,627,739)
10,989,533	11,201,116	5,411,927	(5,789,189)
10,662,801	10,651,301	4,768,382	(5,882,919)
2,715,753	2,822,755	1,291,308	(1,531,447)
884,499	887,099	404,183	(482,916)
1,294,296	1,300,339	572,915	(727,424)
3,461,754	3,500,806	1,329,855	(2,170,951)
320,959	321,217	149,571	(171,646)
1,446,530	1,454,751	670,636	(784,115)
320,738	346,110	52,599	(293,511)
564,636	574,636	382,951	(191,685)
32,661,499	33,060,130	15,034,327	(18,025,803)
15,398,401	15,176,532	(2,425,404)	(17,601,936)
12,443,612	12,523,256	3,945,772	(8,577,484)
(12,419,212)	(12,486,741)	(3,213,642)	9,273,099
3,132,230	3,360,963	297,681	(3,063,282)
-	-	924	924
-	-	50	50
-	-	858	858
$ 18,555,031	$ 18,574,010	(1,393,761)	$ (19,967,771)
		5,219,395	
		13,388	
		5,232,783	
		45,597	
		$ 3,884,619	

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

The State does not budget by the prescribed fund types of Generally Accepted Accounting Principles (GAAP). Appropriations may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these various levels depending on the Legislature's view of the activity. The Relational Statewide Accounting and Reporting System (R*STARS) controls expenditures by budgeted expenditure item as established in approved appropriation bills. Each item on an approved appropriation bill is assigned an appropriation number. Expenditures may not exceed appropriations. In R*STARS, appropriated funds are tied to one or more appropriation numbers to ensure that appropriated expenditure amounts are not exceeded.

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2007-2009 biennium as of June 30, 2008. A copy of this report is available at the State Controller's Division, 155 Cottage Street NE U50, Salem, Oregon 97301-3969.

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

Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent that liabilities have been incurred at June 30, provided payment of liabilities is made during the succeeding six month period of July 1 through December 31. Any remaining unexpended appropriations lapse December 31 following the end of the biennium, except for appropriations related to capital construction.

Agencies are required to provide estimates of expected revenues for program revenue and segregated revenue categories. General fund revenues consist primarily of general taxes and other receipts that are paid into the general fund and are then available for appropriation by the Legislature. Revenues not recorded in the general fund consist of function specific revenues, which are credited by law to an appropriation to finance a specified program and segregated revenues that are paid into separate identifiable funds.

Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the accompanying "Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budget amounts reported for expenditures represent the original budget modified by legally authorized legislative and executive changes as well as Emergency Board actions taken during the year.

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

- Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.
- Revenues are recognized when received in cash (budgetary) as opposed to when they are susceptible to accrual (GAAP).
- Expenditures are recognized when paid in cash or encumbered (budgetary) as opposed to when the liability is incurred (GAAP).
- Nonappropriated and nonbudgeted funds are not included in the budgetary schedule.
- Timing differences occur because of a six-month lapse period between June 30 and December 31 of each odd-numbered year.

These different accounting principles may result in basis, perspective, entity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources over (under) expenditures and other uses of financial resources. A reconciliation of these differences is presented in the notes to required supplementary information (Note 2).

The following budgeted appropriated funds have been established in R*STARS to account for the State's budgetary activities: General Fund, Federal Funds, Lottery Funds, and Other Funds.

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

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

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2008 is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net assets.

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

	Budgetary Balances Classified into GAAP Fund Structure								
GAAP Fund	Budgeted General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Non-Budgeted Funds	GAAP Balances
General	(1,646,534)	-	-	-	(1,646,534)	537,717	1,251,622	(124,120)	18,685
Health & Social Services	-	(65,839)	1,484	89,057	24,702	45,793	112,595	43,396	226,486
Public Transportation	-	(1,069)	-	(214,262)	(215,331)	(84,027)	30,144	20,534	(248,680)
Environmental Management	-	(21,792)	52,553	941	31,702	(43,961)	13,535	30,421	31,697
Common School	-	-	-	1,888	1,888	(1,160)	(118,791)	(54,598)	(172,661)
Oregon Rainy Day	-	-	-	-	-	-	-	11,387	11,387
Nonmajor Governmental	-	(82,121)	245,382	40,442	203,703	(49,692)	(152,660)	159,129	160,480
Housing & Community Services	-	-	-	(775)	(775)	(283)	(1,172)	16,928	14,698
Veterans' Loan	-	-	-	(6,662)	(6,662)	(118)	(51)	15,674	8,843
Lottery Operations	-	-	-	-	-	-	-	30,364	30,364
Unemployment Compensation	-	-	-	-	-	-	-	64,088	64,088
University System	-	-	5,393	204,448	209,841	(40,963)	(168,878)	80,468	80,468
Nonmajor Proprietary	-	-	-	14,064	14,064	(1,409)	(52,415)	78,563	38,803
Internal Service	-	-	-	(12,504)	(12,504)	(5,780)	34,079	(8,918)	6,877
Pension and Other Employee Benefit Trust	-	-	-	2,088	2,088	(1,433)	(39,659)	(4,560,632)	(4,599,636)
Private Purpose Trust	-	-	-	57	57	-	-	(1,517)	(1,460)
Investment Trust	-	-	-	-	-	-	-	371,051	371,051
Totals (Memo Only)	(1,646,534)	(170,821)	304,812	118,782	(1,393,761)	354,684	908,349	(3,827,782)	(3,958,510)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Public Employees Benefit Board (PEBB Plan)						
7/1/2007	$ 0	$ 323.4	$ 323.4	0%	$ 2,187.2	14.8%
Retiree Health Insurance Premium Account (PERS Plan)						
12/31/2002	$ 2.9	$ 30.1	$ 27.2	9.6%	$ 1,741.9	1.6%
12/31/2003	4.0	25.0	21.0	16.0%	1,711.9	1.2%
12/31/2004[1]	5.2	28.2	23.0	18.4%	1,851.4[2]	1.2%
12/31/2005	6.1	27.0	20.9	22.7%	1,827.0	1.1%
12/31/2006	7.0	23.4	16.4	29.9%	1,946.8	0.8%
12/31/2007	7.8	23.3	15.5	33.6%	2,080.2	0.7%

Notes to the Required Supplementary Information – Schedule of Funding Progress

[1] Effective with the 2004 valuation, the cost method was changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value.

[2] Effective with the 2004 valuation, the Oregon Public Service Retirement Plan (OPSRP) payroll was included in the amortization of the UAAL.

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

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Combining Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

Agricultural Resources Fund

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

Business Development Fund

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

Community Protection Fund

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

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Funding is generated mainly from public utilities taxes and business license fees.

Educational Support Fund

This fund is used to account for programs that provide students with opportunities to develop their academic abilities to the fullest from early childhood into postgraduate research, not including activities accounted for in the Common School Fund. The principal funding sources for these programs come from federal grants and transfers from other funds.

Employment Services Fund

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

Nutritional Support Fund

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

Residential Assistance Fund

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

Other Special Revenue Funds

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

Debt Service Funds

Debt Service Funds account for the accumulation of resources for the payment of interest and principal on long-term obligations.

Revenue Bond Fund

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

Certificates of Participation Fund

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

General Obligation Bond Fund

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

General Appropriation Bond Fund

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

Capital Projects Fund

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

Permanent Fund

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

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	**Business Development**	**Community Protection**
ASSETS			
Cash and Cash Equivalents	$ 22,660	$ 139,114	$ 150,864
Investments	-	5,184	85
Cash and Securities Held in Trust	-	43	-
Securities Lending Cash Collateral	8,865	74,333	84,121
Accounts and Interest Receivable (net)	3,172	1,190	62,151
Taxes Receivable	-	-	-
Due from Other Funds	1,389	169,679	8,725
Due from Other Governments	-	-	-
Inventories	213	57	1,235
Prepaid Items	44	-	6
Net Contracts, Notes and Other Receivables	-	206	105,917
Long-term Receivables - Component Units	-	-	-
Loans Receivable	-	779	-
Total Assets	$ 36,343	$ 390,585	$ 413,104
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	$ 1,036	$ 5,219	$ 18,878
Obligations Under Securities Lending	8,865	74,333	84,121
Due to Other Funds	29	140,627	20,564
Due to Other Governments	-	1,952	3,264
Advances from Other Funds	-	32	-
Trust Funds Payable	875	338	79
Deferred Revenue	149	442	109,638
Contracts, Mortgages and Notes Payable	-	198	-
Total Liabilities	10,954	223,141	236,544
Fund Balances:			
Reserved for Encumbrances	113	2	6,740
Reserved for Inventories	213	57	1,235
Reserved for Loans Receivable	-	779	-
Reserved for Other Long-term Receivables	-	-	-
Reserved for Prepaid Items	44	-	6
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	26	-	89
Unreserved, Undesignated	24,993	166,606	168,490
Total Fund Balances	25,389	167,444	176,560
Total Liabilities and Fund Balances	$ 36,343	$ 390,585	$ 413,104

Special Revenue Funds					
Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other
$ 122,007	$ 435,665	$ 73,462	$ 470	$ 61,760	$ 32,184
-	20,480	217,976	-	16,041	1,384
2,445	-	-	-	-	-
147,089	243,018	40,969	761	33,825	17,627
4,363	30,179	59,306	25,499	6,692	920
5,440	2,525	-	-	-	-
655	58,592	49	-	412	3,523
24	-	-	-	-	-
64	-	3,556	329	109	726
2	128	260	-	-	-
1,841	2	13,687	7	250	-
-	-	-	-	-	-
-	-	-	-	100,667	90
$ 283,930	$ 790,589	$ 409,265	$ 27,066	$ 219,756	$ 56,454
$ 7,746	$ 58,807	$ 32,902	$ 19,254	$ 4,957	$ 1,495
147,089	243,018	40,969	761	33,825	17,627
4,808	8,237	6,585	303	218	177
4,944	1,355	-	2,065	3,867	50
-	-	1,108	-	40,598	-
2,641	36	238	-	-	15
1,841	2,479	20,915	116	382	21
-	-	-	-	-	-
169,069	313,932	102,717	22,499	83,847	19,385
286	137,742	2,272	1,220	20	2,031
64	-	3,556	329	109	726
-	-	-	-	100,667	90
-	-	-	-	-	-
2	128	260	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	187,850	-	-	-
8	8	102	-	-	-
114,501	338,779	112,508	3,018	35,113	34,222
114,861	476,657	306,548	4,567	135,909	37,069
$ 283,930	$ 790,589	$ 409,265	$ 27,066	$ 219,756	$ 56,454

(continued on next page)

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	**Certificates of Participation**	**General Obligation Bond**	**General Appropriation Bond**
ASSETS				
Cash and Cash Equivalents	$ 33,360	$ 2,632	$ 28,016	$ 34
Investments	64,204	709	8,736	-
Cash and Securities Held in Trust	-	-	-	-
Securities Lending Cash Collateral	-	-	-	-
Accounts and Interest Receivable (net)	36	-	408	-
Taxes Receivable	-	-	-	-
Due from Other Funds	85,129	-	-	-
Due from Other Governments	-	-	-	-
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-	-
Long-term Receivables - Component Units	-	-	1,951	-
Loans Receivable	-	-	-	-
Total Assets	$ 182,729	$ 3,341	$ 39,111	$ 34
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	$ 93	$ 27	$ -	$ -
Obligations Under Securities Lending	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	-	-	-
Trust Funds Payable	8	-	-	-
Deferred Revenue	-	-	1,951	-
Contracts, Mortgages and Notes Payable	-	-	-	-
Total Liabilities	101	27	1,951	-
Fund Balances:				
Reserved for Encumbrances	-	-	-	-
Reserved for Inventories	-	-	-	-
Reserved for Loans Receivable	-	-	-	-
Reserved for Other Long-term Receivables	-	-	-	-
Reserved for Prepaid Items	-	-	-	-
Reserved for Debt Service	182,628	3,314	37,160	34
Reserved for Permanent Fund Principal	-	-	-	-
Reserved for Claims and Judgments Payable	-	-	-	-
Reserved for Revolving Accounts	-	-	-	-
Unreserved, Undesignated	-	-	-	-
Total Fund Balances	182,628	3,314	37,160	34
Total Liabilities and Fund Balances	$ 182,729	$ 3,341	$ 39,111	$ 34

Capital Projects Fund	Permanent Fund	
Capital Projects	**Permanent**	**Total**
$ 4,679	$ 36,802	$ 1,143,709
21,490	-	356,289
-	-	2,488
-	20,526	671,134
2,585	-	196,501
-	-	7,965
497	-	328,650
98	-	122
-	-	6,289
-	-	440
92	-	122,002
-	-	1,951
-	-	101,536
$ 29,441	$ 57,328	$ 2,939,076
$ 3,413	$ 91	$ 153,918
-	20,526	671,134
2,383	-	183,931
-	-	17,497
-	-	41,738
-	-	4,230
72	-	138,006
195	-	393
6,063	20,617	1,210,847
68	194	150,688
-	-	6,289
-	-	101,536
92	-	92
-	-	440
-	-	223,136
-	28,450	28,450
-	-	187,850
-	-	233
23,218	8,067	1,029,515
23,378	36,711	1,728,229
$ 29,441	$ 57,328	$ 2,939,076

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
Revenues:			
Public Utilities Taxes	$ -	$ -	$ -
Employer-Employee Taxes	-	-	-
Workers' Compensation Insurance Taxes	-	-	-
Other Taxes	-	-	-
Licenses and Fees	15,744	3,260	36,367
Federal	5,097	16,127	174,425
Charges for Services	7,403	3,124	22,538
Fines and Forfeitures	28	45	81,511
Rents and Royalties	-	-	4,320
Investment Income	977	10,496	2,602
Sales	6	1,810	2,200
Donations and Grants	96	8,326	893
Pension Bond Debt Service Assessments	-	-	-
Other	1,250	1,505	51,432
Total Revenues	30,601	44,693	376,288
Expenditures:			
Current:			
Education	-	-	-
Human Services	-	-	2,172
Public Safety	-	1,724	338,130
Economic and Community Development	-	68,203	-
Natural Resources	35,176	151	-
Transportation	-	-	9,393
Consumer and Business Services	-	459	-
Administration	-	30,853	14,103
Legislative	-	-	-
Judicial	-	-	46,575
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	3	8
Other Debt Service	-	137	3
Total Expenditures	35,176	101,530	410,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,575)	(56,837)	(34,096)
Other Financing Sources (Uses):			
Transfers from Other Funds	8,154	668,166	88,845
Transfers to Other Funds	(70)	(655,196)	(45,955)
Insurance Recoveries	-	-	726
Long-term Debt Issued	-	12,050	-
Debt Issuance Premium	-	89	-
Refunded Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	8,084	25,109	43,616
Net Change in Fund Balances	3,509	(31,728)	9,520
Fund Balances - Beginning	21,915	201,016	166,239
Prior Period Adjustments	4	(1,819)	(52)
Fund Balances - Beginning - As Restated	21,919	199,197	166,187
Change in Reserve for Inventories	(39)	(25)	853
Fund Balances - Ending	$ 25,389	$ 167,444	$ 176,560

Special Revenue Funds

Consumer Protection	Educational Support	Employment Services	Nutritional Support	Residential Assistance	Other
$ 64,917	$ -	$ -	$ -	$ 24,704	$ -
-	-	76,576	-	-	-
-	-	40,733	-	-	-
20,874	239	-	-	2,668	-
85,467	373	2,284	-	469	-
491	412,635	190,996	684,908	100,338	2,263
1,698	3,439	18,562	1,271	3,326	16,096
3,369	-	5,781	-	1,146	-
-	133	-	-	-	361
7,883	20,956	34,560	17	8,701	1,646
34	185	266	-	5	2,186
-	15,327	671	125	42	131
-	-	-	-	-	-
548	1,016	1,440	19,915	279	389
185,281	454,303	371,869	706,236	141,678	23,072
2,389	880,134	53,565	135,515	-	-
-	-	-	570,959	-	-
-	-	-	-	-	-
-	-	129,933	1,047	144,976	1,560
2,728	-	-	-	387	-
89	-	-	-	-	-
142,816	-	153,630	-	4,356	-
28,255	44,906	763	30	11	63,544
-	-	-	-	-	1,945
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	74	276
176,277	925,040	337,891	707,551	149,804	67,325
9,004	(470,737)	33,978	(1,315)	(8,126)	(44,253)
18,170	666,452	35,728	-	11,931	38,253
(15,684)	(10,723)	(69,219)	(1,797)	(15,577)	(3,914)
-	-	-	-	-	-
-	-	-	-	9,890	851
-	-	-	-	184	10
-	-	-	-	-	-
-	-	-	-	-	-
2,486	655,729	(33,491)	(1,797)	6,428	35,200
11,490	184,992	487	(3,112)	(1,698)	(9,053)
103,358	291,665	306,134	7,558	137,542	27,070
(6)	-	191	-	-	19,028
103,352	291,665	306,325	7,558	137,542	46,098
19	-	(264)	121	65	24
$ 114,861	$ 476,657	$ 306,548	$ 4,567	$ 135,909	$ 37,069

(continued on next page)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(In Thousands)
(continued from previous page)

	Debt Service Funds			
	Revenue Bond	**Certificates of Participation**	**General Obligation Bond**	**General Appropriation Bond**
Revenues:				
Public Utilities Taxes	$ -	$ -	$ -	$ -
Employer-Employee Taxes	-	-	-	-
Workers' Compensation Insurance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	4,953	247	2,793	260
Sales	-	-	-	-
Donations and Grants	-	-	-	-
Pension Bond Debt Service Assessments	-	-	121,035	-
Other	20	-	-	-
Total Revenues	4,973	247	123,828	260
Expenditures:				
Current:				
Education	-	-	-	-
Human Services	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	30	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	-
Debt Service:				
Principal	89,416	1,754	16,337	27,950
Interest	91,251	1,200	127,539	17,123
Other Debt Service	192	54	-	-
Total Expenditures	180,889	3,008	143,876	45,073
Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,916)	(2,761)	(20,048)	(44,813)
Other Financing Sources (Uses):				
Transfers from Other Funds	196,973	4,124	17,873	44,806
Transfers to Other Funds	(3,124)	(8)	(161)	-
Insurance Recoveries	-	-	-	-
Long-term Debt Issued	-	1,089	-	-
Debt Issuance Premium	828	-	-	-
Refunded Debt Issued	14,310	-	-	-
Refunded Debt Payment to Escrow Agent	(15,036)	-	-	-
Total Other Financing Sources (Uses)	193,951	5,205	17,712	44,806
Net Change in Fund Balances	18,035	2,444	(2,336)	(7)
Fund Balances - Beginning	164,593	870	41,400	41
Prior Period Adjustments	-	-	(1,904)	-
Fund Balances - Beginning - As Restated	164,593	870	39,496	41
Change in Reserve for Inventories	-	-	-	-
Fund Balances - Ending	$ 182,628	$ 3,314	$ 37,160	$ 34

Capital Projects Fund	Permanent Fund	
Capital Projects	**Permanent**	**Total**
$ -	$ -	$ 89,621
-	-	76,576
-	-	40,733
-	-	23,781
-	-	143,964
17,941	-	1,605,221
-	-	77,457
-	-	91,880
-	-	4,814
1,922	2,323	100,336
-	-	6,692
-	124	25,735
-	-	121,035
1,892	93	79,779
21,755	2,540	2,487,624
-	-	1,071,603
-	3,471	576,602
-	-	339,854
-	-	345,719
-	342	38,784
-	-	9,512
-	17	301,278
-	-	182,465
-	-	1,945
-	-	46,575
78,195	-	78,195
-	-	135,457
-	-	237,124
-	-	736
78,195	3,830	3,365,849
(56,440)	(1,290)	(878,225)
6,879	3,433	1,809,787
(1,645)	(6)	(823,079)
459	-	1,185
26,315	-	50,195
232	-	1,343
-	-	14,310
-	-	(15,036)
32,240	3,427	1,038,705
(24,200)	2,137	160,480
48,033	34,574	1,552,008
(455)	-	14,987
47,578	34,574	1,566,995
-	-	754
$ 23,378	$ 36,711	$ 1,728,229

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Nonmajor Enterprise Funds

Enterprise Funds account for goods and services provided to the general public on a continuous basis, either when all or most of the cost involved in operating the enterprise is intended to be financed from user charges, or when periodic measurement of the results of operations is appropriate for management control or accountability.

Energy Loan Fund

This fund accounts for activities to provide low-interest loans for renewable energy resource and energy conservation projects. Funding is from the issuance of bonds that are repaid from the interest and principal payments on loans.

Water Resources Fund

In fiscal year 2008, the activities of the Water Resources Fund were moved into the Other Enterprise Funds.

Safe Drinking Water

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

Business Development Fund

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

Special Public Works Fund

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

State Hospitals Fund

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

Liquor Control Fund

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

Veterans' Home Fund

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

Water Fund

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

Other Enterprise Funds

This fund is used to account for the sale of goods and services to other than governmental entities through activities not specifically accounted for in another enterprise fund. This includes programs within the following state agencies: the Department of Administrative Services, Legislative Administration Committee, the Judicial Department, the Oregon Facilities Authority, the Office of the State Treasurer, the Department of Corrections, Oregon Corrections Enterprises, the Department of Forestry, the Parks and Recreation Department, the Water Resources Department and the Economic and Community Development Department.

Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2008
(In Thousands)

	Energy Loan	Water Resources	Safe Drinking Water
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ -	$ -	$ 26,011
Cash and Cash Equivalents - Restricted	-	-	-
Securities Lending Cash Collateral	-	-	14,507
Accounts and Interest Receivable (net)	872	-	1,709
Due from Other Funds	-	-	55
Inventories	-	-	-
Prepaid Items	-	-	-
Total Current Assets	872	-	42,282
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	52,973	-	-
Investments - Restricted	-	-	-
Deferred Charges	897	-	-
Advances to Other Funds	19,268	-	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable	110,147	-	95,168
Capital Assets:			
Land	-	-	-
Buildings, Property and Equipment	264	-	-
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	-	-
Less Accumulated Depreciation and Amortization	(190)	-	-
Total Noncurrent Assets	183,359	-	95,168
Total Assets	$ 184,231	$ -	$ 137,450
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	$ 2,223	$ -	$ 28
Obligations Under Securities Lending	-	-	14,507
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Matured Bonds/COPS and Coupons Payable	-	-	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	17,720	-	-
Trust Funds Payable	1,530	-	-
Unearned Revenue	128	-	-
Compensated Absences Payable	31	-	9
Arbitrage Rebate Payable	42	-	-
Total Current Liabilities	21,674	-	14,544
Noncurrent Liabilities:			
Bonds/COPS Payable	143,113	-	-
Obligations Under Capital Lease	-	-	-
Advances from Other Funds	-	-	100
Trust Funds Payable	-	-	-
Compensated Absences Payable	15	-	4
Arbitrage Rebate Payable	73	-	-
Net OPEB Obligation	4	-	-
Total Noncurrent Liabilities	143,205	-	104
Total Liabilities	164,879	-	14,648
Net Assets:			
Invested in Capital Assets, Net of Related Debt	75	-	-
Expendable Restricted Net Assets:			
Restricted for Debt Service	14,577	-	-
Unrestricted	4,700	-	122,802
Total Net Assets	19,352	-	122,802
Total Liabilities and Net Assets	$ 184,231	$ -	$ 137,450

Business Development	Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ 10,129	$ 57,027	$ -	$ 29,143	$ 1,654	$ 13,030	$ 27,411	$ 164,405
-	-	-	-	-	-	103	103
5,649	31,805	-	15,772	819	7,267	12,329	88,148
67	7,828	2,463	77	1,136	2,472	3,977	20,601
-	-	12,435	-	-	-	-	12,490
-	-	663	18,180	-	-	8,913	27,756
580	-	295	32	-	-	178	1,085
16,425	96,660	15,856	63,204	3,609	22,769	52,911	314,588
-	3,584	-	-	-	1,295	-	57,852
-	1,875	-	-	-	373	-	2,248
-	1,806	-	-	-	605	-	3,308
-	-	-	-	-	100	-	19,368
-	-	-	-	7	-	-	7
18,693	261,466	-	-	-	90,196	9,772	585,442
-	-	41	1,434	600	-	3,385	5,460
-	-	41,748	20,863	12,745	-	37,459	113,079
-	-	880	-	-	-	-	880
-	-	-	-	40	-	-	40
-	-	(16,537)	(8,608)	(3,340)	-	(19,014)	(47,689)
18,693	268,731	26,132	13,689	10,052	92,569	31,602	739,995
$ 35,118	$ 365,391	$ 41,988	$ 76,893	$ 13,661	$ 115,338	$ 84,513	$ 1,054,583
$ 21	$ 2,724	$ 2,594	$ 18,357	$ 890	$ 1,254	$ 2,919	$ 31,010
5,649	31,805	-	15,772	819	7,267	12,329	88,148
-	-	4,820	7,583	63	-	247	12,713
-	74	-	-	-	120	-	194
-	-	-	-	-	-	103	103
-	-	4	-	-	-	42	46
-	15,340	-	-	-	10,610	1,099	44,769
-	492	-	-	-	66	35	2,123
-	-	-	189	-	-	494	811
11	55	5,022	695	5	16	609	6,453
-	-	-	-	-	-	-	42
5,681	50,490	12,440	42,596	1,777	19,333	17,877	186,412
-	101,594	-	-	-	40,966	8,127	293,800
-	-	5	-	-	-	-	5
-	-	-	-	-	-	-	100
-	151	-	-	-	218	-	369
6	27	2,474	342	3	8	230	3,109
-	-	-	-	-	-	-	73
1	7	916	86	-	3	78	1,095
7	101,779	3,395	428	3	41,195	8,435	298,551
5,688	152,269	15,835	43,024	1,780	60,528	26,312	484,963
-	-	26,122	13,688	10,046	-	12,561	62,492
-	6,700	-	-	-	165	9,295	30,737
29,430	206,422	31	20,181	1,835	54,645	36,345	476,391
29,430	213,122	26,153	33,869	11,881	54,810	58,201	569,620
$ 35,118	$ 365,391	$ 41,988	$ 76,893	$ 13,661	$ 115,338	$ 84,513	$ 1,054,583

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008
(In Thousands)

	Energy Loan	Water Resources	Safe Drinking Water
Operating Revenues:			
Licenses and Fees	$ 419	$ -	$ -
Federal	-	-	-
Charges for Services	106	-	-
Fines and Forfeitures	11	-	-
Rents and Royalties	-	-	-
Sales	-	-	-
Loan Interest Income	7,031	-	2,189
Investment Income	2,343	-	1,280
Other	13	-	-
Total Operating Revenues	9,923	-	3,469
Operating Expenses:			
Salaries and Wages	698	-	244
Services and Supplies	563	-	244
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	-	-
Special Payments	-	-	-
Bond and COP Interest	7,084	-	-
Other Debt Service	-	-	-
Depreciation and Amortization	53	-	-
Bad Debt Expense	1,153	-	-
Total Operating Expenses	9,551	-	488
Operating Income (Loss)	372	-	2,981
Nonoperating Revenues (Expenses):			
Investment Income (Loss)	-	-	-
Other Taxes	-	-	-
Gain (Loss) on Disposition of Assets	-	-	-
Insurance Recoveries	-	-	-
Loan Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	372	-	2,981
Transfers from Other Funds	-	-	119,821
Transfers to Other Funds	-	(2,143)	-
Change in Net Assets	372	(2,143)	122,802
Net Assets - Beginning	18,980	2,143	-
Prior Period Adjustments	-	-	-
Net Assets - Beginning - As Restated	18,980	2,143	-
Net Assets - Ending	$ 19,352	$ -	$ 122,802

Business Development	Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ -	$ -	$ -	$ 3,814	$ -	$ -	$ -	$ 4,233
-	-	-	-	3,105	-	-	3,105
43	-	34,110	-	7,881	-	17,724	59,864
-	-	-	476	-	-	16	503
-	-	109	-	-	-	3	112
-	-	597	401,814	-	-	18,333	420,744
1,100	12,996	-	-	-	4,207	469	27,992
566	4,091	-	-	-	984	1,253	10,517
4	1	376	300	2	-	3,905	4,601
1,713	17,088	35,192	406,404	10,988	5,191	41,703	531,671
426	1,587	159,283	15,640	120	475	16,414	194,887
201	1,052	42,714	43,687	10,463	299	6,998	106,221
-	-	-	202,604	-	-	12,465	215,069
-	959	-	44,284	-	1,184	57	46,484
-	-	-	257	-	-	-	257
-	6,914	-	-	-	2,581	392	16,971
-	192	-	-	-	64	-	256
-	-	1,816	916	315	-	1,221	4,321
(202)	930	-	-	-	-	-	1,881
425	11,634	203,813	307,388	10,898	4,603	37,547	586,347
1,288	5,454	(168,621)	99,016	90	588	4,156	(54,676)
-	-	-	-	62	-	-	62
-	-	-	16,086	-	-	-	16,086
-	-	-	8	-	-	17	25
-	-	-	17	-	-	-	17
-	-	(5)	-	-	-	(4)	(9)
-	-	(5)	16,111	62	-	13	16,181
1,288	5,454	(168,626)	115,127	152	588	4,169	(38,495)
-	-	174,431	3	154	-	2,143	296,552
(211)	(11)	(4)	(111,262)	-	(2,413)	(103,210)	(219,254)
1,077	5,443	5,801	3,868	306	(1,825)	(96,898)	38,803
28,353	207,679	20,356	30,001	11,575	56,635	154,499	530,221
-	-	(4)	-	-	-	600	596
28,353	207,679	20,352	30,001	11,575	56,635	155,099	530,817
$ 29,430	$ 213,122	$ 26,153	$ 33,869	$ 11,881	$ 54,810	$ 58,201	$ 569,620

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008
(In Thousands)

	Energy Loan	Water Resources	Safe Drinking Water
Cash Flows from Operating Activities:			
Receipts from Customers	$ 513	$ -	$ -
Receipts from Other Funds For Services	-	-	-
Loan Principal Repayments	18,741	-	2,633
Loan Interest Received	6,711	-	1,717
Payments to Employees for Services	(687)	-	(236)
Payments to Suppliers	(646)	-	(11)
Payments to Other Funds for Services	(125)	-	(18)
Loans Made	(40,263)	-	(17,566)
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	(19)	-	-
Net Cash Provided (Used) in Operating Activities	(15,775)	-	(13,481)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	18,000	-	-
Principal Payments on Bonds/COPS	(12,240)	-	-
Interest Payments on Bonds/COPS	(7,000)	-	-
Bond/COP Issuance Costs	(27)	-	-
Repayments on Advances Received	-	-	-
Interest Payments on Advances	-	-	-
Taxes and Assessments Received	-	-	-
Other Nonoperating Receipts	-	-	-
Transfers from Other Funds	-	-	18,756
Transfers to Other Funds	-	(1,761)	-
Net Cash Provided (Used) in Noncapital Financing Activities	(1,267)	(1,761)	18,756
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Acquisition of Capital Assets	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities:			
Purchases of Investments	-	-	-
Proceeds from Sales and Maturities of Investments	-	-	-
Interest on Investments and Cash Balances	2,344	-	1,043
Interest Income from Securities Lending	-	-	237
Interest Expense from Securities Lending	-	-	(216)
Net Cash Provided (Used) in Investing Activities	2,344	-	1,064
Net Increase (Decrease) in Cash and Cash Equivalents	(14,698)	(1,761)	6,339
Cash and Cash Equivalents - Beginning	67,671	1,761	-
Prior Period Adjustments Restating Beginning Cash Balances	-	-	19,672
Cash and Cash Equivalents - Ending	$ 52,973	$ -	$ 26,011

Business Development	Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ 43	$ -	$ 33,305	$ 406,196	$ 7,914	$ -	$ 37,378	$ 485,349
-	-	34	-	-	-	184	218
3,343	34,188	-	-	-	4,222	1,207	64,334
1,101	12,308	-	-	-	3,858	550	26,245
(425)	(1,608)	(157,952)	(15,498)	(116)	(470)	(16,365)	(193,357)
(42)	(187)	(40,490)	(243,142)	(10,489)	(39)	(18,911)	(313,957)
(81)	(255)	(1,972)	(3,065)	(19)	(96)	(748)	(6,379)
(3,949)	(31,504)	-	-	-	(10,233)	(2,362)	(105,877)
-	(887)	-	(41,237)	-	(1,228)	(60)	(43,412)
3	(341)	168	46	3,206	(37)	3,603	6,629
(7)	11,714	(166,907)	103,300	496	(4,023)	4,476	(80,207)
-	-	-	-	-	-	-	18,000
-	(26,575)	-	-	-	(2,871)	-	(41,686)
-	(6,787)	-	-	-	(2,638)	-	(16,425)
-	-	-	-	-	-	-	(27)
-	-	-	-	-	-	(67)	(67)
-	-	-	-	-	-	(4)	(4)
-	-	-	16,125	-	-	-	16,125
-	-	-	17	-	-	-	17
-	-	167,170	3	154	-	1,683	187,766
(211)	(11)	(1,162)	(113,963)	-	(2,413)	(2,743)	(122,264)
(211)	(33,373)	166,008	(97,818)	154	(7,922)	(1,131)	41,435
-	-	(145)	-	-	-	(958)	(1,103)
-	-	(5)	-	-	-	(434)	(439)
-	-	(347)	(1,566)	(148)	-	(992)	(3,053)
-	-	-	8	-	-	180	188
-	-	(497)	(1,558)	(148)	-	(2,204)	(4,407)
-	(43,610)	-	-	-	(1,623)	-	(45,233)
-	44,606	-	-	-	1,626	1	46,233
462	3,147	-	-	45	804	874	8,719
105	715	-	-	17	183	199	1,456
(96)	(653)	-	-	(16)	(167)	(181)	(1,329)
471	4,205	-	-	46	823	893	9,846
253	(17,454)	(1,396)	3,924	548	(11,122)	2,034	(33,333)
9,876	78,065	1,396	25,219	1,106	25,447	46,173	256,714
-	-	-	-	-	-	(20,693)	(1,021)
$ 10,129	$ 60,611	$ -	$ 29,143	$ 1,654	$ 14,325	$ 27,514	$ 222,360

(continued on next page)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008
(In Thousands)
(continued from previous page)

	Energy Loan	Water Resources	Safe Drinking Water
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 372	$ -	$ 2,981
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	53	-	-
Amortization of Bond/COP Issuance Costs	127	-	-
Amortization of Bond/COP Premium and Discount	(14)	-	-
Amortization of Deferred Charges	10	-	-
Bad Debt Expense	1,153	-	-
Interest Income Reported as Operating Revenue	(2,343)	-	(1,064)
Investment Expense Reported as Operating Expense	-	-	-
Interest Payments Reported as Operating Expense	7,233	-	-
Bond/COP Issuance Costs Reported as Operating Expense	27	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	(323)	-	(472)
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Deferred Charges	(65)	-	-
Advances to Other Funds	(4,240)	-	-
Loans Receivable	(17,283)	-	(14,933)
Net Contracts, Notes and Other Receivables	-	-	-
Accounts and Interest Payable	(147)	-	7
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Trust Funds Payable	(322)	-	-
Unearned Revenue	(23)	-	-
Compensated Absences Payable	6	-	-
Net OPEB Obligation	4	-	-
Total Adjustments	(16,147)	-	(16,462)
Net Cash Provided (Used) by Operating Activities	$ (15,775)	$ -	$ (13,481)
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	$ -	$ -	$ -
Assets Transferred to Governmental Funds	-	-	-
Liabilities Transferred to Governmental Funds	-	-	-
Total Noncash Investing and Capital and Related Financing Activities	$ -	$ -	$ -

Business Development	Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
$ 1,288	$ 5,454	$ (168,621)	$ 99,016	$ 90	$ 588	$ 4,156	$ (54,676)
-	-	1,815	916	314	-	1,221	4,319
-	133	-	-	-	48	-	308
-	18	-	-	-	5	(47)	(38)
-	59	-	-	-	16	11	96
(202)	930	-	-	21	-	-	1,902
(471)	(3,203)	-	-	-	(817)	(890)	(8,788)
-	-	-	-	15	-	-	15
-	6,787	-	-	-	2,636	433	17,089
-	-	-	-	-	-	-	27
1	(923)	(1,679)	9	22	(349)	354	(3,360)
-	(7)	1,180	-	-	-	-	1,173
-	-	-	-	-	-	(2)	(2)
-	-	185	(1,531)	-	-	(766)	(2,112)
(20)	-	-	(7)	-	-	(14)	(41)
-	-	-	-	-	-	-	(65)
-	-	-	-	-	-	-	(4,240)
(605)	2,684	-	-	-	(6,375)	(694)	(37,206)
-	-	-	-	(13)	365	-	352
2	40	9	4,600	34	(60)	336	4,821
-	6	(1,158)	-	8	-	-	(1,144)
-	74	-	-	-	(44)	-	30
-	(342)	-	-	-	(37)	190	(511)
-	-	-	124	-	-	12	113
(1)	(3)	447	87	5	(1)	98	638
1	7	915	86	-	2	78	1,093
(1,295)	6,260	1,714	4,284	406	(4,611)	320	(25,531)
$ (7)	$ 11,714	$ (166,907)	$ 103,300	$ 496	$ (4,023)	$ 4,476	$ (80,207)

$ -	$ (5)	$ -	$ -	$ -	$ (1)	$ -	$ (6)
-	-	876	-	-	-	-	876
-	-	(1,259)	-	-	-	-	(1,259)
$ -	$ (5)	$ (383)	$ -	$ -	$ (1)	$ -	$ (389)

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Internal Service Funds

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

Central Services Fund

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

Legal Services Fund

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

Banking Services Fund

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

Audit Services Fund

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

Forestry Services Fund

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

Other Internal Service Funds

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

Combining Balance Sheet
Internal Service Funds
June 30, 2008
(In Thousands)

	Central Services	Legal Services
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 35,429	$ 8,830
Investments	83,863	-
Securities Lending Cash Collateral	168,390	4,924
Accounts and Interest Receivable (net)	63,752	6,334
Due from Other Funds	48	4,482
Inventories	1,119	283
Prepaid Items	423	-
Total Current Assets	353,024	24,853
Noncurrent Assets:		
Cash and Cash Equivalents - Restricted	272	-
Investments - Restricted	7,127	-
Deferred Charges	981	-
Advances to Other Funds	757	-
Net Contracts, Notes and Other Receivables	1,857	88
Capital Assets:		
Land	10,889	-
Buildings, Property and Equipment	515,722	2,585
Construction in Progress	15,818	707
Infrastructure	637	-
Works of Art and Historical Treasures	141	-
Less Accumulated Depreciation and Amortization	(199,252)	(1,487)
Total Noncurrent Assets	354,949	1,893
Total Assets	$ 707,973	$ 26,746
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts and Interest Payable	$ 19,334	$ 887
Obligations Under Securities Lending	168,390	4,924
Due to Other Funds	63	889
Bonds/COPS Payable	25,243	-
Claims and Judgments Payable	29,975	-
Trust Funds Payable	441	7
Unearned Revenue	26,046	1,075
Compensated Absences Payable	2,434	2,374
Contracts, Mortgages and Notes Payable	305	-
Total Current Liabilities	272,231	10,156
Noncurrent Liabilities:		
Bonds/COPS Payable	177,431	-
Advances from Other Funds	322	-
Claims and Judgments Payable	90,994	-
Compensated Absences Payable	1,199	1,169
Arbitrage Rebate Payable	309	-
Net OPEB Obligation	270	220
Total Noncurrent Liabilities	270,525	1,389
Total Liabilities	542,756	11,545
Net Assets:		
Invested in Capital Assets, Net of Related Debt	155,899	1,804
Unrestricted	9,318	13,397
Total Net Assets	165,217	15,201
Total Liabilities and Net Assets	$ 707,973	$ 26,746

Banking Services	Audit Services	Forestry Services	Other	Total
$ 4,770	$ 2,783	$ 3,300	$ 3,642	$ 58,754
-	-	-	-	83,863
2,660	1,552	1,841	2,031	181,398
1,360	149	81	202	71,878
-	-	-	-	4,530
16	-	263	8	1,689
-	-	-	-	423
8,806	4,484	5,485	5,883	402,535
-	-	-	-	272
-	-	-	-	7,127
-	-	-	-	981
-	-	-	-	757
-	-	-	-	1,945
-	-	-	-	10,889
1,875	180	19,968	5,025	545,355
-	-	40	-	16,565
-	-	-	-	637
-	-	-	-	141
(1,823)	(176)	(12,815)	(2,545)	(218,098)
52	4	7,193	2,480	366,571
$ 8,858	$ 4,488	$ 12,678	$ 8,363	$ 769,106
$ 435	$ 221	$ 411	$ 236	$ 21,524
2,660	1,552	1,841	2,031	181,398
-	-	-	24	976
-	-	-	-	25,243
-	-	-	-	29,975
-	-	-	2	450
-	-	-	-	27,121
379	203	105	15	5,510
-	-	-	-	305
3,474	1,976	2,357	2,308	292,502
-	-	-	-	177,431
-	-	-	-	322
-	-	-	-	90,994
187	100	52	8	2,715
-	-	-	-	309
30	26	12	2	560
217	126	64	10	272,331
3,691	2,102	2,421	2,318	564,833
53	4	7,193	2,480	167,433
5,114	2,382	3,064	3,565	36,840
5,167	2,386	10,257	6,045	204,273
$ 8,858	$ 4,488	$ 12,678	$ 8,363	$ 769,106

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008
(In Thousands)

	Central Services	Legal Services
Operating Revenues:		
Charges for Services	$ 196,517	$ 65,317
Rents and Royalties	38,017	3
Sales	10,739	176
Other	18,820	72
Total Operating Revenues	264,093	65,568
Operating Expenses:		
Salaries and Wages	53,736	52,976
Services and Supplies	157,293	10,187
Cost of Goods Sold	20,109	-
Distributions to Other Governments	-	103
Bond and COP Interest	9,042	-
Other Debt Service	155	-
Depreciation and Amortization	32,586	127
Total Operating Expenses	272,921	63,393
Operating Income (Loss)	(8,828)	2,175
Nonoperating Revenues (Expenses):		
Investment Income	12,614	-
Gain (Loss) on Disposition of Assets	265	-
Insurance Recoveries	304	-
Loan Interest Income	45	-
Loan Interest Expense	(20)	-
Total Nonoperating Revenues (Expenses)	13,208	-
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	4,380	2,175
Capital Contributions	77	-
Transfers from Other Funds	3,253	-
Transfers to Other Funds	(4,492)	(39)
Change in Net Assets	3,218	2,136
Net Assets - Beginning	161,655	13,068
Prior Period Adjustments	344	(3)
Net Assets - Beginning - As Restated	161,999	13,065
Net Assets - Ending	$ 165,217	$ 15,201

Banking Services	Audit Services	Forestry Services	Other	Total
$ 12,457	$ 10,340	$ 4,578	$ 2,009	$ 291,218
-	-	2,181	-	40,201
-	-	382	-	11,297
-	-	61	269	19,222
12,457	10,340	7,202	2,278	361,938
8,063	5,571	1,990	398	122,734
4,630	1,449	3,197	1,207	177,963
-	-	-	-	20,109
-	-	-	-	103
-	-	-	-	9,042
-	-	-	-	155
50	4	1,618	390	34,775
12,743	7,024	6,805	1,995	364,881
(286)	3,316	397	283	(2,943)
-	-	-	-	12,614
-	-	294	(6)	553
-	-	49	29	382
-	-	-	-	45
-	-	-	-	(20)
-	-	343	23	13,574
(286)	3,316	740	306	10,631
-	-	24	-	101
1	-	310	33	3,597
-	(2,467)	(334)	(120)	(7,452)
(285)	849	740	219	6,877
5,452	1,537	9,519	5,826	197,057
-	-	(2)	-	339
5,452	1,537	9,517	5,826	197,396
$ 5,167	$ 2,386	$ 10,257	$ 6,045	$ 204,273

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008
(In Thousands)

	Central Services	Legal Services
Cash Flows from Operating Activities:		
Receipts from Customers	$ 46,191	$ 10,533
Receipts from Other Funds for Services	214,533	52,576
Payments to Employees for Services	(56,996)	(51,503)
Payments to Suppliers	(118,755)	(6,519)
Payments to Other Funds for Services	(23,656)	(4,903)
Claims Paid	(11,695)	-
Distributions to Other Governments	-	(103)
Other Receipts (Payments)	(27,978)	141
Net Cash Provided (Used) in Operating Activities	21,644	222
Cash Flows from Noncapital Financing Activities:		
Other Nonoperating Receipts	301	-
Transfers from Other Funds	3,205	-
Transfers to Other Funds	(4,412)	(39)
Net Cash Provided (Used) in Noncapital Financing Activities	(906)	(39)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Bond/COP Sales	7,075	-
Principal Payments on Bonds/COPS	(24,030)	-
Interest Payments on Bonds/COPS	(9,945)	-
Bond/COP Issuance Costs	(144)	-
Repayments on Advances Received	24	-
Interest Payments on Advances	45	-
Principal Payments on Loans	(28)	-
Interest Payments on Loans	(19)	-
Acquisition of Capital Assets	(38,940)	(1,173)
Proceeds from Disposition of Capital Assets	457	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(65,505)	(1,173)
Cash Flows from Investing Activities:		
Purchases of Investments	(82,804)	-
Proceeds from Sales and Maturities of Investments	69,234	-
Interest on Investments and Cash Balances	8,487	-
Interest Income from Securities Lending	3,523	-
Interest Expense from Securities Lending	(3,221)	-
Net Cash Provided (Used) in Investing Activities	(4,781)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(49,548)	(990)
Cash and Cash Equivalents - Beginning	85,249	9,820
Cash and Cash Equivalents - Ending	$ 35,701	$ 8,830

Banking Services	Audit Services	Forestry Services	Other	Total
$ -	$ -	$ -	$ -	$ 56,724
12,431	10,738	7,451	1,977	299,706
(7,969)	(5,501)	(1,974)	(395)	(124,338)
(3,442)	(854)	(2,862)	(896)	(133,328)
(1,149)	(524)	(197)	(186)	(30,615)
-	-	-	-	(11,695)
-	-	-	-	(103)
-	-	61	393	(27,383)
(129)	3,859	2,479	893	28,968
-	-	48	14	363
1	-	310	33	3,549
-	(2,468)	(334)	(124)	(7,377)
1	(2,468)	24	(77)	(3,465)
-	-	-	-	7,075
-	-	-	-	(24,030)
-	-	-	-	(9,945)
-	-	-	-	(144)
-	-	-	-	24
-	-	-	-	45
-	-	-	-	(28)
-	-	-	-	(19)
(44)	-	(2,582)	(753)	(43,492)
-	-	379	66	902
(44)	-	(2,203)	(687)	(69,612)
-	-	-	-	(82,804)
-	-	-	-	69,234
-	-	-	-	8,487
-	-	-	-	3,523
-	-	-	-	(3,221)
-	-	-	-	(4,781)
(172)	1,391	300	129	(48,890)
4,942	1,392	3,000	3,513	107,916
$ 4,770	$ 2,783	$ 3,300	$ 3,642	$ 59,026

(continued on next page)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008
(In Thousands)
(continued from previous page)

	Central Services	Legal Services
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (8,828)	$ 2,175
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	32,586	127
Amortization of Bond/COP Premium and Discount	(804)	-
Amortization of Deferred Charges	308	-
Investment Expense Reported as Operating Expense	3,221	-
Interest Payments Reported as Operating Expense	9,945	-
Bond/COP Issuance Costs Reported as Operating Expense	144	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	(11,770)	(3,011)
Due from Other Funds	-	(1,840)
Inventories	(179)	(207)
Prepaid Items	29	-
Deferred Charges	(86)	-
Net Contracts, Notes and Other Receivables	1,092	(26)
Accounts and Interest Payable	1,483	161
Due to Other Funds	-	1,180
Trust Funds Payable	(48,891)	-
Unearned Revenue	25,946	1,057
Claims and Judgments Payable	17,174	(13)
Contracts, Mortgages and Notes Payable	(364)	-
Compensated Absences Payable	368	399
Net OPEB Obligation	270	220
Total Adjustments	30,472	(1,953)
Net Cash Provided (Used) by Operating Activities	$ 21,644	$ 222
Noncash Investing and Capital and Related Financing Activities:		
Net Change in Fair Value of Investments	$ 592	$ -
Capital Assets Transferred from Governmental Funds	77	-
Capital Assets Transferred to Governmental Funds	(17)	-
Capital Assets Contributed	-	-
Total Noncash Investing and Capital and Related Financing Activities	$ 652	$ -

Banking Services	Audit Services	Forestry Services	Other	Total
$ (286)	$ 3,316	$ 397	$ 283	$ (2,943)
50	4	1,618	390	34,775
-	-	-	-	(804)
-	-	-	-	308
-	-	-	-	3,221
-	-	-	-	9,945
-	-	-	-	144
(46)	399	310	92	(14,026)
-	-	-	-	(1,840)
(2)	-	(10)	-	(398)
-	-	-	-	29
-	-	-	-	(86)
-	-	-	-	1,066
59	68	148	125	2,044
-	-	-	-	1,180
-	-	-	-	(48,891)
-	-	-	-	27,003
-	-	-	-	17,161
-	-	-	-	(364)
66	46	4	1	884
30	26	12	2	560
157	543	2,082	610	31,911
$ (129)	$ 3,859	$ 2,479	$ 893	$ 28,968
$ -	$ -	$ -	$ -	$ 592
-	-	-	-	77
-	-	-	-	(17)
-	-	24	-	24
$ -	$ -	$ 24	$ -	$ 676

Fiduciary Funds
Combining Pension and Other Employee Benefit Trust Funds

Pension Trust Funds

Pension Trust Funds account for the transactions, assets, liabilities, and net assets held in trust for public employees by the Public Employees Retirement System (PERS) for the payment of retirement, disability, and death benefits to members and beneficiaries 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. This activity includes the defined benefit portion of the Oregon Public Service Retirement Plan (OPSRP). Public employees hired on or after August 29, 2003, as well as inactive PERS members who return to employment following a six-month or greater break in service, participate in the OPSRP pension program. The plan is administered by the Public Employees Retirement Board under Oregon Revised Statutes, Chapter 238 and section 401(a) of the Internal Revenue Code.

Individual Account Program Defined Contribution Pension Plan Fund

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

Other Employee Benefit Trust Funds

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

Retirement Health Insurance Account (RHIA) OPEB Plan Fund

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

Retiree Health Insurance Premium Account (RHIPA) OPEB Plan Fund

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

Standard Retiree Health Insurance Account Fund

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

Deferred Compensation Plan Fund

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

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2008
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	Individual Account Program Defined Contribution Pension Plan
ASSETS		
Cash and Cash Equivalents	$ 564,767	$ 67,311
Investments:		
Fixed Income	17,389,390	663,169
Equity	25,181,582	910,414
Real Estate	5,147,632	196,488
Alternative Equity	10,077,256	384,656
Total Investments	57,795,860	2,154,727
Securities Lending Cash Collateral	4,463,278	189,545
Receivables:		
Employer Contributions	22,002	-
Plan Member Contributions	-	10,500
Interest and Dividends	220,291	8,402
Investment Sales	3,048,510	114,043
From Other Funds	1,226	32
Total Receivables	3,292,029	132,977
Prepaid Items	2,109	68
Capital Assets (net of $8,326 accumulated depreciation):		
Land	944	-
Buildings, Property and Equipment	10,504	525
Total Assets	66,129,491	2,545,153
LIABILITIES		
Accounts and Interest Payable	3,297,471	116,077
Obligations Under Securities Lending	4,463,278	189,545
Obligations Under Reverse Repurchase Agreements	279,193	10,657
Due to Other Funds	34	1,117
Bonds/COPS Payable	6,876	232
Trust Funds Payable	72,156	3,230
Deferred Revenue	83	-
Net OPEB Obligation	109	25
Total Liabilities	8,119,200	320,883
NET ASSETS		
Held in Trust for:		
Pension Benefits	58,010,291	2,224,270
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Total Net Assets	$ 58,010,291	$ 2,224,270

Other Employee Benefit Trust Funds

Other Postemployment Benefits

Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Standard Retiree Health Insurance Account	Deferred Compensation Plan	Total
$ 4,841	$ 220	$ 7,364	$ 2,071	$ 646,574
71,621	2,191	-	265,097	18,391,468
98,323	3,006	-	653,350	26,846,675
21,220	649	-	-	5,365,989
41,542	1,270	-	-	10,504,724
232,706	7,116	-	918,447	61,108,856
19,452	640	3,873	1,074	4,677,862
640	20	-	-	22,662
-	-	101	-	10,601
907	28	-	152	229,780
12,318	377	-	3,171	3,178,419
2	-	-	-	1,260
13,867	425	101	3,323	3,442,722
7	-	-	-	2,184
-	-	-	-	944
-	-	-	-	11,029
270,873	8,401	11,338	924,915	69,890,171
12,514	383	20	298	3,426,763
19,452	640	3,873	1,074	4,677,862
1,151	35	-	-	291,036
20	8	21	60	1,260
-	-	-	-	7,108
-	-	-	-	75,386
-	-	-	828	911
3	-	7	3	147
33,140	1,066	3,921	2,263	8,480,473
-	-	-	-	60,234,561
237,733	7,335	-	-	245,068
-	-	7,417	922,652	930,069
$ 237,733	$ 7,335	$ 7,417	$ 922,652	$ 61,409,698

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2008
(In Thousands)

	Pension Trust Funds	
	Public Employees Defined Benefit Pension Plan	**Individual Account Program Defined Contribution Pension Plan**
ADDITIONS		
Contributions:		
Employer	$ 763,165	$ -
Plan Members	11,937	465,518
Total Contributions	775,102	465,518
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(3,963,465)	(132,059)
Interest, Dividends and Other Investment Income	1,699,771	97,465
Total Investment Income	(2,263,694)	(34,594)
Less Investment Expense	541,482	20,009
Net Investment Income	(2,805,176)	(54,603)
Other Income	440	7
Total Additions	(2,029,634)	410,922
DEDUCTIONS		
Pension Benefits	2,756,873	55,478
Death Benefits	11,432	-
Contributions Refunded	50,661	-
Healthcare Premium Subsidies	-	-
Retiree Healthcare Expenses	-	-
Deferred Compensation Benefits	-	-
Administrative Expenses	33,051	7,871
Total Deductions	2,852,017	63,349
Change in Net Assets Held in Trust For:		
Pension Benefits	(4,881,651)	347,573
Other Postemployment Benefits	-	-
Other Employee Benefits	-	-
Net Assets - Beginning	62,891,942	1,876,697
Net Assets - Ending	$ 58,010,291	$ 2,224,270

Other Employee Benefit Trust Funds

Other Postemployment Benefits

Retirement Health Insurance Account OPEB Plan	Retiree Health Insurance Premium Account OPEB Plan	Standard Retiree Health Insurance Account	Deferred Compensation Plan	Total
$ 27,783	$ 1,791	$ -	$ -	$ 792,739
-	-	103,966	70,449	651,870
27,783	1,791	103,966	70,449	1,444,609
(15,166)	(468)	-	(132,978)	(4,244,136)
7,152	225	674	60,523	1,865,810
(8,014)	(243)	674	(72,455)	(2,378,326)
2,232	70	140	2,473	566,406
(10,246)	(313)	534	(74,928)	(2,944,732)
-	-	13	897	1,357
17,537	1,478	104,513	(3,582)	(1,498,766)
-	-	-	-	2,812,351
-	-	-	-	11,432
-	-	-	-	50,661
27,624	1,906	-	-	29,530
-	-	101,781	-	101,781
-	-	-	50,366	50,366
900	105	2,021	801	44,749
28,524	2,011	103,802	51,167	3,100,870
-	-	-	-	(4,534,078)
(10,987)	(533)	-	-	(11,520)
-	-	711	(54,749)	(54,038)
248,720	7,868	6,706	977,401	66,009,334
$ 237,733	$ 7,335	$ 7,417	$ 922,652	$ 61,409,698

Agency Fund

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

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008
(In Thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and Cash Equivalents	$ 109,766	$ 1,806,060	$ 1,837,074	$ 78,752
Cash and Securities Held in Trust	1,471,272	700,241	614,837	1,556,676
Accounts and Interest Receivable	7,259	417	1,980	5,696
Due from Other Funds	1	-	1	-
Net Contracts, Notes and Other Receivables	68,363	30,671	22,580	76,454
Conservatorship and Custodial Assets	40	32	-	72
Receivership Assets	73,686	15,630	18,664	70,652
Total Assets	$ 1,730,387	$ 2,553,051	$ 2,495,136	$ 1,788,302
LIABILITIES				
Accounts and Interest Payable	$ 416	$ 206,062	$ 206,473	$ 5
Due to Other Governments	3,503	2,812	3,503	2,812
Custodial Liabilities	1,726,468	1,953,518	1,894,501	1,785,485
Total Liabilities	$ 1,730,387	$ 2,162,392	$ 2,104,477	$ 1,788,302

Statistical Section

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Statistical Section
Index

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

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

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

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

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

Operating Information
These schedules contain operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

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

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

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

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

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

2006	2007	2008
$ 8,901,594	$ 8,696,793	$ 8,554,126
1,021,026	1,098,817	950,491
1,116,586	1,077,586	954,809
$ 11,039,206	$ 10,873,196	$ 10,459,426
$ 594,247	$ 756,814	$ 807,968
2,857,577	2,998,195	3,177,420
584,655	640,968	656,919
$ 4,036,479	$ 4,395,977	$ 4,642,307
$ 9,495,841	$ 9,453,607	$ 9,362,094
3,878,603	4,097,012	4,127,911
1,701,241	1,718,554	1,611,728
$ 15,075,685	$ 15,269,173	$ 15,101,733

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

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

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

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

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

(continued on next page)

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

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

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

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

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

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

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

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

2006	2007	2008
$ 86,253	$ 70,317	$ 202,823
736,196	113,579	1,095
$ 822,449	$ 183,896	$ 203,918
$ 823,590	$ 953,764	$ 1,180,823
2,640,061	3,658,675	3,446,971
118,136	47,930	23,218
6,757	6,691	8,067
$ 3,588,544	$ 4,667,060	$ 4,659,079

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

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

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

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

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

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

	1998	1999	2000	2001
Farm earnings	$ 877,230	$ 829,000	$ 849,067	$ 762,582
Forestry, fishing and related activities	1,083,034	1,236,962	1,420,994	1,402,084
Mining	108,938	118,517	119,615	109,194
Utilities	544,521	521,432	578,914	671,141
Construction	4,761,847	4,774,602	5,332,598	5,074,116
Manufacturing	11,064,279	11,596,866	12,577,144	12,323,976
Wholesale trade	3,914,397	4,212,260	4,699,505	4,453,367
Retail trade	5,089,896	5,429,053	5,607,328	5,701,001
Transportation and warehousing	2,249,374	2,396,359	2,547,297	2,511,318
Information	1,683,744	1,981,716	2,355,362	2,347,055
Finance and insurance	3,109,857	3,274,406	3,488,532	3,582,049
Real estate, rental and leasing	1,255,884	1,504,225	1,523,623	1,679,550
Professional and technical services	4,372,129	4,532,803	5,071,693	5,306,394
Management of companies	1,527,689	1,714,829	1,888,788	1,927,405
Administrative and waste services	2,074,251	2,229,870	2,418,378	2,422,120
Educational services	509,329	566,872	598,350	662,168
Health care and social assistance	5,629,484	5,952,190	6,420,682	7,058,647
Arts, entertainment and recreation	508,119	529,777	614,414	641,741
Accommodation and food services	1,867,021	1,958,182	2,093,510	2,120,172
Other services	1,962,937	1,983,351	2,145,908	2,164,703
Federal government, civilian	1,899,963	1,919,405	2,074,919	2,100,834
Military	227,765	234,824	255,157	275,470
State government	2,105,335	2,374,265	2,442,690	2,638,359
Local government	6,105,776	6,893,313	6,980,283	7,636,646
Other[1]	21,095,908	21,108,153	22,296,976	23,447,921
Total personal income	$ 85,628,707	$ 89,873,232	$ 96,401,727	$ 99,020,013
Average effective rate[2]	5.5%	5.8%	5.9%	5.6%

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

[1] Includes income from all sources other than wages, salaries, tips, etc.

[2] The total direct rate for personal income for the most current year is not available. Average effective rate equals tax as a percentage of taxable income. Average effective rate for 2007 will not be available until May 2009.

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

2002	2003	2004	2005	2006	2007
$ 783,405	$ 968,009	$ 1,091,771	$ 1,071,917	$ 956,837	$ 1,136,254
1,402,739	1,457,355	1,330,898	1,369,624	1,382,874	1,448,692
126,615	132,369	157,651	180,166	207,741	226,315
629,906	619,877	669,651	607,679	672,456	701,846
4,922,718	4,817,247	5,149,000	5,768,497	6,538,312	6,737,106
11,778,764	12,054,617	12,798,868	13,320,883	14,136,710	14,439,861
4,563,882	4,823,676	5,266,162	5,659,016	6,030,973	6,373,301
5,740,658	5,758,769	6,013,209	6,330,065	6,670,746	6,884,655
2,598,309	2,636,899	2,948,755	3,128,739	3,296,933	3,388,410
2,169,769	2,204,798	2,295,440	2,335,071	2,562,278	2,814,853
3,809,119	4,123,573	4,164,228	4,442,640	4,794,422	4,930,912
1,687,550	1,782,389	1,817,734	1,978,949	1,985,998	1,915,521
5,109,786	5,029,118	5,471,536	5,969,171	6,455,156	6,941,969
1,830,750	1,893,453	2,062,841	2,318,778	2,500,131	2,764,133
2,599,991	2,634,758	2,743,332	3,012,137	3,252,825	3,385,001
708,516	757,680	845,784	889,697	961,013	1,023,704
7,602,286	8,163,915	8,787,934	9,314,945	9,969,709	10,644,834
671,210	652,241	655,806	676,559	705,736	772,419
2,193,795	2,326,395	2,481,245	2,645,394	2,840,842	3,023,215
2,288,194	2,433,979	2,586,759	2,767,066	2,909,992	3,079,684
2,207,771	2,318,225	2,482,806	2,556,411	2,638,808	2,725,141
346,359	474,697	501,492	570,519	543,051	548,005
3,134,746	3,547,392	4,065,680	2,886,114	3,010,349	3,214,628
9,004,787	9,238,589	8,019,072	8,650,437	9,026,358	9,551,919
23,970,259	24,310,967	25,309,992	25,942,150	29,652,639	32,588,815
$ 101,881,884	$ 105,160,987	$ 109,717,646	$ 114,392,624	$ 123,702,889	$ 131,261,193
5.5%	5.6%	5.7%	5.7%	5.7%	N/A

Schedule 6
PERSONAL INCOME TAX RATES
Last Ten Calendar Years

		Top Income Tax Rate is Applied to Taxable Income in Excess of		
Year	Top Rate	Single & Married Filing Separately	Married Filing Jointly & Head of Household	Average Effective Rate [1]
1998	9.0%	$ 5,800	$ 11,600	5.5%
1999	9.0%	5,900	11,800	5.8%
2000	9.0%	6,100	12,200	5.9%
2001	9.0%	6,300	12,600	5.6%
2002	9.0%	6,250	12,500	5.5%
2003	9.0%	6,350	12,700	5.6%
2004	9.0%	6,500	13,000	5.7%
2005	9.0%	6,650	13,300	5.7%
2006	9.0%	6,850	13,700	5.7%
2007	9.0%	7,150	14,300	N/A

Source: Oregon Department of Revenue

[1] The total direct rate for personal income for the most current year is not available. Average effective rate equals tax as a percentage of taxable income. Average effective rate for 2007 will not be available until May 2009.

Schedule 7
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
Calendar Years 1997 and 2006
(Dollars In Thousands)

1997

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	3,894	0.25%	$ 441,695	12.85%
$100,001–$500,000	74,617	4.77%	854,914	24.88%
$80,001–$100,000	54,762	3.50%	305,632	8.89%
$60,001–$80,000	120,530	7.71%	490,274	14.27%
$40,001–$60,000	226,702	14.50%	609,739	17.74%
$20,001–$40,000	390,435	24.98%	543,979	15.83%
$10,001–$20,000	302,065	19.33%	152,342	4.44%
$10,000 and lower	390,134	24.96%	37,697	1.10%
Total	1,563,139	100.00%	$ 3,436,272	100.00%

2006

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$500,001 and higher	8,957	0.51%	$ 952,380	18.49%
$100,001–$500,000	170,923	9.74%	1,819,141	35.32%
$80,001–$100,000	105,155	5.99%	516,963	10.03%
$60,001–$80,000	169,595	9.66%	598,389	11.62%
$40,001–$60,000	254,905	14.52%	598,175	11.61%
$20,001–$40,000	406,013	23.13%	506,178	9.83%
$10,001–$20,000	281,962	16.06%	127,686	2.48%
$10,000 and lower	358,058	20.39%	32,029	0.62%
Total	1,755,568	100.00%	$ 5,150,941	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 2006 is the most current year available.

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

	Governmental Activities					Business-type Activities						
Year	General Obligation Bonds	Revenue Bonds	Certificates of Participation	General Appropriation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income [1]	Per Capita [1]
1999	82,445	249,780	610,062	-	372	2,396,565	1,057,488	22,604	8,429	4,427,745	4.93%	1.30
2000	87,645	396,170	781,836	-	1,026	2,341,735	1,195,479	17,093	5,475	4,826,459	5.01%	1.41
2001	77,845	502,025	784,849	-	-	2,205,097	1,323,938	30,736	3,066	4,927,556	4.98%	1.42
2002	68,715	749,042	784,839	-	5	2,317,143	1,441,640	28,018	1,381	5,390,783	5.29%	1.53
2003	163,231	807,478	779,105	469,960	79	2,149,557	1,574,960	25,475	897	5,970,742	5.68%	1.68
2004	2,347,854	763,110	783,180	466,214	47	2,016,631	1,667,734	18,288	527	8,063,585	7.35%	2.25
2005	2,336,014	1,093,936	895,231	440,372	3,954	2,009,091	1,783,305	20,633	711	8,583,247	7.50%	2.36
2006	2,321,899	1,458,648	1,090,086	413,026	3,464	1,991,627	1,694,009	22,916	490	8,996,165	7.27%	2.44
2007	2,334,620	2,098,181	1,090,193	383,655	2,949	2,065,472	1,672,267	31,589	335	9,679,261	7.37%	2.58
2008	2,325,539	2,040,137	1,081,694	351,958	2,480	2,271,016	1,761,874	31,320	164	9,866,182	7.21%	2.60

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

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

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

Year	General Obligation Bonds	Percentage of Personal Income [1]	Per Capita
1999	$ 2,479,010	2.76%	$ 0.73
2000	2,429,380	2.52%	0.71
2001	2,282,942	2.31%	0.66
2002	2,385,858	2.34%	0.68
2003	2,312,788	2.20%	0.65
2004	4,364,485	3.98%	1.22
2005	4,345,105	3.80%	1.20
2006	4,313,526	3.49%	1.17
2007	4,400,092	3.35%	1.17
2008	4,596,555	3.36%	1.21

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

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

Schedule 10
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2008

	Constitutional/Statutory Provision	Constitutional Debt Limit [1]	Statutory Debt Limit
General Obligation Bonds			
General Purpose	Article XI Section 7	0.00%	$ -
State Highway	Article XI Section 7	1.00%	-
Veterans' Welfare	Article XI-A	8.00%	-
State Power Development	Article XI-D	1.50%	-
Forest Rehabilitation [2]	Article XI-E	0.19%	-
Higher Education	Article XI-F(1) & XI-G	1.50%	-
Pollution Control	Article XI-H/ORS 468.195	1.00%	260,000,000
Water Resources	Article XI-I(1)	1.50%	-
Elderly and Disabled Housing	Article XI-I(2)	0.50%	-
Alternate Energy Project	Article XI-J	0.50%	-
Oregon School Bond Guaranty	Article XI-K	0.50%	-
Oregon Opportunity Bonds (OHSU) [3]	Article XI-L/ORS 353.556	0.50%	203,175,000
Seismic Refit-Public Education Buildings	Article XI-M	0.20%	-
Seismic Refit-Emergency Service Building	Article XI-N	0.20%	-
Pension Obligation	Article XI-O	1.00%	-
Revenue Bonds			
Transportation Infrastructure Bank	ORS 367.030	0.00%	$ 200,000,000
Highway User Tax	ORS 367.620	0.00%	2,400,000,000
Single and Multi-Family Housing Programs	ORS 456.661	0.00%	2,500,000,000
Oregon State Fair	ORS 565.095	0.00%	10,000,000

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

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

[1] Percentages listed are of Real Market Value (RMV) of all taxable real property in the State, based on the January 1, 2007 RMV of $501,152,650,155.

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

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

Schedule 10 (continued)
LEGAL DEBT MARGIN CALCULATION
For Fiscal Year 2008

Legal Debt Limit	Amount Outstanding	Legal Debt Margin
$ 50,000	$ -	$ 50,000
5,011,526,502	-	5,011,526,502
40,092,212,012	776,555,220	39,315,656,792
7,517,289,752	-	7,517,289,752
939,661,219	-	939,661,219
7,517,289,752	1,170,972,768	6,346,316,984
260,000,000	42,613,658	217,386,342
7,517,289,752	-	7,517,289,752
2,505,763,251	188,818,812	2,316,944,439
2,505,763,251	160,833,171	2,344,930,080
2,505,763,251	-	2,505,763,251
203,175,000	182,111,182	21,063,818
1,002,305,300	-	1,002,305,300
1,002,305,300	-	1,002,305,300
5,011,526,502	2,074,650,000	2,936,876,502
$ 83,591,920,844	$ 4,596,554,811	$ 78,995,366,033
$ 200,000,000	$ -	$ 200,000,000
2,400,000,000	1,587,625,839	812,374,161
2,500,000,000	1,499,016,193	1,000,983,807
10,000,000	-	10,000,000
$ 5,110,000,000	$ 3,086,642,032	$ 2,023,357,968

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

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

Source: Office of the State Treasurer, Debt Management Division

Note: Comparable legal debt limit information prior to fiscal year 2000 is not available. Amounts of outstanding debt applicable to debt limit represent the outstanding principal net of discounts, premiums and other adjustments, except for amounts prior to 2002 when GASB Statement No. 34 was implemented.

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

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

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

Year	Revenues	Expenses	Net Revenues Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
1999	$ 726,693	$ 430,139	$ 296,554	$ 5,670	$ 5,955	$ 11,625	25.51
2000	761,913	456,855	305,058	13,190	17,459	30,649	9.95
2001	794,787	473,729	321,058	16,535	21,775	38,310	8.38
2002	820,646	489,470	331,176	27,295	23,441	50,736	6.53
2003	860,767	511,310	349,457	27,860	21,391	49,251	7.10
2004	883,446	502,100	381,346	36,410	26,718	63,128	6.04
2005	944,466	511,528	432,938	44,715	26,769	71,484	6.06
2006	1,092,446	533,895	558,551	47,670	27,159	74,829	7.46
2007	1,219,556	577,103	642,453	48,970	25,984	74,954	8.57
2008	1,262,601	583,829	678,772	56,795	33,714	90,509	7.50

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

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

Schedule 13
DEMOGRAPHIC AND ECONOMIC INDICATORS
Last Ten Calendar Years

Year	Population	Personal Income[1]	Per Capita Personal Income	Unemployment Rate
1999	3,393,941	$ 89,873,232	$ 26,480	5.5%
2000	3,431,096	96,401,727	28,096	5.1%
2001	3,472,224	99,020,013	28,518	6.4%
2002	3,521,520	101,881,884	28,931	7.6%
2003	3,556,956	105,160,987	29,565	8.1%
2004	3,583,027	109,717,646	30,621	7.3%
2005	3,629,959	114,392,624	31,513	6.2%
2006	3,691,084	123,702,889	33,514	5.4%
2007	3,747,455	131,261,193	35,027	5.3%
2008	3,796,000	136,800,000	36,038	6.2%

Source: 1999 through 2007 US Department of Commerce, Bureau of Economic Analysis

Note: 2008 population and personal income estimates were made by the Oregon Office of Economic Analysis. The unemployment rate for 2008 was provided by the Oregon Employment Department.

[1] Personal income presented in thousands.

Schedule 14
EMPLOYMENT BY INDUSTRY
Calendar Year 2007 and Nine Years Prior

	1998		2007	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Farm employment	65,828	3.23%	67,802	2.92%
Forestry, fishing and related activities	35,869	1.76%	35,773	1.54%
Mining	3,438	0.17%	3,684	0.16%
Utilities	5,719	0.28%	4,967	0.21%
Construction	122,963	6.04%	150,455	6.48%
Manufacturing	238,991	11.73%	217,272	9.36%
Wholesale trade	81,646	4.01%	89,499	3.86%
Retail trade	242,438	11.90%	255,366	11.00%
Transportation and warehousing	61,412	3.01%	68,676	2.96%
Information	40,421	1.98%	42,728	1.84%
Finance and insurance	81,572	4.00%	85,608	3.69%
Real estate, rental and leasing	76,416	3.75%	89,938	3.88%
Professional and technical services	110,836	5.44%	128,425	5.53%
Management of companies	24,353	1.20%	31,914	1.38%
Administrative and waste services	101,551	4.99%	125,931	5.43%
Educational services	29,332	1.44%	51,145	2.20%
Health care and social assistance	177,288	8.70%	242,242	10.44%
Arts, entertainment and recreation	37,506	1.84%	51,175	2.21%
Accommodation and food services	133,500	6.55%	161,521	6.96%
Other services	102,921	5.07%	125,330	5.40%
Federal government, civilian	29,927	1.47%	29,126	1.26%
Military	12,736	0.63%	12,378	0.53%
State government	58,620	2.88%	68,676	2.96%
Local government	161,613	7.93%	180,886	7.80%
Total employment	2,036,896	100.00%	2,320,517	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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Education	11,176	12,081	12,081	12,402	12,402	12,691	12,691	12,411	12,411	13,117
Human Services	9,194	8,678	8,678	8,983	8,983	9,281	9,281	9,200	9,200	9,753
Public Safety	7,027	7,949	7,949	8,265	8,265	7,810	7,810	8,187	8,187	9,021
Economic and Community Services	1,796	1,881	1,881	1,940	1,940	1,846	1,846	1,753	1,753	1,650
Natural Resources	3,733	4,042	4,042	4,272	4,272	4,163	4,163	4,272	4,272	4,367
Transportation	4,826	4,796	4,796	4,742	4,742	4,602	4,602	4,579	4,579	4,535
Consumer and Business Services	1,699	1,627	1,627	1,589	1,589	1,559	1,559	1,550	1,550	1,593
Administration	2,458	2,583	2,583	2,736	2,736	2,817	2,817	2,879	2,879	2,958
Legislative Branch	386	417	417	418	418	394	394	393	393	404
Judicial Branch	1,649	1,725	1,725	1,865	1,865	1,896	1,896	1,907	1,907	1,975
Total FTE Positions	43,944	45,779	45,779	47,212	47,212	47,059	47,059	47,131	47,131	49,373

Source: Department of Administrative Services, Budget and Management

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

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

	1999	2000	2001
Governmental Activities			
Education			
Number of PreK-12 students	542,867	545,085	545,680
Number of FTE community college students	89,616	93,648	96,037
Special education school campuses	2	2	2
Human Services			
Number of individuals eligible for Oregon Health Plan	-	345,523	344,992
Average number of basic TANF individuals	41,491	39,836	36,050
Public Safety			
Number of sworn state police officers	794	805	735
Prison inmate population	9,144	9,933	10,668
Number of correctional facilities	11	11	12
Economic and Community Development			
Community development grants provided (in dollars)	4,189,128	18,790,086	18,185,247
Number of technical assistance grants provided	5	18	14
Natural Resources			
Forest acres burned	9,528	10,875	51,438
State park day use visitors (in millions)	36.9	37.4	37.9
Acreage of state parks	94,330	94,869	94,937
Miles of forest roads	2,861	3,042	3,035
Transportation			
Licensed drivers (in millions)	2.7	2.8	2.8
Vehicle miles traveled on state highway system (in billions)	20.3	20.5	20.5
State highway system miles	7,507	7,499	7,485
Number of state owned bridges	2,632	2,646	2,653
Consumer and Business Services			
Number of employers covered by workers' compensation	81,296	82,321	83,816
Historic premiums written for all insurance lines (in billions)	10.2	11.0	12.5
Average bank and credit union assets (in billions)	32.4	33.7	32.9
Construction employment (in thousands)	83.6	83.6	80.5
Administration			
Number of tax returns filed	1,602,850	1,628,413	1,623,813
Percent of returns filed electronically	15.6%	20.3%	25.5%
Uniform rent square footage	1,690,606	1,690,606	1,690,606
Leased office space square footage	3,189,424	3,398,067	3,398,067
Number of motor pool vehicles	3,967	4,019	3,913
Legislative			
Number of bills introduced	3,103	-	3,106
Number of bills becoming law	1,096	-	989
Length of legislative session (in days)	195	-	181
Capital building	1	1	1
Judicial			
Cases filed in circuit courts	635,501	653,367	654,822
Number of circuit court judges	163	163	163

Sources: Various state agencies

Note: Figures for 2007 and 2008 that are not available until a later date are indicated with N/A.

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

2002	2003	2004	2005	2006	2007	2008
551,679	554,071	551,407	552,320	559,215	562,828	566,067
102,019	100,023	93,221	92,054	91,401	91,456	94,587
2	2	2	2	2	2	2
376,063	380,646	359,325	374,751	381,343	365,940	386,662
39,366	41,272	40,598	42,119	40,527	39,096	42,338
753	699	610	582	607	557	646
11,448	12,000	12,776	12,875	13,229	13,497	13,553
12	12	12	13	13	13	14
10,914,364	12,340,280	13,319,246	11,454,006	17,040,564	9,607,717	10,704,034
7	3	6	6	8	3	6
99,166	9,346	5,941	11,588	11,458	54,104	7,860
37.9	38.4	42.4	40.6	40.1	41.4	40.3
95,462	95,313	99,030	101,010	97,340	97,447	97,446
3,055	3,059	3,082	3,123	3,155	3,202	3,225
2.9	2.8	2.9	3.0	3.0	3.1	N/A
20.9	20.8	20.8	20.7	20.7	20.6	N/A
7,476	7,448	7,441	7,426	7,420	7,416	N/A
2,658	2,664	2,670	2,664	2,676	2,666	2,671
84,432	85,310	86,115	87,150	89,685	91,551	N/A
13.9	13.7	14.4	15.0	16.2	17.4	N/A
32.5	37.4	37.7	35.4	46.0	58.7	N/A
78.3	77.0	82.7	90.9	100.9	103.9	N/A
1,616,700	1,611,785	1,653,203	1,697,166	1,755,568	N/A	N/A
30.6%	34.7%	45.3%	50.7%	56.0%	N/A	N/A
1,690,606	1,690,606	1,796,482	1,796,482	1,810,942	1,896,185	1,904,531
3,522,641	3,522,641	3,522,641	3,522,641	3,784,762	4,372,625	4,425,500
3,923	3,682	3,605	3,689	3,814	3,922	3,922
-	2,769	-	2,957	-	2,744	87
-	817	-	844	-	909	54
52	227	-	208	-	171	18
1	1	1	1	1	1	1
645,956	655,574	607,539	611,946	602,896	605,753	N/A
163	168	169	169	173	173	173

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

	1999	2000	2001
Business-Type Activities			
Housing and Community Services			
Number of low income single family home loans closed	1,474	1,860	1,337
Number of affordable rental units produced	680	1,017	1,327
Veterans' Loan			
Number of outstanding loans	30,229	26,008	22,296
Percent of delinquent loans	0.31%	0.41%	0.42%
Lottery Operations			
Number of retailers	3,188	3,176	3,198
Number of video terminals	8,892	8,776	8,903
Unemployment Compensation			
Number of claims paid	2,414,334	2,070,844	3,025,616
Amount of claims paid (in millions)	441.8	440.5	705.3
University System			
Total headcount enrollment	67,347	69,508	73,883
Degrees awarded	12,840	13,592	13,288
Number of university campuses	7	7	7
State Hospitals			
Number of mental health clients served	349,187	284,975	288,792
Number of state owned hospital beds	1,018	812	820
Liquor Control			
Number of state retail outlets	235	237	237
Number of cases sold	1,647,424	1,723,145	1,763,159
Other Business-type Activities			
Number of residents in veterans' home	98	107	125
Number of state owned parking spaces	4,323	4,323	4,323

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

2002	2003	2004	2005	2006	2007	2008
1,322	1,014	1,051	1,447	1,149	1,195	1,850
206	978	1,062	719	608	522	1,003
18,014	13,788	10,176	8,013	6,612	5,672	4,883
0.43%	0.54%	0.39%	0.21%	0.32%	0.25%	0.10%
3,300	3,368	3,421	3,484	3,579	3,691	3,785
9,259	9,434	10,194	10,438	11,125	11,831	12,205
4,648,216	5,025,707	2,903,857	2,209,165	1,923,182	2,050,678	N/A
1,153.0	1,277.8	718.1	558.0	503.4	569	N/A
78,111	79,558	80,066	80,888	81,002	82,249	86,546
13,729	15,274	16,349	16,694	16,979	17,116	16,897
7	7	7	7	7	7	7
291,527	282,675	295,183	304,731	284,265	282,993	284,640
880	833	810	834	781	790	788
238	237	239	241	243	241	242
1,812,009	1,889,240	2,014,098	2,108,035	2,295,797	2,431,531	2,551,732
96	104	120	132	135	140	140
4,700	4,700	4,507	4,507	4,507	4,656	4,665

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