Report No. 2009-07

March 31, 2009

Kate Brown, Secretary of State

Drummond Kahn, Interim Director, Audits Division

Secretary of State Audit Report

State of Oregon

Statewide Single Audit Report

For the Fiscal Year Ended June 30, 2008

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State of Oregon

STATEWIDE SINGLE AUDIT REPORT

For the Year Ended June 30, 2008

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

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The Honorable Theodore R. Kulongoski
Governor of Oregon

We have conducted a statewide audit in accordance with the Single Audit Act Amendments of 1996, Government Auditing Standards, and U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This report encompasses the year ended June 30, 2008, and is required for the State to continue receiving federal financial assistance, which, as shown in this report, totals approximately $6.4 billion.

As required by the Single Audit Act, we issued a report dated January 12, 2009, on the State of Oregon's financial statements. That report was included in the State of Oregon's *Comprehensive Annual Financial Report* for the year ended June 30, 2008.

This report contains the remaining components required by the Single Audit Act:

- *Report on Internal Control over Financial Reporting and on Compliance and Other Matters.* This component contains our report on the State of Oregon's internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements that affect the financial statements. Part of the schedule of findings and questioned costs relates to this report.

- *Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.* This component contains our report on the State of Oregon's compliance with the requirements applicable to each of its major federal programs described in OMB Circular A-133 and internal controls over compliance. Part of the schedule of findings and questioned costs relates to this report. This component also contains our report on the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2008.

- *Schedule of Expenditures of Federal Awards.* This schedule is not a required part of the State of Oregon's financial statements, but is required by OMB Circular A-133. The schedule shows State expenditures of federal awards, for the fiscal year ended June 30, 2008, excluding Oregon Health and Science University. The notes, which accompany the schedule, are considered an integral part of the schedule. They provide disclosures regarding the reporting entity, the significant accounting policies used in preparing the schedule, the value of federal awards expended in the form of non-cash assistance, the value of loans outstanding at year end, unemployment insurance and the value of pass-through awards received by the State from non-federal entities.

- *Schedule of Findings and Questioned Costs.* This schedule lists 20 current audit findings regarding compliance and internal control related to financial reporting.

It also lists 17 current audit findings regarding compliance with the requirements of major federal programs and related internal controls. Further, it lists the status of findings regarding compliance and internal control related to financial reporting and compliance with the requirements of major federal programs and related internal controls, which were included in our report for the fiscal year ended June 30, 2007. In addition, it lists the status of prior year audit findings for the fiscal year ended June 30, 2006, which were not previously corrected.

OMB Circular A-133 requires management to provide a plan of corrective action on the findings and recommendations for the fiscal year ended June 30, 2008. Management's responses and planned corrective actions are included in this schedule.

OREGON AUDITS DIVISION

Drummond Kahn, MS, CIA, CGFM, CGAP
Interim Director

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the 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 and have issued our report thereon dated January 12, 2009. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the following discretely presented component units: State Accident Insurance Fund Corporation, Oregon Health and Science University, and Oregon University System Foundations. The financial statements of the Oregon University System and the Veterans' Loan Fund, as described in our report on the State of Oregon's financial statements, were also audited by other auditors. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Oregon University System Foundations, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider items 08-1 through 08-20 to be significant deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 through 08-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the State of Oregon in separate letters.

The State of Oregon's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of Oregon's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the State of Oregon, the Governor of the State of Oregon, others within the entity, the Oregon Legislative Assembly, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Kate Brown

Kate Brown
Secretary of State

January 12, 2009

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

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The Honorable Theodore R. Kulongoski
Governor of Oregon

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the State of Oregon with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The State of Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Oregon's management. Our responsibility is to express an opinion on the State of Oregon's compliance based on our audit. We did not audit the State of Oregon's compliance with the following major federal programs:

10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations & Maintenance (O&M) Projects
93.268	Immunization Grants
N/A	Food Stamp Cluster
N/A	Disability Insurance/SSI Cluster
N/A	Special Education Cluster (IDEA)
N/A	Research and Development Cluster (5000)

Other auditors audited the State of Oregon's compliance with these programs' requirements and their reports thereon have been furnished to us. Our opinion, insofar as it relates to these programs, is based solely on the reports of the other auditors.

The State of Oregon's basic financial statements include the operations of the Oregon Health and Science University, which received approximately $280 million in federal awards, which is not included in the State of Oregon's schedule of expenditures of federal awards for the year ended June 30, 2007. Our audit, described below, did not include the operations of the Oregon Health and Science University because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133. To obtain a copy of that report, please refer to note disclosure 2 of the schedule of expenditures of federal awards.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oregon's compliance with those

requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Oregon's compliance with those requirements.

As described in items 08-21 through 08-27, 07-35 through 07-39 in the accompanying schedule of findings and questioned costs, the State of Oregon did not comply with requirements regarding Allowable Costs and Eligibility that are applicable to its Temporary Assistance for Needy Families; Activities Allowed or Unallowed, Eligibility, and Maintenance of Effort that are applicable to the State Children's Insurance Program. Compliance with such requirements is necessary, in our opinion, for the State of Oregon to comply with requirements applicable to those programs.

In our opinion, based on our audit and the reports of the other auditors, except for the noncompliance described in the preceding paragraph, the State of Oregon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-28 through 08-31, and 08-37.

Internal Control Over Compliance

The management of the State of Oregon is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Oregon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Oregon's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-21, 08-22, 08-27, 08-28, 08-32 through 08-36, and 07-35 through 07-39.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying

schedule of findings and questioned costs, we consider items 08-21, 08-22, 08-28, 07-35, 07-36, and 07-39 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the 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, and have issued our report thereon dated January 12, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of Oregon's basic financial statements. Other auditors audited the financial statements of the following discretely presented component units: State Accident Insurance Fund Corporation, Oregon Health and Science University, and Oregon University System Foundations. The financial statements of the Oregon University System and the Veterans' Loan Fund, as described in our report on the State of Oregon's financial statements, were also audited by other auditors. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The schedule of expenditures of federal awards has 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 State of Oregon's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of Oregon's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the State of Oregon, the Governor of the State of Oregon, others within the entity, the Oregon Legislative Assembly, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

March 12, 2009, except for the
Schedule of Expenditures of
Federal Awards, as to which the
date is January 12, 2009

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Office of National Drug Control Policy							
07.XXX	High Intensity Drug Trafficking Area (HIDTA)						
		17PORP501	$ 4,017	$ –	$ 4,017	$ 4,017	$ –
		HIDTAPASSTHRUDOJ	130,931	41,620	172,551	172,551	–
		I6PORP501Z	5,928	–	5,928	5,928	–
07.XXX	Total High Intensity Drug Trafficking Area (HIDTA)		$ 140,876	$ 41,620	$ 182,496	$ 182,496	$ –
Total Office of National Drug Control Policy			**$ 140,876**	**$ 41,620**	**$ 182,496**	**$ 182,496**	**$ –**
Department of Agriculture							
10.001	Agricultural Research_Basic and Applied Research		$ 823,423	$ –	$ 823,423	$ 823,423	$ –
10.025	Plant and Animal Disease, Pest Control, and Animal Care		2,607,175	28,939	2,636,114	2,636,114	–
10.028	Wildlife Services		97,110	–	97,110	97,110	–
10.069	Conservation Reserve Program		64,334	–	64,334	64,334	–
10.156	Federal-State Marketing Improvement Program		1,856	–	1,856	1,856	–
10.163	Market Protection and Promotion		86,666	–	86,666	86,666	–
10.169	Specialty Crop Block Grant Program		14,783	–	14,783	14,783	–
10.200	Grants for Agricultural Research, Special Research Grants		1,558	–	1,558	1,558	–
10.220	Higher Education Multicultural Scholars Program		56,625	–	56,625	56,625	–
10.446	Rural Community Development Initiative		10,485	–	10,485	10,485	–
10.457	Commodity Partnerships for Risk Management Education		16,885	–	16,885	16,885	–
10.500	Cooperative Extension Service		4,019,396	–	4,019,396	4,019,175	221
10.550	Food Donation		93,252	11,006,777	11,100,029	11,100,029	–
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		54,134,814	13,817,617	67,952,431	67,952,431	–
10.558	Child and Adult Care Food Program		370,366	24,518,736	24,889,102	24,762,403	126,699
10.560	State Administrative Expenses for Child Nutrition		1,737,642	–	1,737,642	1,737,642	–
10.565	Commodity Supplemental Food Program		13,010	844,571	857,581	857,581	–
10.567	Food Distribution Program on Indian Reservations		35,755	88,208	123,963	123,963	–
10.574	Team Nutrition Grants		12,929	500	13,429	13,429	–
10.576	Senior Farmers Market Nutrition Program		768,196	–	768,196	768,196	–
10.578	WIC Grants to States (WGS)		179,146	76,129	255,275	255,275	–
10.580	Special Nutrition Assistance Program Outreach/Participation Program		32,511	–	32,511	32,511	–
10.652	Forestry Research		7,234	–	7,234	1,894	5,340
10.664	Cooperative Forestry Assistance		5,469,202	43,499	5,512,701	5,512,701	–
10.670	National Forest_Dependent Rural Communities		(698)	–	(698)	(698)	–
10.676	Forest Legacy Program		27,272	460,000	487,272	487,272	–
10.677	Forest Land Enhancement Program		137,065	–	137,065	137,065	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
10.679	Collaborative Forest Restoration		9,834	–	9,834	–	9,834
10.680	Forest Health Protection		1,392,477	34,440	1,426,917	1,426,917	–
10.769	Rural Business Enterprise Grants		5,000	–	5,000	5,000	–
10.773	Rural Business Opportunity Grants		22,957	–	22,957	398	22,559
10.905	Plant Materials for Conservation		43,907	–	43,907	43,907	–
10.912	Environmental Quality Incentives Program		99,202	–	99,202	99,202	–
10.XXX	Other Department of Agriculture Programs						
		07 CS 11060606 809	7,150	–	7,150	7,150	–
		2007 PA 11060202 033	15,000	–	15,000	15,000	–
10.XXX	Total Other Department of Agriculture Programs		$ 22,150	–	$ 22,150	$ 22,150	$ –
Total Department of Agriculture			**$ 72,413,519**	**$ 50,919,416**	**$ 123,332,935**	**$ 123,168,282**	**$ 164,653**
Department of Commerce							
11.303	Economic Development_Technical Assistance		$ 127,414	$ –	$ 127,414	$ 127,414	$ –
11.405	Anadromous Fish Conservation Act Program		343,704	–	343,704	343,704	–
11.407	Interjurisdictional Fisheries Act of 1986		239,488	–	239,488	239,488	–
11.417	Sea Grant Support		89,724	–	89,724	89,724	–
11.419	Coastal Zone Management Administration Awards		1,607,456	481,881	2,089,337	2,089,337	–
11.420	Coastal Zone Management Estuarine Research Reserves		527,380	–	527,380	527,380	–
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program		694,240	–	694,240	694,240	–
11.433	Marine Fisheries Initiative		5,589	–	5,589	5,589	–
11.436	Columbia River Fisheries Development Program		6,340,614	14,766	6,355,380	6,355,380	–
11.437	Pacific Fisheries Data Program		816,822	–	816,822	865,467	(48,645)
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program		2,823,689	3,937,266	6,760,955	6,755,883	5,072
11.439	Marine Mammal Data Program		41,391	–	41,391	41,062	329
11.441	Regional Fishery Management Councils		136,275	–	136,275	140,608	(4,333)
11.463	Habitat Conservation		48,976	–	48,976	48,976	–
11.473	Coastal Services Center		137,357	–	137,357	137,357	–
11.478	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		28,101	–	28,101	28,101	–
11.555	Public Safety Interoperable Communications Grant Program		2,022	–	2,022	2,022	–
11.XXX	Other Department of Commerce Programs						
		AB133F07SE4174	83,363	–	83,363	83,363	–
		AB133F07SE5281	7,401	–	7,401	7,401	–
		AB133F07SE5404	17,566	–	17,566	17,566	–
		AB133F07SE5405	13,851	–	13,851	13,851	–
		OFP50IPA97	(3,805)	–	(3,805)	(3,805)	–
		PO AB133F07SE3564	30,208	–	30,208	30,208	–

The accompanying notes are an integral part of this schedule.

11.XXX	Total Other Department of Commerce Programs	$ 148,584	$ –	$ 148,584	$ 148,584	$ –
Total Department of Commerce		**$ 14,158,826**	**$ 4,433,913**	**$ 18,592,739**	**$ 18,640,316**	**$ (47,577)**
Department of Defense						
12.106	Flood Control Projects	$ 7,836,772	$ 23,575	$ 7,860,347	$ 7,860,347	$ –
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	80,369	–	80,369	80,369	–
12.114	Collaborative Research and Development	16,819	–	16,819	16,819	–
12.400	Military Construction, National Guard	12,490,025	–	12,490,025	12,490,025	–
12.401	National Guard Military Operation`s and Maintenance (O&M) Projects	28,740,014	–	28,740,014	28,740,014	–
12.404	National Guard Civilian Youth Opportunities	3,023,341	–	3,023,341	3,023,341	–
12.431	Basic Scientific Research	19,857	–	19,857	–	19,857
12.551	National Security Education Program David L. Boren Fellowships	220,695	–	220,695	220,695	–
12.800	Air Force Defense Research Sciences Program	1,273	–	1,273	–	1,273
12.XXX	Other Department of Defense Programs					
	1000	11,516,964	–	11,516,964	11,516,964	–
	OR6213820917	1,391,539	63,912	1,455,451	1,455,451	–
12.XXX	Total Other Department of Defense Programs	$ 12,908,503	$ 63,912	$ 12,972,415	$ 12,972,415	$ –
Total Department of Defense		**$ 65,337,668**	**$ 87,487**	**$ 65,425,155**	**$ 65,404,025**	**$ 21,130**
Department of Housing and Urban Development						
14.103	Interest Reduction Payments_Rental and Cooperative Housing for Lower Income Families	$ 19,971	$ –	$ 19,971	$ 19,971	$ –
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	518,573	15,037,896	15,556,469	15,556,469	–
14.231	Emergency Shelter Grants Program	35,968	1,043,501	1,079,469	1,079,469	–
14.235	Supportive Housing Program	18,502	1,274,915	1,293,417	1,293,417	–
14.239	HOME Investment Partnerships Program	8,593,415	3,377,815	11,971,230	11,971,230	–
14.241	Housing Opportunities for Persons with AIDS	1,219,703	(9,659)	1,210,044	1,210,044	–
Total Department of Housing and Urban Development		**$ 10,406,132**	**$ 20,724,468**	**$ 31,130,600**	**$ 31,130,600**	**$ –**
Department of the Interior						
15.039	Fish, Wildlife, and Parks Programs on Indian Lands	$ 8,031	$ –	$ 8,031	$ 1,934	$ 6,097
15.114	Indian Education_Higher Education Grant Program	2,049	–	2,049	2,049	–
15.214	Non-Sale Disposals of Mineral Material	–	554,892	554,892	554,892	–
15.221	Cooperative Agreements for Research in Public Lands Management	10,000	–	10,000	10,000	–
15.224	Cultural Resource Management	98,689	–	98,689	98,689	–
15.225	Recreation Resource Management	507,475	42,542	550,017	550,017	–
15.227	Distribution of Receipts to State and Local Governments	–	150,024	150,024	150,024	–
15.228	National Fire Plan – Wildland Urban Interface Community Fire Assistance	1,097,887	38,295	1,136,182	1,085,540	50,642
15.231	Fish, Wildlife and Plant Conservation Resource Management	14,507	–	14,507	14,507	–
15.242	National Fire Plan – Rural Fire Assistance	14,384	–	14,384	14,384	–
15.504	Water Reclamation and Reuse Program	249,950	–	249,950	249,950	–
15.608	Fish and Wildlife Management Assistance	151,955	482,724	634,679	620,853	13,826
15.614	Coastal Wetlands Planning, Protection and Restoration Act	–	532,405	532,405	532,405	–
15.615	Cooperative Endangered Species Conservation Fund	492,525	151,302	643,827	643,827	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
15.616	Clean Vessel Act		61,415	140,727	202,142	202,142	–
15.625	Wildlife Conservation and Restoration		(14,496)	–	(14,496)	(14,496)	–
15.626	Hunter Education and Safety Program		560,286	5,400	565,686	565,686	–
15.630	Coastal Program		6,019	–	6,019	6,019	–
15.632	Conservation Grants Private Stewardship for Imperiled Species		81,305	–	81,305	81,305	–
15.633	Landowner Incentive Program		223,450	496,336	719,786	719,786	–
15.634	State Wildlife Grants		806,714	21,412	828,126	828,126	–
15.638	Tribal Landowner Incentive Program		35,161	–	35,161	35,161	–
15.647	Migratory Bird Conservation		162,325	–	162,325	162,325	–
15.649	Service Training and Technical Assistance (Generic Training)		3,261,402	–	3,261,402	3,261,402	–
15.808	U.S. Geological Survey_Research and Data Collection		351,779	–	351,779	351,779	–
15.810	National Cooperative Geologic Mapping Program		235,075	–	235,075	235,075	–
15.904	Historic Preservation Fund Grants-In-Aid		577,909	229,557	807,466	807,466	–
15.916	Outdoor Recreation_Acquisition, Development and Planning		12,432	303,529	315,961	315,961	–
15.921	Rivers, Trails and Conservation Assistance		4,492	–	4,492	4,492	–
15.923	National Center for Preservation Technology and Training		47,493	–	47,493	47,493	–
15.XXX	Other Department of the Interior Programs						
		07WRSS0010	206,671	–	206,671	206,671	–
		08 100	14,826	–	14,826	14,826	–
		08 101	55,210	–	55,210	55,210	–
		08 40	414,848	–	414,848	414,848	–
		08 86	257,023	–	257,023	257,023	–
		13420 7 J738	5,516	–	5,516	5,516	–
		134207M085	4,940	–	4,940	4,940	–
		134207M085	14,724	–	14,724	14,724	–
		142505FG1L1150	23,218	–	23,218	23,218	–
		142506FC1L1228	441,296	–	441,296	441,296	–
		142507FG1L1291	23,705	–	23,705	23,705	–
		20060141000	387	–	387	387	–
		H1530080001	4,387	–	4,387	4,387	–
		H9430010001	12,821	–	12,821	12,821	–
		Not Available	4,771	–	4,771	–	4,771
		OPRD	413	–	413	413	–
		TASK J9430050018	14,946	–	14,946	14,946	–
15.XXX	Total Other Department of the Interior Programs		$ 1,499,702	$ –	$ 1,499,702	$ 1,494,931	$ 4,771
Total Department of the Interior			**$ 10,559,915**	**$ 3,149,145**	**$ 13,709,060**	**$ 13,633,724**	**$ 75,336**

The accompanying notes are an integral part of this schedule.

Department of Justice						
16.200	Community Relations Service	$ 151,683	$ –	$ 151,683	$ 151,683	$ –
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	158,825	–	158,825	158,825	–
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	(22)	–	(22)	(22)	–
16.523	Juvenile Accountability Block Grants	2,378	374,862	377,240	377,240	–
16.524	Legal Assistance for Victims	1,012	155,304	156,316	156,316	–
16.525	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	8,253	–	8,253	8,253	–
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	423,651	362,909	786,560	786,560	–
16.548	Title V_ Delinquency Prevention Program	18,177	225,626	243,803	243,803	–
16.549	Part E_State Challenge Activities	–	25,988	25,988	25,988	–
16.550	State Justice Statistics Program for Statistical Analysis Centers	50,008	–	50,008	50,008	–
16.554	National Criminal History Improvement Program (NCHIP)	56,942	–	56,942	56,942	–
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	157,745	–	157,745	151,744	6,001
16.575	Crime Victim Assistance	177,085	5,001,185	5,178,270	5,178,270	–
16.576	Crime Victim Compensation	1,295,635	–	1,295,635	1,295,635	–
16.579	Edward Byrne Memorial Formula Grant Program	440,589	2,670,940	3,111,529	3,062,584	48,945
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2,952	565,821	568,773	568,773	–
16.582	Crime Victim Assistance/Discretionary Grants	141,860	–	141,860	141,860	–
16.585	Drug Court Discretionary Grant Program	15,086	–	15,086	15,086	–
16.588	Violence Against Women Formula Grants	105,250	1,382,565	1,487,815	1,487,815	–
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	81,343	–	81,343	–	81,343
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	77,652	–	77,652	–	77,652
16.593	Residential Substance Abuse Treatment for State Prisoners	210,900	107,353	318,253	318,253	–
16.595	Community Capacity Development Office	1,727,009	2,133,762	3,860,771	3,860,771	–
16.606	State Criminal Alien Assistance Program	7,973,659	–	7,973,659	7,973,659	–
16.610	Regional Information Sharing Systems	478,446	–	478,446	–	478,446
16.710	Public Safety Partnership and Community Policing Grants	85,451	–	85,451	85,451	–
16.726	Juvenile Mentoring Program	(5,516)	–	(5,516)	(5,516)	–
16.727	Enforcing Underage Drinking Laws Program	269,510	354,297	623,807	623,807	–
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	649,244	–	649,244	649,244	–
16.738	Edward Byrne Memorial Justice Assistance Grant Program	181,913	1,378,714	1,560,627	1,560,627	–
16.741	Forensic DNA Backlog Reduction Program	537,312	–	537,312	537,312	–
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	249,551	–	249,551	249,551	–
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	135,018	–	135,018	135,018	–
16.XXX	Other Department of Justice Programs					
	2004PMBX0019	3,909	–	3,909	3,909	–
16.XXX	Total Other Department of Justice Programs	$ 3,909	$ –	$ 3,909	$ 3,909	$ –
Total Department of Justice		**$ 15,862,510**	**$ 14,739,326**	**$ 30,601,836**	**$ 29,909,449**	**$ 692,387**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
Department of Labor							
17.002	Labor Force Statistics		$ 1,257,017	$ –	$ 1,257,017	$ 1,257,017	$ –
17.005	Compensation and Working Conditions		138,231	–	138,231	138,231	–
17.225	Unemployment Insurance		686,647,167	–	686,647,167	686,647,167	–
17.235	Senior Community Service Employment Program		50,817	1,239,066	1,289,883	1,289,883	–
17.245	Trade Adjustment Assistance		14,219,068	–	14,219,068	14,219,068	–
17.261	WIA Pilots, Demonstrations, and Research Projects		316,378	70,872	387,250	387,250	–
17.266	Work Incentive Grants		28,483	591,966	620,449	620,449	–
17.267	Incentive Grants – WIA Section 503		59,139	616,468	675,607	675,607	–
17.268	H-1B Job Training Grants		–	311,112	311,112	311,112	–
17.503	Occupational Safety and Health_State Program		5,451,421	–	5,451,421	5,451,421	–
17.600	Mine Health and Safety Grants		103,906	–	103,906	103,906	–
Total Department of Labor			**$ 708,271,627**	**$ 2,829,484**	**$ 711,101,111**	**$ 711,101,111**	**$ –**
Department of State							
19.418	Educational Exchange, American Studies Institute		$ 352,229	$ –	$ 352,229	$ –	$ 352,229
19.423	Exchange_English Language Specialist/Speaker Program		89,262	–	89,262	89,262	–
19.430	International Education Training and Research		27,440	–	27,440	27,440	–
19.XXX	Other Department of State Programs						
		07-8-060	9,600	–	9,600	9,600	–
		PC-05-8-058	247	–	247	247	–
		PC-06-8-114	160	–	160	160	–
19.XXX	Total Other Department of State Programs		$ 10,007	–	$ 10,007	$ 10,007	$ –
Total Department of State			**$ 478,938**	**$ –**	**$ 478,938**	**$ 126,709**	**$ 352,229**
Department of Transportation							
20.106	Airport Improvement Program		$ 3,756,406	$ 37,475	$ 3,793,881	$ 3,793,881	$ –
20.218	National Motor Carrier Safety		2,174,602	–	2,174,602	2,174,602	–
20.219	Recreational Trails Program		152,606	658,578	811,184	811,184	–
20.232	Commercial Driver License State Programs		764,813	–	764,813	764,813	–
20.505	Federal Transit_Metropolitan Planning Grants		–	814,283	814,283	814,283	–
20.509	Formula Grants for Other Than Urbanized Areas		1,516,632	6,814,037	8,330,669	8,330,669	–
20.514	Public Transportation Research		–	1,331	1,331	1,331	–
20.515	State Planning and Research		131,258	–	131,258	131,258	–
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		247,653	340,351	588,004	588,004	–
20.614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants		86,775	–	86,775	86,775	–

The accompanying notes are an integral part of this schedule.

20.700	Pipeline Safety Program Base Grants	248,215	–	248,215	248,215	–
20.701	University Transportation Centers Program	76,760	–	76,760	41,929	34,831
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	35,370	5,103	40,473	40,473	–
Total Department of Transportation		**$ 9,191,090**	**$ 8,671,158**	**$ 17,862,248**	**$ 17,827,417**	**$ 34,831**
Department of the Treasury						
21.XXX	Other Department of Treasury Programs					
	NFMC	$ 76	$ –	$ 76	$ 76	$ –
21.XXX	Total Other Department of Treasury Programs	$ 76	$ –	$ 76	$ 76	$ –
Total Department of the Treasury		**$ 76**	**$ –**	**$ 76**	**$ 76**	**$ –**
Office of Personnel Management						
27.001	Federal Civil Service Employment	$ 184,646	$ –	$ 184,646	$ 184,646	$ –
27.011	Intergovernmental Personnel Act (IPA) Mobility Program	587,393	–	587,393	587,393	–
Total Office of Personnel Management		**$ 772,039**	**$ –**	**$ 772,039**	**$ 772,039**	**$ –**
Equal Employment Opportunity Commission						
30.001	Employment Discrimination_Title VII of the Civil Rights Act of 1964	$ 531,450	$ –	$ 531,450	$ 531,450	$ –
Total Equal Employment Opportunity Commission		**$ 531,450**	**$ –**	**$ 531,450**	**$ 531,450**	**$ –**
General Services Administration						
39.002	Disposal of Federal Surplus Real Property	$ –	$ 102,528	$ 102,528	$ 102,528	$ –
39.003	Donation of Federal Surplus Personal Property	116,459	470,113	586,572	586,572	–
Total General Services Administration		**$ 116,459**	**$ 572,641**	**$ 689,100**	**$ 689,100**	**$ –**
National Endowment for the Arts						
45.024	Promotion of the Arts_Grants to Organizations and Individuals	$ 325	$ –	$ 325	$ 325	$ –
45.025	Promotion of the Arts_Partnership Agreements	39,163	403,165	442,328	442,328	–
Total National Endowment for the Arts		**$ 39,488**	**$ 403,165**	**$ 442,653**	**$ 442,653**	**$ –**
National Endowment for the Humanities						
45.149	Promotion of the Humanities_Division of Preservation and Access	$ 98,845	$ –	$ 98,845	$ 98,845	$ –
Total National Endowment for the Humanities		**$ 98,845**	**$ –**	**$ 98,845**	**$ 98,845**	**$ –**
Institute Of Museum and Library Services						
45.301	Museums for America	$ 68,196	$ –	$ 68,196	$ 234	$ 67,962
45.310	Grants to States	950,324	821,864	1,772,188	1,689,634	82,554
45.312	National Leadership Grants	285,077	–	285,077	285,077	–
45.313	Laura Bush 21st Century Librarian Program	26,139	–	26,139	–	26,139
Total Institute Of Museum and Library Services		**$ 1,329,736**	**$ 821,864**	**$ 2,151,600**	**$ 1,974,945**	**$ 176,655**
National Science Foundation						
47.041	Engineering Grants	$ 74,621	$ –	$ 74,621	$ 74,621	$ –
47.049	Mathematical and Physical Sciences	210,345	–	210,345	–	210,345
47.050	Geosciences	103,432	–	103,432	103,432	–
47.070	Computer and Information Science and Engineering	180,532	–	180,532	180,532	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
47.074	Biological Sciences		228,802	–	228,802	228,802	–
47.075	Social, Behavioral, and Economic Sciences		5,438	–	5,438	5,438	–
47.076	Education and Human Resources		1,691,998	862,558	2,554,556	2,458,964	95,592
Total National Science Foundation			**$ 2,495,168**	**$ 862,558**	**$ 3,357,726**	**$ 3,051,789**	**$ 305,937**
Small Business Administration							
59.037	Small Business Development Centers		$ 97,829	$ –	$ 97,829	$ –	$ 97,829
59.XXX	Other Small Business Administration Programs						
		SBAHQ06I0066	110,246	–	110,246	110,246	–
59.XXX	Total Other Small Business Administration Programs		$ 110,246	$ –	$ 110,246	$ 110,246	$ –
Total Small Business Administration			**$ 208,075**	**$ –**	**$ 208,075**	**$ 110,246**	**$ 97,829**
Department of Veterans Affairs							
64.015	Veterans State Nursing Home Care		$ 3,101,475	$ –	$ 3,101,475	$ 3,101,475	$ –
64.125	Vocational and Educational Counseling for Servicemembers and Veterans		33,000	–	33,000	33,000	–
64.XXX	Other Department of Veterans Affairs Programs						
		V101223CP4749	167,274	–	167,274	167,274	–
64.XXX	Total Other Department of Veterans Affairs Programs		$ 167,274	$ –	$ 167,274	$ 167,274	$ –
Total Department of Veterans Affairs			**$ 3,301,749**	**$ –**	**$ 3,301,749**	**$ 3,301,749**	**$ –**
Environmental Protection Agency							
66.032	State Indoor Radon Grants		$ 91,576	$ –	$ 91,576	$ 91,576	$ –
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		217,224	–	217,224	217,224	–
66.202	Congressionally Mandated Projects		44,263	–	44,263	44,263	–
66.432	State Public Water System Supervision		1,287,340	412,788	1,700,128	1,700,128	–
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act		65,651	524	66,175	66,175	–
66.454	Water Quality Management Planning		101,776	–	101,776	101,776	–
66.460	Nonpoint Source Implementation Grants		206,844	1,192,623	1,399,467	1,399,467	–
66.461	Regional Wetland Program Development Grants		270,655	–	270,655	270,655	–
66.463	Water Quality Cooperative Agreements		60,977	–	60,977	60,977	–
66.468	Capitalization Grants for Drinking Water State Revolving Funds		1,775,120	16,190,096	17,965,216	17,965,216	–
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs		39,748	–	39,748	39,748	–
66.472	Beach Monitoring and Notification Program Implementation Grants		249,919	–	249,919	249,919	–

The accompanying notes are an integral part of this schedule.

66.474	Water Protection Grants to the States	154,326	–	154,326	154,326	–
66.514	Science To Achieve Results (STAR) Fellowship Program	82,320	–	82,320	82,320	–
66.605	Performance Partnership Grants	8,348,436	69,377	8,417,813	8,417,813	–
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	205,912	–	205,912	205,912	–
66.609	Protection of Children and Older Adults (Elderly) from Environmental Health Risks	15,992	–	15,992	15,992	–
66.610	Surveys, Studies, Investigations and Special Purpose Grants within the Office of the Administrator	649,962	–	649,962	649,962	–
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	520,392	–	520,392	520,392	–
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	435,604	11,108	446,712	446,712	–
66.708	Pollution Prevention Grants Program	–	37,940	37,940	37,940	–
66.709	Multi-Media Capacity Building Grants for States and Tribes	70,923	–	70,923	70,923	–
66.714	Pesticide Environmental Stewardship Regional Grants	21,368	–	21,368	21,368	–
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	(5,755)	3,182	(2,573)	(2,573)	–
66.802	Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	352,318	–	352,318	352,318	–
66.804	State and Tribal Underground Storage Tanks Program	322,445	–	322,445	322,445	–
66.805	Leaking Underground Storage Tank Trust Fund Program	925,331	–	925,331	925,331	–
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	283,083	–	283,083	283,083	–
66.817	State and Tribal Response Program Grants	1,338,188	–	1,338,188	1,338,188	–
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	107,415	–	107,415	107,415	–
66.950	Environmental Education and Training Program	97,492	–	97,492	97,492	–
Total Environmental Protection Agency		**$ 18,336,845**	**$ 17,917,638**	**$ 36,254,483**	**$ 36,254,483**	**$ –**
Nuclear Regulatory Commission						
77.006	U. S. Nuclear Regulatory Commission Nuclear Education Grant Program	$ 146,753	$ –	$ 146,753	$ 146,753	$ –
Total Nuclear Regulatory Commission		**$ 146,753**	**$ –**	**$ 146,753**	**$ 146,753**	**$ –**
Department of Energy						
81.041	State Energy Program	$ 530,063	$ –	$ 530,063	$500,400	$ 29,663
81.042	Weatherization Assistance for Low-Income Persons	138,254	2,086,231	2,224,485	2,224,485	–
81.049	Office of Science Financial Assistance Program	16,833	–	16,833	16,833	–
81.064	Office of Scientific and Technical Information	92,300	–	92,300	–	92,300
81.086	Conservation Research and Development	78,051	–	78,051	–	78,051
81.087	Renewable Energy Research and Development	336,869	–	336,869	152,481	184,388
81.104	Office of Environmental Waste Processing	652,651	18,200	670,851	670,851	–
81.105	National Industrial Competitiveness through Energy, Environment, and Economics	122,158	–	122,158	122,158	–
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	259,700	–	259,700	194,841	64,859
81.119	State Energy Program Special Projects	131,103	4,620	135,723	135,723	–
81.121	Nuclear Energy Research, Development and Demonstration	273,031	–	273,031	–	273,031

The accompanying notes are an integral part of this schedule.

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
81.XXX	Other Department of Energy Programs						
		00001159	(46)	–	(46)	(46)	–
		00028303	45,044	793,414	838,458	838,458	–
		07 27	(14,125)	–	(14,125)	(14,125)	–
		07 57	228,184	–	228,184	(124,670)	352,854
		07 65	712,987	–	712,987	712,987	–
		07 67	(836)	–	(836)	(836)	–
		07 73	(2,082)	–	(2,082)	(2,082)	–
		07 74	(6,978)	–	(6,978)	(6,978)	–
		08 85	117,079	–	117,079	181,153	(64,074)
		08 89	811,067	–	811,067	1,128,364	(317,297)
		1411 07 J008	(97,302)	–	(97,302)	(97,302)	–
		1411 07 J009	(15,389)	–	(15,389)	(15,389)	–
		17640	(5,486)	–	(5,486)	(5,486)	–
		1982 013 02	186,169	–	186,169	186,169	–
		1984 021 00	334,537	190,365	524,902	524,902	–
		1984 025 00	404,375	–	404,375	404,375	–
		1986 050 00	(141,621)	–	(141,621)	(141,621)	–
		1987 100 02	283,423	–	283,423	283,423	–
		1988 053 04	470,782	–	470,782	470,782	–
		1988 053 05	21,799	–	21,799	21,799	–
		1988 053 08	130,217	–	130,217	130,217	–
		1989 035 00	937,934	–	937,934	937,934	–
		1991 078 00	89,945	–	89,945	89,945	–
		1992 026 04	678,304	–	678,304	678,304	–
		1992 068 00	236,521	290,722	527,243	527,243	–
		1993 040 00	295,845	–	295,845	295,845	–
		1993 060 00	818,559	–	818,559	818,559	–
		1993 066 00	1,065,888	–	1,065,888	1,065,888	–
		1994 042 00	388,488	–	388,488	388,488	–
		1994 054 00	92,145	–	92,145	92,145	–
		1996 040 00	23,813	–	23,813	23,813	–
		1998 007 04	179,680	–	179,680	179,680	–
		1998 016 00	299,917	–	299,917	299,917	–

The accompanying notes are an integral part of this schedule.

	2007 402 00	150,266	–	150,266	150,266	–
	35267	179,579	–	179,579	179,579	–
	35288	165,376	–	165,376	165,376	–
	35333	44,802	–	44,802	44,802	–
	35446	50,775	–	50,775	50,775	–
	35494	668,398	726,113	1,394,511	1,394,511	–
	35730	679,114	–	679,114	679,114	–
	35809	699,093	–	699,093	699,093	–
	36462	361,471	–	361,471	361,471	–
	402 00	67,241	–	67,241	13,322	53,919
	405 007	(955)	–	(955)	(955)	–
	405 008	19,010	–	19,010	19,010	–
	98BI16566 84 21	(4,031)	–	(4,031)	(4,031)	–
	PRELIM (was 06 77)	(35,819)	–	(35,819)	(35,819)	–
81.XXX	Total Other Department of Energy Programs	$ 11,613,157	$ 2,000,614	$ 13,613,771	$ 13,588,369	$ 25,402
Total Department of Energy		**$ 14,244,170**	**$ 4,109,665**	**$ 18,353,835**	**$ 17,606,141**	**$ 747,694**
Department of Education						
84.002	Adult Education-Basic Grants to States	$ 1,091,484	$ 4,523,832	$ 5,615,316	$ 5,615,316	$ –
84.010	Title I Grants to Local Educational Agencies	1,601,286	118,421,762	120,023,048	120,023,048	–
84.011	Migrant Education_State Grant Program	1,383,863	9,339,772	10,723,635	10,723,635	–
84.013	Title I Program for Neglected and Delinquent Children	601,428	824,221	1,425,649	1,425,649	–
84.015	National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	203,870	–	203,870	203,870	–
84.016	Undergraduate International Studies and Foreign Language Programs	41,187	–	41,187	41,187	–
84.037	Perkins Loan Cancellations	840,303	–	840,303	840,303	–
84.048	Career and Technical Education-Basic Grants to States	2,013,291	10,482,371	12,495,662	12,495,293	369
84.069	Leveraging Educational Assistance Partnership	895,503	–	895,503	895,503	–
84.116	Fund for the Improvement of Postsecondary Education	108,389	–	108,389	83,781	24,608
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	39,216,670	54,303	39,270,973	39,270,973	–
84.129	Rehabilitation Long-Term Training	366,165	–	366,165	366,165	–
84.133	National Institute on Disability and Rehabilitation Research	24,673	–	24,673	–	24,673
84.141	Migrant Education_High School Equivalency Program	490,637	–	490,637	490,637	–
84.153	Business and International Education Projects	50,048	–	50,048	50,048	–
84.160	Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	204,800	125,293	330,093	330,093	–
84.165	Magnet Schools Assistance	14,455	–	14,455	–	14,455
84.169	Independent Living_State Grants	278,866	–	278,866	278,866	–
84.177	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	505,103	–	505,103	505,103	–
84.181	Special Education-Grants for Infants and Families	8,327,280	5,027,645	13,354,925	5,223,864	8,131,061
84.184	Safe and Drug-Free Schools and Communities_National Programs	24,045	–	24,045	–	24,045
84.185	Byrd Honors Scholarships	433,500	–	433,500	433,500	–
84.186	Safe and Drug-Free Schools and Communities-State Grants	354,356	3,007,527	3,361,883	3,361,885	(2)

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.187	Supported Employment Services for Individuals with Significant Disabilities		326,831	–	326,831	326,831	–
84.195	Bilingual Education_Professional Development		252,213	–	252,213	252,213	–
84.196	Education for Homeless Children and Youth		84,717	468,521	553,238	553,238	–
84.200	Graduate Assistance in Areas of National Need		76,074	–	76,074	76,074	–
84.213	Even Start_State Educational Agencies		53,459	1,428,733	1,482,192	1,482,192	–
84.215	Fund for the Improvement of Education		234,673	–	234,673	–	234,673
84.224	Assistive Technology		130,061	274,303	404,364	359,130	45,234
84.235	Rehabilitation Services Demonstration and Training Programs		91,760	–	91,760	91,760	–
84.243	Tech-Prep Education		70,092	1,045,049	1,115,141	1,115,141	–
84.257	National Institute for Literacy		5,707	–	5,707	–	5,707
84.265	Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training		53,370	–	53,370	53,370	–
84.282	Charter Schools		294,127	6,078,515	6,372,642	6,372,642	–
84.287	Twenty-First Century Community Learning Centers		309,593	9,932,838	10,242,431	10,242,431	–
84.298	State Grants for Innovative Programs		197,107	980,286	1,177,393	1,177,393	–
84.299	Indian Education-Special Programs		820,055	–	820,055	820,055	–
84.305	Education Research, Development and Dissemination		216,185	–	216,185	128,956	87,229
84.318	Education Technology State Grants		144,689	2,546,886	2,691,575	2,691,575	–
84.323	Special Education – State Personnel Development		772,977	280,954	1,053,931	958,689	95,242
84.324	Research in Special Education		636,889	138,381	775,270	761,144	14,126
84.325	Special Education – Personnel Development to Improve Services and Results for Children with Disabilities		2,688,391	8,125	2,696,516	2,696,516	–
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		1,563,811	240,839	1,804,650	1,656,132	148,518
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		299,677	75,135	374,812	361,607	13,205
84.331	Grants to States for Incarcerated Youth Offenders		36,294	–	36,294	36,294	–
84.332	Comprehensive School Reform Demonstration		30,220	913,061	943,281	943,281	–
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		1,935,636	630,513	2,566,149	2,566,149	–
84.336	Teacher Quality Enhancement Grants		(32)	–	(32)	–	(32)
84.350	Transition to Teaching		15,468	–	15,468	15,468	–
84.351	Arts in Education		38,452	–	38,452	–	38,452
84.357	Reading First State Grants		3,262,883	7,246,830	10,509,713	7,770,257	2,739,456
84.358	Rural Education		56,684	565,072	621,756	621,756	–
84.365	English Language Acquisition Grants		302,826	6,874,663	7,177,489	7,177,489	–
84.366	Mathematics and Science Partnerships		537,092	1,433,346	1,970,438	1,500,996	469,442
84.367	Improving Teacher Quality State Grants		614,788	25,921,856	26,536,644	26,536,644	–

The accompanying notes are an integral part of this schedule.

84.368	Grants for Enhanced Assessment Instruments	15,105	610,516	625,621	625,621	–
84.369	Grants for State Assessments and Related Activities	7,683,854	–	7,683,854	7,680,244	3,610
84.372	Statewide Data Systems	229,735	–	229,735	229,735	–
84.373	Special Education_Technical Assistance on State Data Collection	3,263	–	3,263	–	3,263
84.377	School Improvement Grants	–	1,203	1,203	1,203	–
84.928	National Writing Project	167,299	–	167,299	–	167,299
84.XXX	Other Department of Education Programs					
	ED03CO0078	114,987	–	114,987	114,987	–
	ED08CO0071	1,164	–	1,164	1,164	–
84.XXX	Total Other Department of Education Programs	$ 116,151	$ –	$ 116,151	$ 116,151	$ –
Total Department of Education		**$ 83,439,378**	**$219,502,351**	**$ 302,941,729**	**$ 290,657,096**	**$12,284,633**
Elections Assistance Commission						
90.401	Help America Vote Act Requirements Payments	$ 2,250,431	$ –	$ 2,250,431	$ 2,250,431	$ –
Total Elections Assistance Commission		**$ 2,250,431**	**$ –**	**$ 2,250,431**	**$ 2,250,431**	**$ –**
United States Institute of Peace						
91.001	Unsolicited Grant Program	$ 12,500	$ –	$ 12,500	$ 12,500	$ –
Total United States Institute of Peace		**$ 12,500**	**$ –**	**$ 12,500**	**$ 12,500**	**$ –**
Department of Health and Human Services						
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	$ 81,227	$ –	$ 81,227	$ 81,227	$ –
93.041	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	14,021	970	14,991	14,991	–
93.042	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	184,177	–	184,177	184,177	–
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	–	90,439	90,439	90,439	–
93.048	Special Programs for the Aging_Title IV and Title II_Discretionary Projects	565,058	–	565,058	565,058	–
93.052	National Family Caregiver Support, Title III, Part E	162,562	1,627,244	1,789,806	1,789,806	–
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants	21,512	–	21,512	–	21,512
93.103	Food and Drug Administration_Research	126,645	–	126,645	126,645	–
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	53,050	–	53,050	–	53,050
93.110	Maternal and Child Health Federal Consolidated Programs	267,491	(2,917)	264,574	231,934	32,640
93.113	Environmental Health	13,385	–	13,385	–	13,385
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	638,423	208,544	846,967	846,967	–
93.127	Emergency Medical Services for Children	143,303	–	143,303	143,303	–
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	263,517	–	263,517	263,517	–
93.136	Injury Prevention and Control Research and State and Community Based Programs	417,794	370,376	788,170	788,170	–
93.150	Projects for Assistance in Transition from Homelessness (PATH)	2,809	553,998	556,807	556,807	–
93.184	Disabilities Prevention	(33,495)	102,740	69,245	69,245	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
93.185	Immunization Research, Demonstration, Public Information and Education-Training and Clinical Skills Improvement Projects		(980)	–	(980)	(980)	–
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		90,711	–	90,711	90,711	–
93.204	Surveillance of Hazardous Substance Emergency Events		102,310	87	102,397	102,397	–
93.217	Family Planning_Services		702,902	1,683,537	2,386,439	2,386,439	–
93.226	Research on Healthcare Costs, Quality and Outcomes		12,141	–	12,141	–	12,141
93.230	Consolidated Knowledge Development and Application (KD&A) Program		4,753	30,090	34,843	34,843	–
93.234	Traumatic Brain Injury State Demonstration Grant Program		118,590	–	118,590	118,590	–
93.235	Abstinence Education Program		359,702	248,958	608,660	608,660	–
93.240	State Capacity Building		276,313	5,000	281,313	281,313	–
93.241	State Rural Hospital Flexibility Program		3,685	–	3,685	3,685	–
93.242	Mental Health Research Grants		16,500	–	16,500	–	16,500
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance		485,159	222,881	708,040	696,868	11,172
93.251	Universal Newborn Hearing Screening		286,023	–	286,023	286,023	–
93.262	Occupational Safety and Health Program		26,138	–	26,138	26,138	–
93.268	Immunization Grants		29,021,285	223,927	29,245,212	29,239,650	5,562
93.279	Drug Abuse and Addiction Research Programs		(208,312)	–	(208,312)	(208,312)	–
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance		19,560,292	7,309,879	26,870,171	26,870,171	–
93.393	Cancer Cause and Prevention Research		39,665	–	39,665	–	39,665
93.556	Promoting Safe and Stable Families		3,801,018	545,647	4,346,665	4,346,665	–
93.558	Temporary Assistance for Needy Families		181,212,767	1,170,957	182,383,724	182,383,724	–
93.563	Child Support Enforcement		20,156,912	7,704,860	27,861,772	27,861,772	–
93.566	Refugee and Entrant Assistance_State Administered Programs		3,425,707	–	3,425,707	3,425,707	–
93.568	Low-Income Home Energy Assistance		656,151	26,730,404	27,386,555	27,386,555	–
93.569	Community Services Block Grant		273,950	4,902,137	5,176,087	5,176,087	–
93.571	Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs		(155)	–	(155)	(155)	–
93.576	Refugee and Entrant Assistance_Discretionary Grants		572,490	–	572,490	572,490	–
93.579	U.S. Repatriation		560	–	560	560	–
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants		1,373,512	–	1,373,512	1,373,512	–
93.586	State Court Improvement Program		423,376	–	423,376	423,376	–
93.587	Promote the Survival and Continuing Vitality of Native American Languages		1,768	–	1,768	–	1,768

The accompanying notes are an integral part of this schedule.

93.589	Refugee Assistance-Naturalization and Citizenship Activities	4,146	–	4,146	–	4,146
93.590	Community-Based Child Abuse Prevention Grants	307,134	6,956	314,090	314,090	–
93.597	Grants to States for Access and Visitation Programs	41,309	102,995	144,304	144,304	–
93.599	Chafee Education and Training Vouchers Program (ETV)	876,895	–	876,895	876,895	–
93.600	Head Start	1,193,000	–	1,193,000	1,193,000	–
93.612	Native American Programs	18,585	–	18,585	–	18,585
93.617	Voting Access for Individuals with Disabilities_Grants to States	79,352	3,021	82,373	82,373	–
93.618	Voting Access for Individuals with Disabilities_Grants for Protection and Advocacy Systems	50,204	16,204	66,408	66,408	–
93.623	Basic Center Grant	266,799	–	266,799	254,109	12,690
93.630	Developmental Disabilities Basic Support and Advocacy Grants	811,006	–	811,006	659,169	151,837
93.643	Children's Justice Grants to States	326,204	–	326,204	306,721	19,483
93.645	Child Welfare Services_State Grants	3,501,551	–	3,501,551	3,431,945	69,606
93.648	Child Welfare Services Training Grants	1,491,024	–	1,491,024	211,087	1,279,937
93.658	Foster Care_Title IV-E	57,839,591	717,531	58,557,122	57,309,884	1,247,238
93.659	Adoption Assistance	32,109,843	–	32,109,843	32,109,843	–
93.667	Social Services Block Grant	11,304,787	2,490,404	13,795,191	13,795,191	–
93.669	Child Abuse and Neglect State Grants	276,694	–	276,694	276,694	–
93.670	Child Abuse and Neglect Discretionary Activities	415,075	–	415,075	415,075	–
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	87,084	1,244,811	1,331,895	1,331,895	–
93.674	Chafee Foster Care Independence Program	2,613,884	–	2,613,884	2,613,884	–
93.767	State Children's Insurance Program	67,078,852	–	67,078,852	67,078,852	–
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	742,224	85,542	827,766	827,766	–
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,685,181	–	1,685,181	1,623,846	61,335
93.793	Medicaid Transformation Grants	119,965	–	119,965	119,965	–
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	6,323	–	6,323	–	6,323
93.859	Biomedical Research and Research Training	(34,139)	–	(34,139)	(34,139)	–
93.865	Child Health and Human Development Extramural Research	1	–	1	–	1
93.889	National Bioterrorism Hospital Preparedness Program	2,458,593	3,271,407	5,730,000	5,730,000	–
93.917	HIV Care Formula Grants	6,944,422	1,029,653	7,974,075	7,974,075	–
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	718,558	24,395	742,953	742,953	–
93.940	HIV Prevention Activities-Health Department Based	1,605,242	1,560,327	3,165,569	3,165,569	–
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	645,321	143,928	789,249	789,249	–
93.945	Assistance Programs for Chronic Disease Prevention and Control	6,779	23,759	30,538	30,538	–
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	145,840	–	145,840	145,840	–
93.955	Health and Safety Programs for Construction Work	55,728	–	55,728	–	55,728
93.958	Block Grants for Community Mental Health Services	414,911	3,283,127	3,698,038	3,698,038	–
93.959	Block Grants for Prevention and Treatment of Substance Abuse	3,091,970	11,852,425	14,944,395	14,944,395	–
93.977	Preventive Health Services_Sexually Transmitted Diseases Control	1,360,238	48,319	1,408,557	1,408,557	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
	Grants						
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems		641,401	261,998	903,399	903,399	–
93.991	Preventative Health and Health Services Block Grant		553,159	55,095	608,254	608,254	–
93.994	Maternal and Child Health Services Block Grant to the States		3,751,813	2,774,417	6,526,230	6,526,230	–
93.XXX	Other Department of Health and Human Services Programs						
		270-03-6002	44,894	–	44,894	–	44,894
93.XXX	Total Other Department of Health and Human Services Programs		$ 44,894	$ –	44,894	–	44,894
Total Department of Health and Human Services			**$ 471,367,855**	**$ 82,726,072**	**$ 554,093,927**	**$ 550,914,729**	**$ 3,179,198**
Corporation For National and Community Service							
94.003	State Commissions		$ 269,385	$ –	$ 269,385	$ 93,259	$ 176,126
94.004	Learn and Serve America_School and Community Based Programs		32,392	162,806	195,198	195,198	–
94.005	Learn and Serve America_Higher Education		99,904	7,967	107,871	107,872	(1)
94.006	AmeriCorps		895,872	1,339,048	2,234,920	2,091,672	143,248
94.007	Planning and Program Development Grants		38,300	–	38,300	1,823	36,477
94.009	Training and Technical Assistance		65,994	–	65,994	65,994	–
Total Corporation For National and Community Service			**$ 1,401,847**	**$ 1,509,821**	**$ 2,911,668**	**$ 2,555,818**	**$ 355,850**
Department of Homeland Security							
97.007	Homeland Security Preparedness Technical Assistance Program		$ 1,090,804	$ 342,555	$ 1,433,359	$ 1,433,359	$ –
97.008	Urban Areas Security Initiative		410,294	2,709,918	3,120,212	3,120,212	–
97.012	Boating Safety Financial Assistance		163,351	1,761,385	1,924,736	1,924,736	–
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		489,852	258,314	748,166	321,319	426,847
97.018	National Fire Academy Training Assistance		16,436	–	16,436	16,436	–
97.023	Community Assistance Program-State Support Services Element (CAP-SSSE)		101,635	–	101,635	101,635	–
97.032	Crisis Counseling		9,161	–	9,161	9,161	–
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)		3,163,465	9,306,404	12,469,869	12,469,869	–
97.039	Hazard Mitigation Grant		267,797	1,522	269,319	1,522	267,797
97.040	Chemical Stockpile Emergency Preparedness Program		2,215,796	7,962,247	10,178,043	10,178,043	–
97.041	National Dam Safety Program		50,576	–	50,576	50,576	–
97.042	Emergency Management Performance Grants		731,698	2,762,200	3,493,898	3,493,898	–
97.043	State Fire Training Systems Grants		23,770	–	23,770	23,770	–
97.046	Fire Management Assistance Grant		18,243	26,188	44,431	44,431	–
97.047	Pre-Disaster Mitigation		60,553	2,872,773	2,933,326	2,933,326	–
97.053	Citizen Corps		31,994	178,638	210,632	210,632	–
97.070	Map Modernization Management Support		174,270	–	174,270	174,270	–

The accompanying notes are an integral part of this schedule.

97.071	Metropolitan Medical Response System	–	212,599	212,599	212,599	–
97.073	State Homeland Security Program (SHSP)	1,914,534	6,482,684	8,397,218	8,397,218	–
97.074	Law Enforcement Terrorism Prevention Program (LETPP)	409,290	2,575,890	2,985,180	2,985,180	–
97.075	Rail and Transit Security Grant Program	–	915,447	915,447	915,447	–
97.078	Buffer Zone Protection Program (BZPP)	–	188,965	188,965	188,965	–
97.082	Earthquake Consortium	539,876	–	539,876	539,876	–
Total Department of Homeland Security		**$ 11,883,395**	**$ 38,557,729**	**$ 50,441,124**	**$ 49,746,480**	**$ 694,644**
United States Agency for International Development						
98.001	USAID Foreign Assistance for Programs Overseas	$ 58,499	$ –	$ 58,499	$ –	$ 58,499
98.012	USAID Development Partnerships for University Cooperation and Development	78,638	32,250	110,888	–	110,888
Total United States Agency for International Development		**$ 137,137**	**$ 32,250**	**$ 169,387**	**$ –**	**$ 169,387**
Food Stamp Cluster						
10.551	Supplemental Nutrition Assistance Program	$ 523,743,688	$ –	$ 523,743,688	$ 523,743,688	$ –
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	40,081,654	4,150,952	44,232,606	44,232,606	–
Total Food Stamp Cluster		**$ 563,825,342**	**$ 4,150,952**	**$ 567,976,294**	**$ 567,976,294**	**$ –**
Child Nutrition Cluster						
10.553	School Breakfast Program	$ 498,398	$ 26,605,826	$ 27,104,224	$ 27,104,224	$ –
10.555	National School Lunch Program	1,000,343	78,160,728	79,161,071	79,161,071	–
10.556	Special Milk Program for Children	–	153,677	153,677	153,677	–
10.559	Summer Food Service Program for Children	164,895	3,857,440	4,022,335	4,022,335	–
Total Child Nutrition Cluster		**$ 1,663,636**	**$108,777,671**	**$ 110,441,307**	**$ 110,441,307**	**$ –**
Emergency Food Assistance Cluster						
10.568	Emergency Food Assistance Program (Administrative Costs)	$ 113,791	$ 607,374	$ 721,165	$ 721,165	$ –
10.569	Emergency Food Assistance Program (Food Commodities)	–	2,731,450	2,731,450	2,731,450	–
Total Emergency Food Assistance Cluster		**$ 113,791**	**$ 3,338,824**	**$ 3,452,615**	**$ 3,452,615**	**$ –**
Schools and Roads Cluster						
10.665	Schools and Roads_Grants to States	$ 143,225	$153,423,190	$ 153,566,415	$ 153,423,190	$ 143,225
10.666	Schools and Roads_Grants to Counties	48,496	–	48,496	47,702	794
Total Schools and Roads Cluster		**$ 191,721**	**$153,423,190**	**$ 153,614,911**	**$ 153,470,892**	**$ 144,019**
Public Works and Economic Development Cluster						
11.307	Economic Adjustment Assistance	$ 70,848	$ –	$ 70,848	$ 70,848	$ –
Total Public Works and Economic Development Cluster		**$ 70,848**	**$ –**	**$ 70,848**	**$ 70,848**	**$ –**
Section 8 Project-Based Cluster						
14.182	Lower Income Housing Assistance Program – Section 8 New Construction/Substantial Rehabilitation	$ 50,257,853	$ –	$ 50,257,853	$50,257,853	$ –
Total Section 8 Project-Based Cluster		**$ 50,257,853**	**$ –**	**$ 50,257,853**	**$ 50,257,853**	**$ –**

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
CDBG – Entitlement and Small Cities Cluster							
14.218	Community Development Block Grants/Entitlement Grants		$ 79,951	$ –	$ 79,951	$ –	$ 79,951
Total CDBG – Entitlement and Small Cities Cluster			**$ 79,951**	**$ –**	**$ 79,951**	**$ –**	**$ 79,951**
Fish and Wildlife Cluster							
15.605	Sport Fish Restoration Program		$ 7,287,191	$ 851,651	$ 8,138,842	$ 8,138,842	$ –
15.611	Wildlife Restoration		5,654,382	–	5,654,382	5,654,382	–
Total Fish and Wildlife Cluster			**$ 12,941,573**	**$ 851,651**	**$ 13,793,224**	**$ 13,793,224**	**$ –**
Employment Service Cluster							
17.207	Employment Service/Wagner-Peyser Funded Activities		$ 12,936,117	$ –	$ 12,936,117	$ 12,936,117	$ –
17.801	Disabled Veterans' Outreach Program (DVOP)		1,536,828	–	1,536,828	1,536,828	–
17.804	Local Veterans' Employment Representative Program		381,659	–	381,659	381,659	–
Total Employment Service Cluster			**$ 14,854,604**	**$ –**	**$ 14,854,604**	**$ 14,854,604**	**$ –**
WIA Cluster							
17.258	WIA Adult Program		$ 1,131,030	$ 13,217,363	$ 14,348,393	$ 14,348,393	$ –
17.259	WIA Youth Activities		1,192,952	13,508,813	14,701,765	14,701,765	–
17.260	WIA Dislocated Workers		1,220,765	21,145,787	22,366,552	22,366,552	–
Total WIA Cluster			**$ 3,544,747**	**$ 47,871,963**	**$ 51,416,710**	**$ 51,416,710**	**$ –**
Highway Planning and Construction Cluster							
20.205	Highway Planning and Construction		$ 417,667,462	$ 13,541,977	$ 431,209,439	$ 430,965,012	$ 244,427
Total Highway Planning and Construction Cluster			**$ 417,667,462**	**$ 13,541,977**	**$ 431,209,439**	**$ 430,965,012**	**$ 244,427**
Federal Transit Cluster							
20.507	Federal Transit _Formula Grants		$ 3,765	$ –	$ 3,765	$ –	$ 3,765
Total Federal Transit Cluster			**$ 3,765**	**$ –**	**$ 3,765**	**$ –**	**$ 3,765**
Highway Safety Cluster							
20.600	State and Community Highway Safety		$ 1,385,116	$ 769,278	$ 2,154,394	$ 2,154,394	$ –
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		304,469	933,784	1,238,253	1,238,253	–
20.602	Occupant Protection		22,905	414,833	437,738	437,738	–
20.604	Safety Incentive Grants for Use of Seatbelts		123,192	265,667	388,859	388,859	–
20.605	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons		318,253	–	318,253	318,253	–
20.609	Safety Belt Performance Grants		281,358	335,696	617,054	617,054	–
20.610	State Traffic Safety Information System Improvement Grants		11,310	90,602	101,912	101,912	–
20.612	Incentive Grant Program to Increases Motorcyclist Safety		37,924	–	37,924	37,924	–

The accompanying notes are an integral part of this schedule.

20.613	Child Safety and Child Booster Seats Incentive Grants	3,248	113,072	116,320	116,320	–
Total Highway Safety Cluster		**$ 2,487,775**	**$ 2,922,932**	**$ 5,410,707**	**$ 5,410,707**	**$ –**
Transit Services Programs Cluster						
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	$ 104,293	$ 8,184,642	$ 8,288,935	$ 8,288,935	$ –
20.516	Job Access_Reverse Commute	–	366,850	366,850	366,850	–
20.521	New Freedom Program	–	7,680	7,680	7,680	–
Total Transit Services Programs Cluster		**$ 104,293**	**$ 8,559,172**	**$ 8,663,465**	**$ 8,663,465**	**$ –**
Special Education Cluster (IDEA)						
84.027	Special Education_Grants to States	$ 7,211,045	$109,231,783	$ 116,442,828	$ 116,158,578	$ 284,250
84.173	Special Education_Preschool Grants	669,478	5,288,001	5,957,479	5,578,600	378,879
Total Special Education Cluster (IDEA)		**$ 7,880,523**	**$114,519,784**	**$ 122,400,307**	**$ 121,737,178**	**$ 663,129**
TRIO Cluster						
84.042	TRIO_Student Support Services	$ 1,824,354	$ –	$ 1,824,354	$ 1,824,354	$ –
84.044	TRIO_Talent Search	303,211	–	303,211	303,211	–
84.047	TRIO_Upward Bound	696,484	–	696,484	696,484	–
84.217	TRIO_McNair Post-Baccalaureate Achievement	693,615	–	693,615	693,615	–
Total TRIO Cluster		**$ 3,517,664**	**$ –**	**$ 3,517,664**	**$ 3,517,664**	**$ –**
Aging Cluster						
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	$ 404,671	$ 3,770,088	$ 4,174,759	$ 4,174,759	$ –
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	60,941	6,096,564	6,157,505	6,157,505	–
93.053	Nutrition Services Incentive Program	29,358	1,576,602	1,605,960	1,605,960	–
Total Aging Cluster		**$ 494,970**	**$ 11,443,254**	**$ 11,938,224**	**$ 11,938,224**	**$ –**
CCDF Cluster						
93.575	Child Care and Development Block Grant	$ 19,462,305	$ 4,294,254	$ 23,756,559	$ 23,755,024	$ 1,535
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	46,227,397	–	46,227,397	46,227,395	2
Total CCDF Cluster		**$ 65,689,702**	**$ 4,294,254**	**$ 69,983,956**	**$ 69,982,419**	**$ 1,537**
Medicaid Cluster						
93.775	State Medicaid Fraud Control Units	$ 1,116,483	$ –	$ 1,116,483	$ 1,116,483	$ –
93.777	State Survey and Certification of Health Care Providers and Suppliers	5,559,745	–	5,559,745	5,559,745	–
93.778	Medical Assistance Program	2,147,335,033	408,859	2,147,743,892	2,147,743,892	–
Total Medicaid Cluster		**$2,154,011,261**	**$ 408,859**	**$2,154,420,120**	**$2,154,420,120**	**$ –**
Disability Insurance/SSI Cluster						
96.001	Social Security_Disability Insurance	$ 22,665,368	$ –	$ 22,665,368	$ 22,665,368	$ –
Total Disability Insurance/SSI Cluster		**$ 22,665,368**	**$ –**	**$ 22,665,368**	**$ 22,665,368**	**$ –**
Student Financial Assistance Programs						
84.007	Federal Supplemental Education Opportunity Grants	$ 4,592,473	$ –	$ 4,592,473	$ 4,592,473	$ –

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.032	Federal Family Education Loans		152,020,794	–	152,020,794	152,020,794	–
84.033	Federal Work-Study Program		5,199,949	–	5,199,949	5,199,949	–
84.063	Federal Pell Grant Program		54,070,353	–	54,070,353	54,070,353	–
84.268	Federal Direct Student Loans		215,431,344	–	215,431,344	215,431,344	–
84.375	Academic Competitiveness Grants		1,106,662	–	1,106,662	1,106,662	–
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants		2,672,557	–	2,672,557	2,672,557	–
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		20	–	20	20	–
Total Student Financial Assistance Programs			**$ 435,094,152**	**$ –**	**$ 435,094,152**	**$ 435,094,152**	**$ –**
Research and Development Cluster							
10.001	Agricultural Research_Basic and Applied Research		$ 1,851,127	$ –	$1,851,127	$ 1,851,037	$ 90
10.025	Plant and Animal Disease, Pest Control, and Animal Care		13,741	–	13,741	13,741	–
10.200	Grants for Agricultural Research, Special Research Grants		2,121,797	483,925	2,605,722	1,656,426	949,296
10.202	Cooperative Forestry Research		787,666	–	787,666	787,666	–
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		4,433,852	–	4,433,852	4,433,852	–
10.206	Grants for Agricultural Research_Competitive Research Grants		2,714,832	259,912	2,974,744	2,470,205	504,539
10.207	Animal Health and Disease Research		68,131	–	68,131	68,131	–
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants		53,656	–	53,656	53,656	–
10.212	Small Business Innovation Research		(1,755)	–	(1,755)	–	(1,755)
10.219	Biotechnology Risk Assessment Research		150,126	17,227	167,353	167,353	–
10.225	Community Food Projects		2,269	–	2,269	2,269	–
10.250	Agricultural and Rural Economic Research		65,476	–	65,476	64,153	1,323
10.303	Integrated Programs		676,069	110,048	786,117	623,846	162,271
10.304	Homeland Security_Agricultural		139,452	–	139,452	16,747	122,705
10.305	International Science and Education Grants		52,785	–	52,785	52,785	–
10.307	Organic Agriculture Research and Extension Initiative		110,263	21,029	131,292	131,292	–
10.446	Rural Community Development Initiative		72,532	–	72,532	72,532	–
10.455	Community Outreach and Assistance Partnership Program		36,574	–	36,574	–	36,574
10.456	Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)		127,649	–	127,649	119,346	8,303
10.457	Commodity Partnerships for Risk Management Education		24,178	–	24,178	24,178	–
10.459	Commodity Partnerships for Small Agricultural Risk Management Education Sessions		59,588	–	59,588	59,588	–
10.500	Cooperative Extension Service		517,767	–	517,767	194,368	323,399
10.551	Supplemental Nutrition Assistance Program		4,295,209	64,845	4,360,054	–	4,360,054
10.558	Child and Adult Care Food Program		1,845	–	1,845	1,845	–

The accompanying notes are an integral part of this schedule.

10.560	State Administrative Expenses for Child Nutrition	1,035	–	1,035	–	1,035
10.652	Forestry Research	409,834	–	409,834	381,480	28,354
10.664	Cooperative Forestry Assistance	4,916,776	–	4,916,776	4,854,195	62,581
10.670	National Forest_Dependent Rural Communities	2,547	–	2,547	–	2,547
10.672	Rural Development, Forestry, and Communities	255,089	23,600	278,689	205,320	73,369
10.677	Forest Land Enhancement Program	50,170	–	50,170	50,170	–
10.678	Forest Stewardship Program	9,331	–	9,331	9,331	–
10.680	Forest Health Protection	24,929	–	24,929	24,929	–
10.769	Rural Business Enterprise Grants	24,764	–	24,764	24,764	–
10.901	Resource Conservation and Development	46,780	–	46,780	46,780	–
10.902	Soil and Water Conservation	586,614	172,513	759,127	730,181	28,946
10.912	Environmental Quality Incentives Program	122,522	–	122,522	81,513	41,009
10.960	Technical Agricultural Assistance	3,360	–	3,360	–	3,360
10.961	Scientific Cooperation and Research	1	–	1	1	–
10.XXX	Other Department of Agriculture Programs					
	03-CR-11061820-055	19,472	–	19,472	19,472	–
	06-CR-11061503-015 MOD 2	29,676	–	29,676	29,676	–
10.XXX	Total Other Department of Agriculture Programs	$ 49,148	$ –	$ 49,148	$ 49,148	$ –
11.300	Investments for Public Works and Economic Development Facilities	95,049	–	95,049	95,049	–
11.302	Economic Development_Support for Planning Organizations	12,934	–	12,934	–	12,934
11.417	Sea Grant Support	2,831,944	408,753	3,240,697	2,970,119	270,578
11.419	Coastal Zone Management Administration Awards	115,646	57,655	173,301	–	173,301
11.420	Coastal Zone Management Estuarine Research Reserves	34,061	–	34,061	34,061	–
11.426	Financial Assistance for National Centers for Central Coastal Ocean Science	64,286	–	64,286	–	64,286
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	44,348	–	44,348	44,348	–
11.430	Undersea Research	34,125	–	34,125	34,125	–
11.431	Climate and Atmospheric Research	679,755	8,168	687,923	657,530	30,393
11.432	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	1,103,084	10,533	1,113,617	1,096,361	17,256
11.433	Marine Fisheries Initiative	1,344	–	1,344	1,344	–
11.434	Cooperative Fishery Statistics	10	–	10	10	–
11.436	Columbia River Fisheries Development Program	170,783	–	170,783	117,324	53,459
11.437	Pacific Fisheries Data Program	66,924	–	66,924	66,924	–
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	149,062	–	149,062	113	148,949
11.439	Marine Mammal Data Program	347,241	–	347,241	145,762	201,479
11.440	Environmental Sciences, Applications, Data, and Education	1,573,635	456,271	2,029,906	2,029,906	–
11.452	Unallied Industry Projects	189,971	–	189,971	189,971	–
11.454	Unallied Management Projects	5,000	–	5,000	5,000	–
11.455	Cooperative Science and Education Program	1,402,459	–	1,402,459	1,402,459	–
11.460	Special Oceanic and Atmospheric Projects	372,364	10,071	382,435	382,435	–
11.462	Hydrologic Research	35,000	–	35,000	35,000	–
11.463	Habitat Conservation	155,639	–	155,639	–	155,639
11.468	Applied Meteorological Research	35,000	–	35,000	–	35,000
11.469	Congressionally Identified Awards and Projects	54,576	–	54,576	54,576	–
11.472	Unallied Science Program	372,853	–	372,853	8,477	364,376

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
11.473	Coastal Services Center		224,472	–	224,472	104,138	120,334
11.474	Atlantic Coastal Fisheries Cooperative Management Act		12,238	–	12,238	12,238	–
11.478	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program		125,984	–	125,984	125,984	–
11.XXX	Other Department of Commerce Programs						
		AB133F06SE3676	79,143	–	79,143	79,143	–
11.XXX	Total Other Department of Commerce Programs		$ 79,143	$ –	$ 79,143	$ 79,143	$ –
12.100	Aquatic Plant Control		7,560	–	7,560	7,560	–
12.107	Navigation Projects		9,459	–	9,459	–	9,459
12.114	Collaborative Research and Development		1,143,525	447,526	1,591,051	1,591,051	–
12.300	Basic and Applied Scientific Research		6,396,090	44,648	6,440,738	5,846,118	594,620
12.401	National Guard Military Operations and Maintenance (O&M) Projects		51,178	–	51,178	–	51,178
12.420	Military Medical Research and Development		2,955,289	122,633	3,077,922	2,548,521	529,401
12.431	Basic Scientific Research		2,797,805	184,434	2,982,239	2,891,890	90,349
12.550	National Flagship Language Program Grants To U.S. Institutions Of Higher Education		51,954	–	51,954	–	51,954
12.551	National Security Education Program David L. Boren Fellowships		1,047,680	580,924	1,628,604	273	1,628,331
12.630	Basic, Applied, and Advanced Research in Science and Engineering		357,324	17,511	374,835	101,862	272,973
12.800	Air Force Defense Research Sciences Program		2,152,084	194,089	2,346,173	2,096,858	249,315
12.910	Research and Technology Development		2,609,109	–	2,609,109	339,989	2,269,120
12.XXX	Other Department of Defense Programs						
		0160 S HE178	125,432	–	125,432	–	125,432
		3100479	42,654	–	42,654	–	42,654
		H98230-07-C-0412	438,988	16,720	455,708	455,708	–
		Not Available	10,619	–	10,619	–	10,619
		W66QKZ72481481 TASK 01	8,549	–	8,549	8,549	–
		W912HZ-08-P-0003	42,638	–	42,638	42,638	–
		W9132T-06-C-0010	12,670	–	12,670	12,670	–
12.XXX	Total Other Department of Defense Programs		$ 681,550	$ 16,720	$ 698,270	$ 519,565	$ 178,705
14.506	General Research and Technology Activity		5,183	–	5,183	5,183	–
14.XXX	Other Department of Housing and Urban Development						
		7010-24- B2H	98,800	–	98,800	–	98,800
14.XXX	Total Other Department of Housing and Urban Development		$ 98,800	$ –	$ 98,800	$ –	$ 98,800
15.038	Minerals and Mining on Indian Lands		4,641	–	4,641	–	4,641
15.224	Cultural Resource Management		48,425	–	48,425	38,397	10,028
15.225	Recreation Resource Management		621,005	66,049	687,054	674,083	12,971
15.228	National Fire Plan – Wildland Urban Interface Community Fire Assistance		1,538	–	1,538	–	1,538

The accompanying notes are an integral part of this schedule.

15.231	Fish, Wildlife and Plant Conservation Resource Management	33,021	–	33,021	776	32,245
15.242	National Fire Plan – Rural Fire Assistance	30,630	–	30,630	30,630	–
15.423	Minerals Management Service (MMS) Environmental Studies Program (ESP)	2,925	–	2,925	–	2,925
15.504	Water Reclamation and Reuse Program	13,055	5,800	18,855	18,855	–
15.506	Water Desalination Research and Development Program	(4,097)	–	(4,097)	(4,097)	–
15.507	Water 2025	66,595	–	66,595	70,817	(4,222)
15.605	Sport Fish Restoration Program	74,970	–	74,970	–	74,970
15.608	Fish and Wildlife Management Assistance	691,200	36,786	727,986	406,266	321,720
15.611	Wildlife Restoration	64,424	–	64,424	37,180	27,244
15.615	Cooperative Endangered Species Conservation Fund	8,067	–	8,067	–	8,067
15.630	Coastal Program	16,743	–	16,743	16,743	–
15.631	Partners for Fish and Wildlife	20,388	–	20,388	20,388	–
15.634	State Wildlife Grants	144,841	–	144,841	–	144,841
15.637	Migratory Bird Joint Ventures	19,291	–	19,291	–	19,291
15.649	Service Training and Technical Assistance (Generic Training)	22,768	–	22,768	22,768	–
15.650	Research Grants (Generic)	79,910	–	79,910	79,910	–
15.805	Assistance to State Water Resources Research Institutes	83,138	–	83,138	83,138	–
15.807	Earthquake Hazards Reduction Program	367,531	12,321	379,852	342,880	36,972
15.808	U.S. Geological Survey_Research and Data Collection	1,811,460	–	1,811,460	1,811,460	–
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	(326)	–	(326)	–	(326)
15.810	National Cooperative Geologic Mapping Program	3,112	–	3,112	3,112	–
15.811	Gap Analysis Program	226,324	–	226,324	226,324	–
15.812	Cooperative Research Units Program	1,248,258	–	1,248,258	1,248,258	–
15.904	Historic Preservation Fund Grants-In-Aid	2	–	2	2	–
15.915	Technical Preservation Services	326,473	–	326,473	312,184	14,289
15.916	Outdoor Recreation_Acquisition, Development and Planning	397,822	16,484	414,306	414,306	–
15.922	Native American Graves Protection and Repatriation Act	64,088	–	64,088	64,088	–
15.XXX	Other Department of the Interior Programs					
	004-07	2,000	–	2,000	2,000	–
	06MBSA7009	4,465	–	4,465	4,465	–
	11450-4-J506	3,667	–	3,667	3,667	–
	5120	323	–	323	–	323
	77-1084634	81,554	–	81,554	–	81,554
	81450-5-J520	2,881	–	2,881	2,881	–
	81450-6-J524	21,365	29,842	51,207	51,207	–
	H8W07060001 TASK J8W07070015	6,689	–	6,689	6,689	–
	H8W07060001 TASK J8W07070021	19,728	–	19,728	19,728	–
	H8W07060001 TASK J8W07070022	9,753	–	9,753	9,753	–
	J9430060007	13,299	–	13,299	13,299	–
	Not Available	43,784	–	43,784	43,784	–
	PAA-07-0015	23,514	–	23,514	23,514	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
		TASK J8W07060010	14,975	–	14,975	14,975	–
		TASK J9430050027	7,006	–	7,006	7,006	–
15.XXX	Total Other Department of the Interior Programs		$ 255,003	$ 29,842	$ 284,845	$ 202,968	$ 81,877
16.523	Juvenile Accountability Block Grants		28,410	–	28,410	–	28,410
16.542	Part D – Research, Evaluation, Technical Assistance and Training		110,466	–	110,466	110,466	–
16.548	Title V_ Delinquency Prevention Program		12,730	–	12,730	12,730	–
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		165,470	–	165,470	165,470	–
16.575	Crime Victim Assistance		39,285	–	39,285	–	39,285
16.582	Crime Victim Assistance/Discretionary Grants		10,728	–	10,728	–	10,728
16.595	Community Capacity Development Office		6,920	–	6,920	–	6,920
16.727	Enforcing Underage Drinking Laws Program		13,644	–	13,644	–	13,644
16.730	Reduction and Prevention of Children's Exposure to Violence		6,287	–	6,287	–	6,287
16.738	Edward Byrne Memorial Justice Assistance Grant Program		10,828	–	10,828	–	10,828
16.741	Forensic DNA Backlog Reduction Program		167,746	–	167,746	167,746	–
17.XXX	Other Department of Labor Programs						
		S6070-PSU C-5835	24,507	–	24,507	–	24,507
		S9101-PSU C-6222	2,830	–	2,830	–	2,830
17.XXX	Total Other Department of Labor Programs		$ 27,337	–	$ 27,337	–	$ 27,337
19.430	International Education Training and Research		69,790	–	69,790	–	69,790
20.108	Aviation Research Grants		162,701	159,445	322,146	322,146	–
20.109	Air Transportation Centers of Excellence		46,769	–	46,769	46,769	–
20.200	Highway Research and Development Program		438,544	–	438,544	–	438,544
20.205	Highway Planning and Construction		1,210,209	50,377	1,260,586	–	1,260,586
20.215	Highway Training and Education		74,837	–	74,837	–	74,837
20.509	Formula Grants for Other Than Urbanized Areas		96,444	–	96,444	–	96,444
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities		255,450	–	255,450	255,450	–
20.515	State Planning and Research		681,380	–	681,380	–	681,380
20.600	State and Community Highway Safety		198,227	–	198,227	–	198,227
20.611	Incentive Grant Program to Prohibit Racial Profiling		156,828	–	156,828	–	156,828
20.612	Incentive Grant Program to Increases Motorcyclist Safety		49,352	–	49,352	–	49,352
20.701	University Transportation Centers Program		1,870,659	6,774	1,877,433	1,839,730	37,703
20.761	Biobased Transportation Research		308,589	206,242	514,831	514,831	–
20.XXX	Other Department of Transportation Programs						
		B-29	8,231	27,241	35,472	–	35,472
		DTMA1V06041	106	–	106	106	–
		DTMA1V06103	1,303	–	1,303	1,303	–

The accompanying notes are an integral part of this schedule.

	Not Available	29,835	–	29,835	–	29,835
20.XXX	Total Other Department of Transportation Programs	$ 39,475	$ 27,241	$ 66,716	$1,409	$65,307
43.001	Aerospace Education Services Program	183,501	69,575	253,076	177,308	75,768
43.002	Technology Transfer	3,754,595	422,671	4,177,266	2,865,959	1,311,307
43.XXX	Other NASA programs					
	#PSU-07.1	9,077	–	9,077	–	9,077
	NNC05AA29A	193,845	–	193,845	193,845	–
	NNC08QA05P	10,463	–	10,463	10,463	–
	NNG04GJ41G	46,373	–	46,373	46,373	–
	NNG04GJ84G	19,107	75,600	94,707	94,707	–
	NNG04GM20G	9,609	–	9,609	9,609	–
	NNG06GA52G	32,942	8,795	41,737	41,737	–
	NNG06GB42G	43,845	–	43,845	43,845	–
	NNG06GE17G	44,901	–	44,901	44,901	–
	NNX07AJ26G	52,375	–	52,375	52,375	–
	NNX07AR36H	16,898	–	16,898	16,898	–
	NNX07AU05G	105,430	–	105,430	105,430	–
43.XXX	Total Other NASA programs	$ 584,865	$ 84,395	$ 669,260	$ 660,183	$ 9,077
45.149	Promotion of the Humanities_Division of Preservation and Access	11,754	19,945	31,699	31,699	–
45.160	Promotion of the Humanities_Fellowships and Stipends	12,708	–	12,708	12,708	–
45.161	Promotion of the Humanities_Research	73,095	–	73,095	73,095	–
45.163	Promotion of the Humanities_Professional Development	138,670	–	138,670	138,670	–
45.310	Grants to States	(6,678)	–	(6,678)	–	(6,678)
47.041	Engineering Grants	3,338,640	13,916	3,352,556	2,175,342	1,177,214
47.049	Mathematical and Physical Sciences	4,395,187	308,643	4,703,830	4,667,805	36,025
47.050	Geosciences	18,912,689	661,870	19,574,559	17,716,882	1,857,677
47.070	Computer and Information Science and Engineering	3,400,597	279,266	3,679,863	3,442,130	237,733
47.074	Biological Sciences	9,825,216	834,933	10,660,149	9,951,770	708,379
47.075	Social, Behavioral, and Economic Sciences	1,740,933	131,148	1,872,081	1,809,758	62,323
47.076	Education and Human Resources	3,590,980	1,179,963	4,770,943	4,333,249	437,694
47.078	Polar Programs	1,409,536	56,265	1,465,801	1,354,816	110,985
47.079	International Science and Engineering (OISE)	24,914	–	24,914	24,914	–
47.080	Office of Cyberinfrastructure	346,991	–	346,991	346,991	–
64.XXX	Other Department of Veterans Affairs Programs					
	IPA 06-251	7,811	–	7,811	7,811	–
64.XXX	Total Other Department of Veterans Affairs Programs	$ 7,811	–	$ 7,811	$ 7,811	$ –
66.001	Air Pollution Control Program Support	29,055	–	29,055	–	29,055
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	1,249	–	1,249	1,249	–
66.112	Surveys, Studies, Investigations, Training, Demonstrations, and Special Purpose Grants for Regional Geographic Initiatives	30,529	–	30,529	30,529	–
66.115	Surveys, Studies, Investigations, Training, Demonstrations, and Special Purpose Grants for EPA Region 10 Regional Geographic Initiative	47,663	–	47,663	–	47,663
66.202	Congressionally Mandated Projects	12,121	–	12,121	12,121	–

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act		64,847	–	64,847	64,847	–
66.454	Water Quality Management Planning		10,358	–	10,358	–	10,358
66.460	Nonpoint Source Implementation Grants		60,636	–	60,636	–	60,636
66.461	Regional Wetland Program Development Grants		30,431	–	30,431	28,437	1,994
66.462	National Wetland Program Development Grants and Five-Star Restoration Training Grant		64,500	–	64,500	–	64,500
66.469	Great Lakes Program		32,901	–	32,901	–	32,901
66.500	Environmental Protection-Consolidated Research		3,890	2,591	6,481	6,481	–
66.509	Science to Achieve Results (STAR) Research Program		624,347	50,289	674,636	662,403	12,233
66.510	Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development		50,780	–	50,780	50,780	–
66.511	Office of Research and Development Consolidated Research/Training/Fellowships		640,442	5,855	646,297	646,297	–
66.512	Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects		178,825	–	178,825	178,825	–
66.513	Greater Research Opportunities (GRO) Fellowships For Undergraduate/Graduate Environmental Study		14,741	–	14,741	14,741	–
66.514	Science To Achieve Results (STAR) Fellowship Program		13,292	–	13,292	13,292	–
66.516	P3 Award: National Student Design Competition for Sustainability		20,971	–	20,971	20,971	–
66.605	Performance Partnership Grants		43,222	–	43,222	–	43,222
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		25,907	–	25,907	–	25,907
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		58,390	–	58,390	–	58,390
66.714	Pesticide Environmental Stewardship Regional Grants		6,773	–	6,773	(2,183)	8,956
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		1,627,596	16,177	1,643,773	1,647,180	(3,407)
66.814	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements		32,412	163	32,575	32,575	–
66.926	Indian Environmental General Assistance Program(GAP)		19,581	–	19,581	–	19,581
66.951	Environmental Education Grants		1,301	–	1,301	1,301	–
77.006	U. S. Nuclear Regulatory Commission Nuclear Education Grant Program		18,905	–	18,905	7,236	11,669
81.049	Office of Science Financial Assistance Program		9,349,331	1,114,413	10,463,744	8,840,799	1,622,945
81.064	Office of Scientific and Technical Information		110,922	–	110,922	–	110,922
81.086	Conservation Research and Development		103,192	–	103,192	103,192	–

The accompanying notes are an integral part of this schedule.

81.087	Renewable Energy Research and Development	178,137	25,462	203,599	–	203,599
81.089	Fossil Energy Research and Development	85,652	–	85,652	4,733	80,919
81.104	Office of Environmental Waste Processing	220,637	–	220,637	–	220,637
81.113	Defense Nuclear Nonproliferation Research	433,432	–	433,432	433,432	–
81.114	University Reactor Infrastructure and Education Support	582,556	664,547	1,247,103	1,247,103	–
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	22,723	–	22,723	–	22,723
81.119	State Energy Program Special Projects	45,647	–	45,647	–	45,647
81.121	Nuclear Energy Research, Development and Demonstration	990,804	–	990,804	507,856	482,948
81.XXX	Other Department of Energy Programs					
	00026625	6,107	–	6,107	6,107	–
	00030961	15,558	–	15,558	15,558	–
	00031010	27,627	–	27,627	27,627	–
	0034379	70,103	–	70,103	70,103	–
	08-16	15,000	–	15,000	–	15,000
	54081	9,388	–	9,388	–	9,388
	DOE BER 3	3,407	–	3,407	–	3,407
81.XXX	Total Other Department of Energy Programs	$ 147,190	–	$ 147,190	$ 119,395	$ 27,795
84.002	Adult Education-Basic Grants to States	430,298	–	430,298	–	430,298
84.015	National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	23,431	–	23,431	–	23,431
84.017	International Research and Studies	109,331	–	109,331	109,331	–
84.027	Special Education_Grants to States	238,181	–	238,181	–	238,181
84.083	Women's Educational Equity Act Program	14,879	–	14,879	–	14,879
84.116	Fund for the Improvement of Postsecondary Education	500,234	19,404	519,638	508,587	11,051
84.133	National Institute on Disability and Rehabilitation Research	2,181,077	394,920	2,575,997	2,297,066	278,931
84.149	Migrant Education_College Assistance Migrant Program	375,659	–	375,659	375,659	–
84.173	Special Education_Preschool Grants	125,376	–	125,376	–	125,376
84.184	Safe and Drug-Free Schools and Communities_National Programs	(1,854)	–	(1,854)	–	(1,854)
84.186	Safe and Drug-Free Schools and Communities_State Grants	99,288	–	99,288	–	99,288
84.195	Bilingual Education_Professional Development	169,550	4,392	173,942	173,942	–
84.213	Even Start_State Educational Agencies	13,986	–	13,986	–	13,986
84.215	Fund for the Improvement of Education	247,816	–	247,816	–	247,816
84.229	Language Resource Centers	350,757	–	350,757	313,035	37,722
84.235	Rehabilitation Services Demonstration and Training Programs	38,781	–	38,781	–	38,781
84.257	National Institute for Literacy	151,057	–	151,057	151,057	–
84.287	Twenty-First Century Community Learning Centers	202,345	–	202,345	750	201,595
84.293	Foreign Language Assistance	101,097	–	101,097	–	101,097
84.305	Education Research, Development and Dissemination	767,112	504,641	1,271,753	1,138,762	132,991
84.323	Special Education – State Personnel Development	300,705	148,799	449,504	–	449,504
84.324	Research in Special Education	3,007,416	423,870	3,431,286	3,167,771	263,515
84.325	Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	148,896	–	148,896	115,993	32,903
84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	2,923,556	1,620,195	4,543,751	4,373,745	170,006

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
84.327	Special Education_Technology and Media Services for Individuals with Disabilities		1,554,547	241,886	1,796,433	1,796,433	–
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		68,486	–	68,486	–	68,486
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		5,480	–	5,480	–	5,480
84.350	Transition to Teaching		157,429	11,400	168,829	168,829	–
84.366	Mathematics and Science Partnerships		225,483	–	225,483	–	225,483
84.367	Improving Teacher Quality State Grants		804,402	166,870	971,272	842,827	128,445
84.368	Grants for Enhanced Assessment Instruments		500	–	500	–	500
84.373	Special Education_Technical Assistance on State Data Collection		113,070	–	113,070	113,070	–
84.XXX	Other Department of Education Programs						
		30065	5,000	–	5,000	–	5,000
		S6401-PSU	7,538	–	7,538	–	7,538
84.XXX	Total Other Department of Education Programs		$ 12,538	–	$ 12,538	–	$ 12,538
93.009	Compassion Capital Fund		60,650	–	60,650	–	60,650
93.043	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services		5,410	–	5,410	–	5,410
93.044	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers		7,440	–	7,440	–	7,440
93.048	Special Programs for the Aging_Title IV and Title II_Discretionary Projects		50,486	–	50,486	–	50,486
93.087	Enhance The Safety Of Children Affected By Parental Methamphetamine Or Other Substance Abuse		69,205	–	69,205	–	69,205
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		363,579	–	363,579	–	363,579
93.113	Environmental Health		3,105,747	–	3,105,747	2,965,801	139,946
93.114	Applied Toxicological Research and Testing		4,308	–	4,308	4,308	–
93.121	Oral Diseases and Disorders Research		838,600	–	838,600	808,391	30,209
93.136	Injury Prevention and Control Research and State and Community Based Programs		316,596	440,994	757,590	757,590	–
93.137	Community Programs to Improve Minority Health Grant Program		314	–	314	314	–
93.172	Human Genome Research		3,055,209	–	3,055,209	2,950,313	104,896
93.173	Research Related to Deafness and Communication Disorders		1,839,123	–	1,839,123	1,838,292	831
93.184	Disabilities Prevention		205	–	205	–	205
93.213	Research and Training in Complementary and Alternative Medicine		1,244,760	–	1,244,760	1,206,586	38,174
93.226	Research on Healthcare Costs, Quality and Outcomes		85,783	–	85,783	11,797	73,986
93.234	Traumatic Brain Injury State Demonstration Grant Program		108,290	10,000	118,290	–	118,290
93.239	Policy Research and Evaluation Grants		11,237	–	11,237	–	11,237

The accompanying notes are an integral part of this schedule.

93.242	Mental Health Research Grants	805,162	267,783	1,072,945	866,265	206,680
93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	599,080	–	599,080	–	599,080
93.262	Occupational Safety and Health Program	442,491	163,899	606,390	606,390	–
93.263	Occupational Safety and Health_Training Grants	75,501	–	75,501	75,501	–
93.272	Alcohol National Research Service Awards for Research Training	35,467	–	35,467	35,467	–
93.273	Alcohol Research Programs	983,855	48,265	1,032,120	1,009,393	22,727
93.276	Drug-Free Communities Support Program Grants	6,600	–	6,600	–	6,600
93.279	Drug Abuse and Addiction Research Programs	3,246,975	836,854	4,083,829	3,796,263	287,566
93.281	Mental Health Research Career/Scientist Development Awards	155,804	–	155,804	155,804	–
93.282	Mental Health National Research Service Awards for Research Training	174,551	–	174,551	174,551	–
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	11,370	–	11,370	–	11,370
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	225,096	20,868	245,964	245,964	–
93.310	Trans-NIH Research Support	135,958	–	135,958	135,958	–
93.333	Clinical Research	30,110	1,016	31,126	–	31,126
93.361	Nursing Research	108,984	–	108,984	–	108,984
93.389	National Center for Research Resources	2,637,099	–	2,637,099	2,542,040	95,059
93.390	Academic Research Enhancement Award	18,185	–	18,185	–	18,185
93.393	Cancer Cause and Prevention Research	213,623	33,024	246,647	212,749	33,898
93.397	Cancer Centers Support Grants	24,996	–	24,996	24,996	–
93.399	Cancer Control	1,594,393	–	1,594,393	1,594,393	–
93.551	Abandoned Infants	208,336	–	208,336	208,336	–
93.575	Child Care and Development Block Grant	759,064	33,182	792,246	–	792,246
93.576	Refugee and Entrant Assistance_Discretionary Grants	290,681	–	290,681	290,681	–
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	49,576	–	49,576	–	49,576
93.600	Head Start	74,814	–	74,814	38,918	35,896
93.631	Developmental Disabilities Projects of National Significance	38,637	30,736	69,373	50,416	18,957
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	497,183	–	497,183	497,183	–
93.643	Children's Justice Grants to States	101,927	–	101,927	–	101,927
93.647	Social Services Research and Demonstration	118,008	68,217	186,225	186,225	–
93.658	Foster Care_Title IV-E	545,949	–	545,949	–	545,949
93.670	Child Abuse and Neglect Discretionary Activities	29,030	–	29,030	–	29,030
93.778	Medical Assistance Program	540,100	–	540,100	–	540,100
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	5,524	–	5,524	5,524	–
93.837	Cardiovascular Diseases Research	727,526	–	727,526	539,365	188,161
93.838	Lung Diseases Research	310,608	19,302	329,910	266,397	63,513
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	840,417	–	840,417	840,417	–
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	266,259	–	266,259	260,712	5,547
93.848	Digestive Diseases and Nutrition Research	1,106,753	–	1,106,753	1,106,753	–
93.849	Kidney Diseases, Urology and Hematology Research	57,875	–	57,875	–	57,875
93.853	Extramural Research Programs in the Neurosciences and	1,324,977	140,903	1,465,880	1,207,284	258,596

The accompanying notes are an integral part of this schedule.

State of Oregon
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008 (continued)

Federal CFDA Number	Federal Funding Agencies and Program Titles	Contract Number	Direct Expenditures	Amounts Provided to Subrecipients	Total	Direct Awards	Indirect Awards
	Neurological Disorders						
93.855	Allergy, Immunology and Transplantation Research		1,431,548	38,424	1,469,972	1,430,223	39,749
93.856	Microbiology and Infectious Diseases Research		1,181,058	130,122	1,311,180	1,051,245	259,935
93.859	Biomedical Research and Research Training		6,452,614	54,961	6,507,575	5,660,556	847,019
93.865	Child Health and Human Development Extramural Research		3,777,864	138,902	3,916,766	3,847,948	68,818
93.866	Aging Research		1,930,321	228,572	2,158,893	1,982,035	176,858
93.867	Vision Research		20,135	(754)	19,381	–	19,381
93.879	Medical Library Assistance		24,243	–	24,243	24,243	–
93.894	Resource and Manpower Development in the Environmental Health Services		538,667	–	538,667	517,316	21,351
93.910	Family and Community Violence Prevention Program		162,834	88,263	251,097	251,097	–
93.945	Assistance Programs for Chronic Disease Prevention and Control		19,419	–	19,419	–	19,419
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		421,509	10,920	432,429	432,429	–
93.955	Health and Safety Programs for Construction Work		101,149	–	101,149	–	101,149
93.969	Geriatric Education Centers		91,900	–	91,900	–	91,900
93.974	Family Planning_Service Delivery Improvement Research Grants		1,445	–	1,445	1,445	–
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems		33,600	–	33,600	–	33,600
93.989	International Research and Research Training		104,000	–	104,000	–	104,000
93.XXX	Other Department of Health and Human Services Programs						
		00242.02054.001	40,020	–	40,020	–	40,020
		00242.02054.001 MOD	2,402	–	2,402	–	2,402
		SC-05-02054 001-03	35,683	–	35,683	–	35,683
93.XXX	Total Other Department of Health and Human Services Programs		$ 78,105	–	$ 78,105	$ –	$ 78,105
97.041	National Dam Safety Program		(374)	–	(374)	–	(374)
97.044	Assistance to Firefighters Grant		25	–	25	–	25
98.001	USAID Foreign Assistance for Programs Overseas		1,696,861	1,092,585	2,789,446	2,774,880	14,566
98.002	Cooperative Development Program (CDP)		–	(1,198)	(1,198)	–	(1,198)
98.005	Institutional Capacity Building (ICB)		17,078	38,726	55,804	–	55,804
Total Research and Development Cluster			**$ 200,545,867**	**$ 17,743,426**	**$ 218,289,293**	**$ 180,124,571**	**$38,164,722**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$5,476,641,365**	**$964,459,680**	**$6,441,101,045**	**$6,382,494,679**	**$58,606,366**

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Oregon and is presented using the bases of accounting of the originating funds. These include both the modified accrual and accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Reporting Entity

The financial statements of the State of Oregon include all fund types for all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the State's primary government and its component units. The Oregon Health and Science University (OHSU) is a legally separate component unit. For the year ended June 30, 2008, OHSU has issued separate financial statements and has obtained a separate single audit as outlined in Subpart E.500 of OMB Circular A-133. Therefore, the accompanying schedule does not include the federal grant activity of OHSU. A copy of these reports can be obtained from OHSU, 2525 SW First Avenue, Suite 201, Portland, Oregon 97201.

Note 3. Programs Involving Non-Cash Assistance

Federal expenditures reported in the schedule include the following non-cash assistance programs. All values are either fair market value at the time of receipt or assessed value provided by the federal agency.

CFDA Number	Title	Type of Assistance	Value
10.550	Food Donation	Commodities	$ 11,100,029
10.565	Commodity Supplemental Food Program	Commodities	86,366
10.567	Food Distribution Program on Indian Reservations	Commodities	40,584
10.569	Emergency Food Assistance Program (Food Commodities)	Commodities	2,731,450
39.003	Donation of Federal Surplus Personal Property	Donated surplus property	586,572
93.268	Immunization Grants	Vaccines	25,255,677
	Total		$ 39,800,678

Note 4. Loans and Loan Guarantees

Loans outstanding and new loans made during the year ended June 30, 2008 are as follows:

CFDA Number	Title	Outstanding Balance as of June 30, 2008	New Loans Made During the Year Ended June 30, 2008
11.307	Economic Adjustment Assistance	$ 6,202,839	$ 630,000
14.239	HOME Investment Partnerships Program	6,872,426	1,183,823
66.458	Capitalization Grants for Clean Water State Revolving Funds	1,849,500	0
84.038	Federal Perkins Loan Program_Federal Capital Contributions	79,171,196	18,397,506
	Total	$ 94,095,961	$ 20,211,329

Note 5. Unemployment Insurance

State unemployment tax revenues and the government contributions in lieu of State taxes are deposited to the Unemployment Trust Fund in the U.S. Treasury. These funds may only be used to pay benefits under the federally approved State unemployment law. Of the $686,647,167 reported as expenditures for the Unemployment Insurance program (CFDA 17.225), $641,249,455 represented expenditures of State funds held in the Unemployment Trust Fund.

Note 6. Pass-Through Awards

The State of Oregon received the following amounts as a subrecipient of non-federal entities:

CFDA Number	Organization	Amount	ID Number
10.001	University of Nebraska	90	25-6235-0145-006
10.001	University of Nebraska	3,244	25-6235-0079-006
10.200	South Dakota State University	3,915	483833
10.200	South Dakota State University	21,965	3FD042
10.200	South Dakota State University	74,668	3T3633
10.200	Texas Agriculture Experiment Station	8,819	570349
10.200	University of Alaska	5,695	PO FP606001 / UAF 06-0086
10.200	University of California	10,779	SA7233
10.200	University of California, Davis	(1,286)	06-012etx
10.200	University of California, Davis	(464)	06-023etx
10.200	University of California, Davis	(113)	06-009etx
10.200	University of California, Davis	99,289	07-011etx
10.200	University of Idaho	1,508	BAK300 OSU/P0014400
10.200	University of Idaho	1,623	BAK301_OSU/P0015215
10.200	University of Washington	(5)	748672
10.200	University of Washington	779	143005
10.200	University of Washington	1,093	567762
10.200	University of Washington	17,698	748621
10.200	University of Washington	19,969	319345
10.200	University of Washington	22,693	913579
10.200	University of Washington	22,915	2007-38500-18593
10.200	University of Washington	53,129	319438
10.200	University of Washington	75,540	464562
10.200	Utah State University	1,093	041535059
10.200	Utah State University	2,314	06155036
10.200	Utah State University	4,447	051687030
10.200	Utah State University	5,207	04-1535035
10.200	Utah State University	5,815	041535046
10.200	Utah State University	10,208	051687038
10.200	Utah State University	14,035	051687007
10.200	Utah State University	29,888	051687004
10.200	Utah State University	40,649	04-1535006
10.200	Utah State University	87,392	051687010
10.200	Washington State University	(1,000)	104828_G001909
10.200	Washington State University	63	107856_G002241
10.200	Washington State University	172	105047_G001873
10.200	Washington State University	528	105047_G002288

CFDA Number	Organization	Amount	ID Number
10.200	Washington State University	635	103152_G001714
10.200	Washington State University	1,160	G002053
10.200	Washington State University	1,534	G002076
10.200	Washington State University	1,918	103152_G001708
10.200	Washington State University	2,000	G002100
10.200	Washington State University	2,272	103152_G001706
10.200	Washington State University	2,596	104947_G001848
10.200	Washington State University	3,100	104947_G001847
10.200	Washington State University	3,603	G002134
10.200	Washington State University	3,870	105047_G002287
10.200	Washington State University	4,396	103215_G001693
10.200	Washington State University	7,985	103242_G001728
10.200	Washington State University	10,000	104446_G002311
10.200	Washington State University	10,416	G002026
10.200	Washington State University	11,357	104828_G001911
10.200	Washington State University	13,770	G002075
10.200	Washington State University	15,557	104947_G001849
10.200	Washington State University	16,219	103242_G001725
10.200	Washington State University	16,576	G002056
10.200	Washington State University	19,873	104947_G001846
10.200	Washington State University	20,883	G002097
10.200	Washington State University	21,660	104947_G001845
10.200	Washington State University	23,449	104828_G001914
10.200	Washington State University	25,010	G002052
10.200	Washington State University	26,594	G002098
10.200	Washington State University	27,774	G002099
10.200	Washington State University	30,659	G002102
10.200	Washington State University	34,394	104947_G001850
10.200	Washington State University	36,538	G002101
10.200	Washington State University	41,861	G002050
10.200	Washington State University	65,534	G002051
10.206	Auburn University	40,705	ACES/AYDP-YD-15-207
10.206	Auburn University	42,995	ACES/AYDP-YD-18-07
10.206	Michigan State University	98	61-4175A
10.206	Michigan Technology University	58,713	040636Z / PO P0061771
10.206	University of Arizona	20,257	PO Y452465
10.206	University of California, Davis	2,382	K011524-01
10.206	University of California, Davis	50,992	K016618-13
10.206	University of California, Davis	119,392	SUB07-000752-01
10.206	University of Maryland	5,775	Z521909
10.206	University of Maryland	38,156	Z507221
10.206	University of Minnesota	55,545	Q6736000101
10.206	University of Minnesota	157,212	Q4096504501
10.206	University of Wisconsin	30,122	X346861
10.250	Montana State University	1,323	G303-08-W1872
10.303	Cornell University	8,495	47038-7701
10.303	University of California	14,705	K009607-OR5
10.303	University of California, Davis	4,353	K009607-OR8
10.303	University of California, Davis	5,198	07-001492-OSU2

CFDA Number	Organization	Amount	ID Number
10.303	University of California, Davis	6,367	07-001492-OSU4
10.303	University of California, Davis	7,732	07-001492-OSU5
10.303	University of California, Davis	15,974	07-001492-OSU1
10.303	University of California, Davis	16,327	K009607-OR7
10.303	University of California, Davis	46,147	K009607-OR3
10.303	University of Idaho	59,450	BJKE27-OSU-DAS / P0013813
10.303	Washington State University	1,378	103087_G002220
10.304	Cornell University	496	42681-7483
10.304	Kansas State University	967	S05019
10.304	Kansas State University	24,427	S08018
10.304	Purdue University	17,220	598-0379-1
10.304	Purdue University	34,773	8000017968-AG
10.304	University of California, Davis	5,836	K007797-21
10.304	University of California, Davis	19,465	07-002558-10
10.304	University of California, Davis	44,041	07-002558-11
10.304	University of California, Davis	89,318	K007797-11
10.307	Bandon Organic Growers	11,000	Not Available
10.455	Washington State University	36,574	106498_G002277
10.456	Organic Seed Alliance	8,303	06 IE 0831 0083-E
10.500	Auburn University	168,671	08-USDA-Army-OSU
10.500	Kansas State University	41,491	S08145
10.500	North Carolina State University	1,304	2006-0457-33
10.500	Organic Materials Review Institute	10,194	061554006
10.500	Pennsylvania State University	8,559	3307-OSU-USDA-3713
10.500	University of California, Davis	917	06-002687-02
10.500	University of California, Davis	3,986	07-001988-02
10.500	University of Nebraska	32,362	26-6365-0001-322
10.500	University of Wyoming	1,442	UTSTUNV46459OR
10.500	University of Wyoming	4,427	UTSTUNV46460OR
10.500	University of Wyoming	6,806	UTSTUNV46465OR
10.500	Utah State University	615	061306001
10.500	Utah State University	36,238	061554005
10.500	Washington State University	1,133	G002009
10.500	Washington State University	6,831	11838-G001812
10.500	Washington State University	36,120	G002213
10.652	Fort Lewis College	5,340	Not Available
10.652	National Fish & Wildlife Foundation	43,070	2005-006-008
10.652	Nature Conservancy	10,000	CSG_GCCI_113006
10.664	Loyola University Chicago	10,321	Not Available
10.664	Northern Arizona University	8,317	FOR348Y-01
10.664	Northern Arizona University	18,856	FOR34CL-01
10.664	University of Washington	45,975	336127
10.665	Clackamas County	130,953	1936002286000
10.665	Douglas County	6,884	Not Available
10.665	Grant County	6,739	1936002295
10.665	Klamath Falls	39,511	1936002301
10.665	Umatilla County	12,372	1936001993000
10.670	Sustainable Northwest	4,275	I-08-01-NBMEWP
10.672	Multnomah County	73,369	4600006934

CFDA Number	Organization	Amount	ID Number
10.679	Collaborative Forest Restoration	9,834	Not Available
10.773	Naseo Nat'l Assn State Energy Office	25,770	52
10.902	Chemeketa Community College	(144)	645 06
10.902	Chemeketa Community College	7,498	528 07
10.902	Chemeketa Community College	26,642	597 06
10.912	IPM Institute of North America, Inc.	3,620	2633818314
10.912	Wy'East Resource Conservation & Development Council	83,410	Not Available
11.302	Portland Development Commission	12,934	Not Available
11.417	Pacific Shellfish Institute	55,826	Not Available
11.417	Pacific States Marine Fisheries Commission	10,460	06-75
11.417	Pacific States Marine Fisheries Commission	20,434	05-45
11.417	Pacific States Marine Fisheries Commission	25,174	08-32
11.417	Pacific States Marine Fisheries Commission	43,043	07-77
11.417	Pacific States Marine Fisheries Commission	44,664	08-12
11.417	Pacific States Marine Fisheries Commission	61,226	07-14
11.417	University of Alaska	10,698	PO FP700694 / UAF 07-0029
11.417	University of California, San Diego	10,000	PO 10278545
11.419	University of New Hampshire	9,398	08-047
11.419	University of New Hampshire	104,808	07-049
11.419	Washington State Military Department	18,340	E07-401
11.426	College of Charleston	9,019	520553-UORE
11.426	Sunburst Sensors, LLC	147	2008-1417
11.426	University of Hawaii	78,844	PO Z816780
11.430	Caribbean Marine Research Center	10,757	CMRC-03-NRMH-04-05C
11.431	University of South Carolina	10,516	08-1495 /PO 81760 (13040-FA04)
11.431	University of South Carolina	43,209	06-1212 / PO 51929
11.432	University of Alaska	46,696	PO FP502772 / UAF 05-0067
11.432	University of Hawaii	29,324	PO Z707965
11.432	University of Miami	8,497	6-6440A-3712 / P131564
11.432	University of Miami	8,553	668953 / P745916
11.437	Pacific States Marine Fisheries Commission	834,191	936002376
11.438	Klamath Tribes	28,291	1-991-07
11.439	Hubbs-Sea World Research Institute	21,634	Not Available
11.439	North Pacific Marine Science Foundation	30,377	NA05NMF4391068-51
11.439	North Pacific Marine Science Foundation	35,646	NA07NMF4390197
11.439	North Pacific Marine Science Foundation	54,002	NA05NMF4391068-70
11.439	Pacific States Marine Fisheries Commission	22,248	936002376
11.439	Texas A&M Research Foundation	45,202	S070039
11.439	Texas A&M Research Foundation	48,113	S070038
11.441	North Pacific Fishery Management Council	23,339	920060367
11.441	Pacific Fishery Management Council	66,611	910982918
11.441	Pacific States Marine Fisheries Commission	(6,882)	936002376
11.463	Cascade Pacific RC&D	34,487	2007-13
11.463	National Fish & Wildlife Foundation	14,231	521384139
11.463	National Fish & Wildlife Foundation	100,324	2006-0093-008
11.463	Nature Conservancy	27,460	TNCMI/NOAA 6-3936-01
11.468	East West Center	35,000	HC12255
11.472	North Pacific Research Board	190	719
11.472	North Pacific Research Board	580	B60

CFDA Number	Organization	Amount	ID Number
11.472	North Pacific Research Board	9,249	709
11.472	North Pacific Research Board	17,168	R0301
11.472	North Pacific Research Board	29,221	723
11.472	North Pacific Research Board	30,832	728
11.472	North Pacific Research Board	44,650	605
11.472	North Pacific Research Board	48,734	518
11.472	North Pacific Research Board	51,006	B67
11.472	North Pacific Research Board	90,609	619
11.472	North Pacific Research Board	121,220	629
11.473	University of Washington	120,334	457268
12.107	Washington Department of Ecology	9,459	C0800090
12.300	Arete Associates	37,662	S-44002.01.4700
12.300	Columbia Power Technologies	247,147	2007-13
12.300	Institute for the Study of Learning and Expertise	16,068	OSU-01
12.300	North Carolina State University	83,582	2005-1749-01
12.300	Puko's Scientific	15,163	Not Available
12.300	University of California, Berkeley	123,208	SA5311-11244 AMEND. 3
12.300	University of Rhode Island	17,796	032002/535495
12.300	University of Washington	33,302	141303
12.300	Woods Hole Oceanographic Institution	34,396	A100495
12.420	Cornell University	11,969	53998-8633
12.420	HemCon, Inc.	521,634	Not Available
12.420	Oregon Biomedical Engineering Institute, Inc.	53,489	2005 W81XW-OSU-01
12.420	Providence Health System of Oregon	50,952	OMLC-03-02
12.431	Academy of Applied Science	2,600	SUBGRANT 06-23
12.431	Academy of Applied Science	19,857	ACAD OF APPLIED SCIENCE
12.431	AKT America	22,182	Not Available
12.431	University of Connecticut	18,006	758408
12.431	University of Connecticut	47,503	802208
12.431	Voxtel Corporation	21,000	UO270830
12.550	Institute of International Education	24,997	NSEP-U631006-UO-ARA-STAMP
12.551	Institute of International Education	74,982	NSEP-U631013-UO-CHN-DI07-08
12.551	Institute of International Education	1,308,253	NSEP-U631006-UO-CHN MOD. 3
12.551	University of Maryland	87,152	Z914730 MOD. C
12.630	Oreganization for Economic Initiatives	171,185	Not Available
12.630	Stanford University	101,787	20109120-36615-A
12.800	Brown University	139,109	104 / PO P996645
12.800	Covalent Associates	199	OSU-0503-001
12.800	Cytec Corporation	3,708	GS35F0529J
12.800	University of Arizona	13,695	PO Y451324
12.800	University of California, Berkeley	23,197	SA4457-32432PG AMEND. 5
12.800	University of Illinois, Urbana-Champaign	126,397	A5992 / 2005-3462-1-00
12.910	Lockheed Martin Corporation	164,264	TT0704778
12.910	Lockheed Martin Corporation	262,186	PO TT0688415
12.910	Marine Biological Laboratory	12,030	27314
12.910	Massachusetts Institute of Technology	294,968	5710002087
12.910	SRI International	47,951	55-000656-TO-10
12.910	SRI International	58,496	55-000656-TO-09
12.910	SRI International	146,295	55-000656-TO-08

CFDA Number	Organization	Amount	ID Number
12.910	SRI International	163,966	55-000656-TO-07
12.910	SRI International	184,410	55-000656-TO-06
12.910	SRI International	541,009	55-000656-TO-05
12.910	The Boeing Company	(1,888)	PCO KQ5992 / PC 173728
12.910	University of California, Berkeley	20,808	SA4475-32446 AMEND. 6
12.910	University of California, Berkeley	658,667	SA4997-10929
12.910	Washington State University	180,968	108956_G002273
14.218	City of Portland	(2)	35599
14.218	City of Portland	79,953	37686
15.038	Confederated Tribes of the Umatilla Indian Reservation	4,641	034-027
15.039	Confederated Tribes of Warm Springs	7,700	390383362
15.224	Montana State University	1,082	G244-06-W0094
15.224	Montana State University	1,901	G255-06-W0094
15.224	Montana State University	4,821	G238-07-W-0094
15.224	Montana State University	5,119	G122-06-W0094
15.225	Umpqua Basin Watershed Council	14,542	Not Available
15.228	Curry County Emergency Services	70,940	Not Available
15.231	Nature Conservancy	38,889	Not Available
15.423	Southwest Statistical Consulting, LLC	2,925	Not Available
15.608	Ducks Unlimited	45,531	US-UT-28-2
15.608	National Fish & Wildlife Foundation	1,499	521384139
15.608	National Fish & Wildlife Foundation	13,826	2006-0175-005
15.608	Pacific States Marine Fisheries Commission	7,834	06-09
15.608	Pacific States Marine Fisheries Commission	20,000	07-15
15.608	Pacific States Marine Fisheries Commission	53,727	08-10
15.608	South Dakota Game Fish and Parks	25	Not Available
15.608	Texas A&M Research Foundation	3,424	S050085
15.608	Texas A&M Research Foundation	417,534	S020058
15.611	Ducks Unlimited	23,049	US-WA-122-1
15.611	National Fish & Wildlife Foundation	1,440	2006-0123-003
15.611	Nature Conservancy	9,245	ORFO 03-01-10-13
15.634	Alaska Department of Fish and Game	39,818	COOP 05-006
15.637	Ducks Unlimited	19,291	US-WA-208-1
15.638	Burns Paiute Tribe	35,000	930573054
15.807	Central Washington University	(1,600)	Not Available
15.807	Southern California Earthquake Center	32,025	119939
15.809	University of Colorado	(326)	154-1940
15.811	University of Wyoming	20,195	DOIUSGS43607OSU
15.915	Northwest Management Incorperated	14,289	Not Available
16.523	Rand Corporation	28,410	992008007
16.579	Relief Nursery, Inc.	20,000	SA-04-028 AMEND. 1
16.579	Union County	13,581	1011
16.579	Yamhill County	22,904	1012
16.589	Linn County	81,339	1009
16.590	Lane County	77,651	1013
16.595	Rockwood Weed & Seed	6,920	Not Available
16.610	State of California	478,446	9900
16.730	Multnomah County	6,287	46000056446
16.738	Jevenile Rights Project, Inc.	10,828	AMENDMENT NUMBER 3

CFDA Number	Organization	Amount	ID Number
19.418	Institute of International Education	485,532	Not Available
19.430	Institute of International Education	69,790	Not Available
20.200	Georgia Institute of Technology	130,964	E-20-J77-S1
20.200	Purdue University	53,234	571-0120-01
20.205	Georgia Institute of Technology	1,093	E-20-G12-S1
20.205	Metro	2,171	927161
20.205	Michigan State University	36,044	61-7972/07-01
20.507	Metro	3,765	74
20.509	Association of Oregon Counties	96,444	Not Available
20.515	Georgia Department of Transportation	22,866	7-01
20.701	University of Alaska	37,703	PO FP800689 / UAF 08-0042
20.701	University Transportation Center	34,831	USDOT DTRT06-G-0017
43.001	Earth and Space Research	9,320	EPO-06-697
43.001	Montana State University	2,748	G258-08-W1951
43.001	University of Washington	(39)	478805
43.001	Voxtel Corporation	14,000	NNM06AA41C
43.001	Voxtel Corporation	100,000	NNM07AA27C
43.002	Colorado State University	59,235	G-6524-1
43.002	Earth and Space Research	48,443	PO 06-75 05-112B
43.002	Jet Propulsion Lab	26,177	1316978
43.002	Jet Propulsion Lab	30,561	1285685
43.002	Jet Propulsion Lab	82,017	1249878
43.002	Jet Propulsion Lab	126,050	1294728
43.002	Jet Propulsion Lab	188,312	1206715
43.002	Jet Propulsion Lab	240,698	1283976
43.002	Jet Propulsion Lab	243,735	1206714
43.002	Jet Propulsion Lab	283,524	1283973
43.002	NVE Corporation	30,810	PO 10896
43.002	Pacific Northwest National Lab	15,000	53060
43.002	Pacific Northwest National Lab	41,781	40000
43.002	Pacific Northwest National Lab	73,395	35482
43.002	The Boeing Company	41,264	PO 4CS2057
43.002	University of California, Santa Barbara	18,916	KK4134
43.002	Woods Hole Oceanographic Institution	46,424	A100541
45.024	Western States Arts Federation	2,250	TWP070034
45.024	Western States Arts Federation	2,500	TWP070047
47.041	Colorado State University	15,055	G-3277-1
47.041	Nano-Electrochem, Inc.	14,956	2007-01
47.041	Network for Earthquake Engineering Simulation Consortium, Inc.	105,000	RA-2007-OSU
47.041	Network for Earthquake Engineering Simulation Consortium, Inc.	1,132,961	OMSA-2004, v3.1
47.041	Tufts University	33,696	NSF 498
47.041	Umpqua Research Company	56,686	AG209
47.041	University of California, Berkeley	24,147	SA5810-18081 / PO 1338304
47.041	University of California, Berkeley	98,823	SA5696-23584 / PO 1315264
47.041	University of California, Berkeley	150,702	SA5809-23584 / PO 1325998
47.041	University of California, San Diego	75,000	PO 10274043
47.041	University of California, San Diego	225,206	PO 102480065

CFDA Number	Organization	Amount	ID Number
47.041	University of Hawaii	184,207	Not Available
47.041	Voxtel Corporation	24,997	0II-0611239
47.041	Washington State University	13,368	G001668
47.049	Clemson University	188,945	1040-7558-206-2093552
47.049	University of Notre Dame	3,800	Not Available
47.049	University of Washington	32,564	Not Available
47.050	Columbia University	50,933	001
47.050	Consortium for Ocean Leadership	4,741	JSA 8-01
47.050	HT Harvey and Associates	70,463	1724-02
47.050	Incorporated Research Institution for Seismology	21,304	489
47.050	Incorporated Research Institution for Seismology	105,679	478
47.050	Joint Oceanographic Institutions	(3,070)	PO T311A11
47.050	Joint Oceanographic Institutions	(110)	TO T301A11
47.050	Joint Oceanographic Institutions	(86)	TO T311B11
47.050	Joint Oceanographic Institutions	2,128	PO T303A11
47.050	Joint Oceanographic Institutions	9,804	JSA 7-02
47.050	Joint Oceanographic Institutions	14,415	JSA 7-04
47.050	Joint Oceanographic Institutions	38,677	PO T0316A11
47.050	Monterey Bay Aquarium Research Institute	56,288	PO 0611586
47.050	Oregon Health & Science University	1,014,191	GSTCN0001A7.OSU
47.050	Research Foundation, State University of New York	27,550	1050516-3-37470
47.050	University of Alaska	120,755	PO FP802513 / UAF 08-0037
47.050	University of California, San Diego	4,848	PO 10247181
47.050	University of California, San Diego	7,539	PO 10278073
47.050	University of California, San Diego	19,734	PO 10275066
47.050	University of California, San Diego	30,262	PO 10277106
47.050	University of California, San Diego	101,042	PO 10248896
47.050	University of Hawaii	11,657	PO Z624325
47.050	University of North Carolina, Chapel Hill	690	5-54668
47.050	University of North Carolina, Chapel Hill	19,404	123444
47.050	University of Washington	2,934	380568
47.050	University of Washington	10,444	380561
47.050	University of Washington	131,457	938093
47.050	Villanova University	31,130	5-25568
47.050	Washington State University	2,091	100746_G001635
47.050	Woods Hole Oceanographic Institution	3,291	A100334
47.050	Woods Hole Oceanographic Institution	4,946	A100551 / WBS 6.3.4
47.050	Woods Hole Oceanographic Institution	15,035	A100551 / WBS 6.3.2
47.050	Woods Hole Oceanographic Institution	30,498	A100540
47.050	Woods Hole Oceanographic Institution	31,361	A100525
47.050	Woods Hole Oceanographic Institution	32,295	A100514
47.050	Woods Hole Oceanographic Institution	52,337	A100528
47.050	Woods Hole Oceanographic Institution	62,574	A100551 / WBS 6.3.1
47.050	Woods Hole Oceanographic Institution	129,813	A100551 / WBS 1.3.1 & 1.3.2
47.070	Evergreen State College	32,805	Not Available
47.070	Oregon Health & Science University	44,489	GSTCN0001A7.PSU
47.070	Oregon Health & Science University	94,813	GCLMR5008A
47.070	University of California, Los Angeles	22,046	0070 G JE855
47.070	University of California, San Diego	(5,189)	PO 10242093

CFDA Number	Organization	Amount	ID Number
47.070	University of California, Santa Barbara	39,734	KK6106
47.074	Arizona State University	170	PO SC 19103M00386 / 03-054
47.074	Carnegie Institute	181,195	6-2091-02
47.074	Idaho State University	5,821	05-181A
47.074	Indiana University	4,727	EP5229 AMEND. 2
47.074	Michigan State University	23,012	612135OREGONSU
47.074	Michigan State University	248,690	61-2556OU
47.074	North Dakota State University	(34)	4971-03
47.074	University of California	23,207	K016855-02
47.074	University of California, Merced	11,461	DEB-0542545 UO
47.074	University of California, Santa Barbara	6,368	KK7100
47.074	University of Hawaii	245,137	PO Z795332
47.074	University of Portland	18,280	IOB-0615648
47.074	University of Tennessee	22,421	OR878-001.04
47.075	National Bureau of Economic Research	64,785	27-3383-00-0-79-636-7700
47.076	Association of Science-Technology Centers	137,432	ESI-0638981
47.076	Crystal Clear Technologies	96,045	0620568-UO11785
47.076	Education and Human Resources	85,446	DUE 0603221
47.076	Georgia State University	20,091	ELT48-33
47.076	Mathematical Association of America	23,935	Not Available
47.076	Montana State University	38,831	GC048-02-Z2484
47.076	Northwest Regional Educational Laboratory	5,021	Not Available
47.076	Portland Community College	29,535	Not Available
47.076	University of California, Berkeley	17,811	SA5168-11062 / PO 1158965
47.076	University of Colorado	8,605	PO 60438
47.076	University of Colorado	55,847	154-2277 / PO 53905
47.076	WestEd	110,070	5060.01.001
47.078	Ohio State University	80,115	GRT8213500/60000263
47.078	University of Washington	11,920	524541
47.078	Yale University	18,280	Y-05-0029 AMEND. 2
59.037	Lane Community College	28,193	AGREEMENT #
59.037	Lane Community College	30,250	8-603001-Z-0039-25
59.037	Small Business Development Center	13,514	Not Available
59.037	Small Business Development Center	25,871	PER JAMIE ALBERT
66.001	University of Houston	29,055	R-07-0190
66.115	University of Idaho	43,123	JBK870_SB_001
66.439	David Evans and Associates, Inc.	17,875	Not Available
66.454	Costa Pacific Communities	10,358	Not Available
66.461	Lane Council of Governments	4,989	Not Available
66.462	National Fish & Wildlife Foundation	64,735	Not Available
66.462	Natureserve	3,614	OR-013-FY07
66.469	Great Lakes Environmental Center	32,901	PO 6539 / EPA 68-C-4-003, 3-58
66.509	University of Nevada – Reno	12,233	UNR-08-30
66.714	American Farmland Trust	20,825	R10 2006-04
66.716	Iowa Department of Agriculture and Land Stewardship	6,800	Not Available
66.926	Confederated Tribes of Siletz Indians of Oregon	19,581	Not Available
77.006	Rutgers, The State University of New Jersey	11,669	4-22609 / 10355 / PO S938840
81.041	Washington State University	29,663	76
81.049	Argonne National Laboratory	291,365	7F-01101

CFDA Number	Organization	Amount	ID Number
81.049	Battelle Memorial Institute	7,025	29612
81.049	Ceres, Inc.	259,850	DE-FG02-05ER64111
81.049	Lawrence Livermore National Laboratory	9,953	B555258
81.049	Lawrence Livermore National Laboratory	11,958	B573268
81.049	Lawrence Livermore National Laboratory	17,059	B563989
81.049	Lawrence Livermore National Laboratory	32,905	B573132
81.049	Lawrence Livermore National Laboratory	58,207	B575932
81.049	National Renewable Energy Laboratory	292,267	XAT-4-33624-11
81.049	Northern Arizona University	65,408	MPC35TA-A7
81.049	Oregon Nanoscience & Microtechnologies Institute	(18,365)	DOE BER 2
81.049	Pacific Northwest National Lab	10,000	47552
81.049	Pacific Northwest National Lab	13,621	53501
81.049	Pacific Northwest National Lab	15,246	57494-1
81.049	Pacific Northwest National Lab	18,789	58519
81.049	Pacific Northwest National Lab	27,904	57494-2
81.049	Pacific Northwest National Lab	52,601	48145
81.049	Pacific Northwest National Lab	74,212	22902
81.049	Peregrine Power, LLC	209,187	2006-11
81.049	Purdue University	19,634	541-0546-01
81.049	Sandia National Laboratories	1,091	822801
81.049	Second Wind, Inc.	43,450	2007-09
81.049	United Solar Ovonic Corporation	87,104	AMENDMENT 1
81.049	University of Washington	14,981	PO 488093
81.049	Washington State University	32,006	G001997_104349
81.049	Westinghouse Electric Company	209,500	PO 4500234844
81.064	University of Utah	95,455	2205056 AMEND. 18
81.086	The Regents of the Univ of Cal	77,974	1943067788
81.087	Consortium for Plant Biotech Research	13,426	GO12026-226
81.087	Consortium for Plant Biotech Research	17,715	GO12026-203A
81.087	Idaho Dept of Water Resources	66,585	22
81.087	MRI National Renewable Energy Laboratory	148,497	XAT-4-33624-08 MOD. 8
81.087	MRI National Renewable Energy Laboratory	174,138	ZXL-5-44205-11 MOD. 9
81.087	University Central Florida	127,675	69
81.089	Montana State University	5,053	G298-08-W2036
81.089	Montana State University	18,196	G135-06-W0831
81.089	Oak Ridge National Laboratory	2,572	4000068298
81.089	UT-Battelle, LLC	5,981	4000066157
81.104	Vanderbilt University	265,343	19067-S2
81.117	Confederated Tribes of Warm Springs	2,004	Not Available
81.117	National Assoc of State Universities & Land-Grant Colleges	3,661	Not Available
81.117	Technical Assistance Renewable Energy	54,171	TOA KLDJ-5-55052-00
81.117	Washington State University	10,688	76
81.121	Georgia Institute of Technology	21,293	DPO# 2500016121/R8895-G1
81.121	Idaho National Laboratory	2,657	00044868-00002
81.121	Idaho National Laboratory	3,215	00044868-00009
81.121	Idaho National Laboratory	27,978	00044868-00007
81.121	Idaho National Laboratory	103,171	00044868-00006
81.121	Idaho National Laboratory	149,800	00044868-00001

CFDA Number	Organization	Amount	ID Number
81.121	Idaho National Laboratory	241,533	00044868-00004
81.121	Idaho National Laboratory	394,855	00044868-00003
84.015	New York University	16,916	F5682-01
84.027	Republic of Palau	23,750	04-003
84.027	Republic of Palau	98,576	05-009
84.083	Immigrant and Refugee Community Organization	14,879	Not Available
84.116	Bonner Foundation	43	Not Available
84.116	Community-Campus Partnerships for Health	11,051	Not Available
84.116	Georgia State University	17,911	FLAF1
84.116	Miami University	8,039	C02481_G00962 / P116J040039
84.133	Obslap Research, LLC	9,311	Not Available
84.133	Oregon Health & Science University	6,107	GCDRC0139A I
84.133	Oregon Health & Science University	14,940	GCDRC0139A J
84.133	Oregon Health & Science University	17,821	GSONO0239-PSU
84.133	Oregon Health & Science University	156,735	GSONO0145A C
84.133	University of Illinois, Chicago	14,625	2005-0249-05-00
84.133	University of Kansas	56,220	FY2004-000
84.133	University of Montana	8,615	PG08-26032-05
84.133	Western Washington University	40,773	52545-D
84.165	Portland Public Schools	32,667	54145
84.173	Portland Public Schools	356,844	9632A
84.181	Lane Education Service District	144,184	Not Available
84.181	Lane Education Service District	7,320,224	EC CARES 2007-08
84.184	Big Brothers Big Sisters of Metropolitan Portland	(1,854)	Not Available
84.184	Farmington Municipal Schools	17,927	2008-01
84.186	Multnomah County	8,102	4600006972
84.186	Multnomah County	91,186	12035
84.215	David Douglas School District	111,664	SUBGRANT NO. 1
84.215	Douglas County School District #4	4,339	V215L032113
84.215	High Desert Education Service District	153,212	214 AMEND. 2
84.215	Lancaster County School District	44,132	Not Available
84.215	Portland Public Schools	(64,524)	PPS1J-0000061239
84.215	Portland Public Schools	(8,823)	Not Available
84.215	Portland Public Schools	240,603	M-54890-TO-1
84.215	Vancouver Education Service District	49,317	7251000000
84.215	Virginia Commonwealth University	49	Not Available
84.224	Access Technologies, Inc.	45,234	Not Available
84.229	University of Wisconsin-Madison	24,000	07-8529
84.287	Central School District	12,000	Not Available
84.287	Metropolitan Family Services	9,841	Not Available
84.293	Lane County School District 4J	36,000	Not Available
84.293	New Jersey Department of Education	83,128	06-5063-199-01
84.293	Wyoming Department of Education	68,241	Not Available
84.305	Pacific Institutes for Research	71,705	AMEND #2
84.305	RTI International	161,459	16-312-0208116
84.323	California Institute on Human Services	12,155	103568
84.323	Louisiana Department of Education	10,000	Not Available
84.323	Napa County Office of Education	24,310	13894
84.323	Nevada Department of Education	8,765	243481 AMEND. 3

CFDA Number	Organization	Amount	ID Number
84.323	Oklahoma State Department of Education	2,187	12354-08
84.324	Oregon Research Institute	149,863	MODIFICATION 4
84.324	University of Kentucky Research Foundation	92,519	466320-03-234
84.325	Portland Community College	32,903	2170-06
84.326	California State University Northridge	14,017	SUB CON 4033629
84.326	California State University Northridge	66,952	SUB CON 4033629 AMEND 1
84.326	Direction Service, Inc.	28,799	H326D030001
84.326	University of Guam	10,607	ROP
84.326	University of Guam	10,609	FSM
84.326	University of Guam	11,553	CNMI
84.326	University of Guam	12,070	GUAM
84.326	University of Guam	12,101	AMERICAN SAMOA
84.326	University of Guam	12,753	RMI
84.326	University of South Florida	5,079	5830-1242-00-B
84.334	Portland Public Schools	613	Not Available
84.334	Portland Public Schools	4,867	M-54890-TO-4 & 7
84.336	Southern OR Educ Svc District	(32)	Not Available
84.351	Portland Public Schools	38,452	52721
84.357	American Samoa Government	234,558	C56206
84.366	High Desert Education Service District	256,774	2004-08
84.366	Willamette Educational School District	10,094	Not Available
84.369	South Carolina Department of Education	50,900	Not Available
84.928	The National Writing Project Corporation	(51)	92-OR01 AMD 18
84.928	The National Writing Project Corporation	7,000	92-OR03 AMEND #22
84.928	The National Writing Project Corporation	26,696	#21/92-OR01
84.928	The National Writing Project Corporation	27,119	Not Available
93.009	Looking Glass Children and Family Services	60,650	Not Available
93.042	American Institutes for Research	11,386	SC-02-1825-03 MOD. 5
93.043	Rogue Valley Council of Governments	5,871	Not Available
93.048	Rogue Valley Council of Governments	50,486	Not Available
93.086	Longview Wellness Center	8,881	13589
93.086	Longview Wellness Center	15,000	13178
93.087	Multnomah County	69,205	4600006965
93.104	Mid-County Center for Living	40,249	Not Available
93.104	Multnomah Education Service District	53,050	DOI 47-5/05-06
93.104	Multnomah Education Service District	323,330	DOI 47-2/05-06
93.110	Longview Wellness Center	40,000	Not Available
93.113	Louisiana State University	110,810	19193
93.113	Oregon Law Center	28,994	Not Available
93.113	University of Pennsylvania	12,915	5-42364-A
93.113	University of Pennsylvania	59,212	5-42364-B MOD. 3
93.121	Mayo Clinic	30,209	R56DE140366A1
93.172	Stanford University	240,576	15890850-33465-G AMEND. 2
93.173	University of Iowa	831	PO#4000533057
93.184	Special Olympics	(1,091)	Not Available
93.213	Oregon Health & Science University	73,146	GNEURO276A A
93.226	Oregon Health & Science University	573	GORPN0007A-A2
93.226	Oregon Health & Science University	9,029	GORPN0007A-A1
93.226	Oregon Health & Science University	9,035	GINTR0034A

CFDA Number	Organization	Amount	ID Number
93.226	Oregon Health & Science University	107,239	GINTR0034B AMEND. 3
93.239	University of Washington	14,750	333612
93.242	University of California, Davis	94,498	SUB0700223
93.242	University of Pittsburgh	60,015	108118-1
93.243	African American Health Coalition	36,594	Not Available
93.243	Children's Relief Nursery	9,166	Not Available
93.243	Clark County Washington	25,486	2007-MH-57
93.243	Clark County Washington	89,458	2008-MH-02
93.243	Josephine County	156,111	Not Available
93.243	LifeWorks Northwest	100,951	Not Available
93.243	Mental Health Association of Oregon	11,172	AMENDMENT #2
93.243	Mental Health Association of Oregon	18,858	Not Available
93.243	Native American Rehabilitation Association of the Northwest	115,994	Not Available
93.243	NPC Research	17,440	Not Available
93.273	Brown University	15,495	1334-27346, P966336 MOD. 4
93.273	Oregon Research Institute	21,996	R01 AA011510
93.276	Linn County Department of Health Services	6,600	2007-109
93.279	Oregon Research Institute	7,453	MOD. 1
93.279	Oregon Research Institute	29,380	Not Available
93.279	Oregon Research Institute	94,686	MODIFICATION 2
93.279	University of Pittsburgh	134,173	0004523
93.279	University of Washington	4,095	504787
93.333	Duke University	13,050	118685
93.361	Johns Hopkins University	32,226	Not Available
93.361	Johns Hopkins University	94,761	96001797 AMEND. 2
93.361	Oregon Health & Science University	(107)	GSONO0136A B
93.361	Oregon Health & Science University	3,214	GSONO0191-PSU1
93.361	Oregon Health & Science University	13,617	1R21NR010197-01
93.361	University of Illinois, Chicago	14,523	2005-01168-07-00
93.389	Oregon Health & Science University	13,861	ACTRI010N-P8-1
93.389	Oregon Health & Science University	104,626	8409901
93.393	Oregon Health & Science University	4,983	GFAMP0050B
93.393	Oregon Research Institute	39,665	Not Available
93.393	University of Arizona	16,010	Y453073
93.393	University of Illinois, Chicago	14,773	1 P01-CA98262 / 495246
93.395	Henry Ford Health System	(891)	R01 CA100851
93.575	Crook County Oregon	94,410	Not Available
93.575	Lane County	7,097	Not Available
93.575	Oregon Assn for the Education of Young Children	(491)	Not Available
93.575	Oregon Child Care Resource and Referral Network	84,631	Not Available
93.575	University of Minnesota	14,284	L4076291101
93.589	Smith River Rancheria Indian Tribe	10,193	038
93.600	Cascade Center for Community Governance	35,931	Not Available
93.612	Confederated Tribes of the Grand Ronde	18,338	Not Available
93.623	Lane County	4,100	Not Available
93.631	The Arc of the United States	18,957	Not Available
93.778	Multnomah County	423	4600006448
93.778	Multnomah County	5,320	4600006187

CFDA Number	Organization	Amount	ID Number
93.837	University of Toledo Health Science Campus	(2,844)	N2005-105
93.837	University of Toledo Health Science Campus	191,006	N2007-44
93.838	Oregon Health & Science University	63,513	GPULM0110A
93.847	University of New Mexico	6,035	3R191/31914
93.853	Legacy Emanuel Hospital & Health Center	31,800	Not Available
93.853	Mid-Columbia Econ Development District	977	Not Available
93.853	Oregon Health & Science University	24,369	GNEUR0201
93.853	Oregon Health & Science University	31,631	GNEUR0338A(A)
93.853	Stanford University	37,523	PR-0744
93.853	University of Virginia	53,137	GC11247-123264/125519
93.853	University of Virginia	106,242	GC11247-128544
93.855	DesignMedix, LLC	39,749	207PEY026
93.856	University of Washington	(4)	217608
93.856	University of Washington	20,754	436036
93.856	University of Washington	74,073	287655
93.856	University of Washington	86,864	451084
93.856	University of Washington	106,440	374741
93.859	MitoScience, LLC	105,000	10889
93.859	University of Colorado Health Sciences Center	24,660	FY06.001.001 AMEND. 2
93.859	University of Florida	106,040	UF-IFAS-0006184
93.859	University of Florida	342,567	UF06025 / PJ00061280
93.859	University of Michigan	159,204	F014733
93.859	University of Texas	23,925	07-005 / PO UOSPC-0000000143
93.859	University of Texas	69,366	08-030
93.859	Virginia Tech	47,135	CR-19201-431510
93.859	Wake Forest University	193,966	WFUHS 58100
93.865	Oregon Center for Applied Science, Inc.	18,744	Not Available
93.865	Oregon Research Institute	14,664	R01 HD035873
93.865	University of California, San Francisco	660	4954sc
93.865	University of Colorado	37,785	SPO 58560 / 1542997
93.866	Case Western Reserve University	50,615	RES502429
93.866	CleverSet, Inc.	43,635	2007-0004
93.866	Oregon Health & Science University	8,238	GNEUR0283B(A)
93.866	Oregon Health & Science University	20,493	GNEUR0248A A
93.866	Oregon Health & Science University	73,867	AANEUR0248_9001052
93.866	Syracuse University	2,710	1784-00033 S02
93.867	Legacy Emanuel Hospital & Health Center	10,703	Not Available
93.867	ViewPlus	8,678	2008-1447
93.894	University of Medicine & Dentistry of New Jersey	36,477	1 R25 RR018490
93.945	African American Health Coalition	19,419	Not Available
93.955	Eastern Washington University	60,124	Not Available
93.955	The Center to Protect Workers Rights	46,836	1030-12 AMEND. 5
93.955	University of Iowa	25,374	1000554465
93.969	Oregon Health & Science University	29,306	GSONO0240-OSU
93.969	Oregon Health & Science University	62,594	GSONO0240-PSU
93.989	Smithsonian Institute	229,791	04-SUBC-440-0000032544
93.989	University of Miami	2,162	Not Available
94.007	Commission on National and Community Service	2,500	Not Available
94.007	Commission on National and Community Service	8,448	54558-D

State of Oregon
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

CFDA Number	Organization	Amount	ID Number
94.007	NWREL	43,153	33700000000000
94.007	Western Washington University	(1,274)	54547-D
97.044	City of Portland	(25)	37242
98.001	Universidad de Guanajuato & SOU Amistad Program	58,499	HNE-A-00-97-00059-00
98.001	Virginia Tech	18,194	19201-425678
98.005	Michigan State University	20,377	61-3121
98.005	Michigan State University	76,017	61-3122
98.012	American Council on Education	61,670	Not Available
98.012	Higher Education for Development	61,336	Not Available
12.XXX	Center on Functional Engeineered Nano Architecture	125,432	0160 S HE178
12.XXX	Massachusetts Institute of Technology	42,654	3100479
14.XXX	Neighborhood Partnership Fund	98,800	7010-24- B2H
15.XXX	California Institute of Technology	68,968	77-1084634
15.XXX	National Fish and Wildlife Foundation	387	521384139
15.XXX	Pacific States Marine Fisheries Commission	323	5120
15.XXX	Pacific States Marine Fisheries Commission	710,265	936002376
15.XXX	Tualatin River Watershed Council	4,771	Not Available
17.XXX	Johnson, Bassin & Shaw, Inc.	2,830	S9101-PSU C-6222
17.XXX	Johnson, Bassin & Shaw, Inc.	24,507	S6070-PSU C-5835
20.XXX	Heritage Research Associates	29,835	Not Available
20.XXX	National Academy of Sciences	35,472	B-29
43.XXX	TDA Research, Inc.	9,077	#PSU-07.1
81.XXX	Battelle Memorial Institute	9,388	54081
81.XXX	Confederated Tribes of the Umatilla Indian Reservation	69,620	930624734
81.XXX	Oregon Nanoscience & Microtechnologies Institute	3,407	DOE BER 3
81.XXX	Pacific States Marine Fisheries Commission	15,000	08-16
81.XXX	Pacific States Marine Fisheries Commission	1,814,874	936002376
84.XXX	American Institutes for Research	5,000	30065
84.XXX	Johnson, Bassin & Shaw, Inc.	7,538	S6401-PSU
93.XXX	American Institutes for Research	2,402	00242.02054.001 MOD 2
93.XXX	American Institutes for Research	35,683	SC-05-02054 001-03
93.XXX	American Institutes for Research	40,020	00242.02054.001
93.XXX	Westat, Inc.	44,894	270-03-6002
		$47,312,958	

State of Oregon
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	☒ yes	☐ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	☒ yes	☐ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	☒ yes	☐ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	☒ yes	☐ none reported
Type of auditor's report issued on compliance for major programs:	Qualified –Temporary Assistance for Needy Families and State Children's Insurance Program Unqualified – All Other Major Programs	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	☒ yes	☐ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M)
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.659	Adoption Assistance
93.767	State Children's Insurance Program
N/A	Food Stamp Cluster
N/A	Workforce Investment Act (WIA) Cluster
N/A	Special Education Cluster (IDEA)
N/A	Disability Insurance / SSI Cluster
N/A	Medicaid Cluster
N/A	Research & Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $19,323,303

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

08-1
Office of the State Treasurer
Inaccurate Financial Reporting of Investment Balances
Material Weakness

The Office of the State Treasurer (OST) plays an important role in the state's reporting entity and is responsible for managing the state's investments and for maintaining accurate accounting records in accordance with generally accepted accounting principles (GAAP). OST is responsible for providing investment balances in accordance with GAAP for state agencies that have investments held at OST such as the Public Employees Retirement System (PERS) and the Department of State Lands.

The accuracy of reported investments depends on the accuracy and completeness of the OST's investment accounting activities. OST management is responsible for establishing and maintaining internal controls that provide reasonable assurance of the reliability of the financial reporting of investments. These controls include ensuring that information provided to agencies is sufficient to allow agencies to adhere to accounting and reporting policies and procedures included in the Oregon Accounting Manual and governmental accounting and financial reporting standards issued by the Governmental Accounting Standards Board.

During our review of investment balances for state fiscal year 2008, we noted that OST's controls over its financial reporting of fiscal year 2008 investment balances related to derivatives, short sales, and reverse repurchase agreements were not sufficient to ensure balances were adequately supported and appropriately reported in accordance with GAAP. As a result, OST reported fiscal year 2008 investment related balances that were materially misstated and not in accordance with GAAP to PERS and the Department of State Lands. For PERS, OST reported investment, investment receivable, and investment payable balances that were overstated by $1.2 billion, $14.2 billion, and $15.4 billion, respectively. After adjustment, the account balances were $60.6 billion, $3.4 billion and $3.8 billion, respectively. For the Department of State Lands, OST reported investment, investment receivable, and investment payable balances that were overstated by $34.6 million, $101.8 million and $136.5 million, respectively. After adjustment, the account balances were $1.01 billion, $9.5 million and $8.0 million, respectively. Specifically, we noted misstatements due to the following:

- Forward positions, including To-Be Announced and foreign exchange positions, were reported at notional value instead of fair market value.
- Short sale positions were incorrectly classified as a reduction of investments instead of as liabilities.
- The assets and liabilities of reverse repurchase agreements were netted instead of separately disclosed.

We communicated these errors to OST investment accounting, who took the time to research the issues and ensure their revised fiscal year 2008 investment balances were appropriately reported in

accordance with GAAP. Consequently, OST was not able to provide timely investment balance information to state agencies due to the nature of the misstatements and the research involved.

We recommend OST management establish and maintain internal controls over financial reporting of investments to ensure OST provides state agencies investment balances that are fairly stated in accordance with GAAP. Further, OST management should ensure that sufficient investment accounting resources are allocated to timely provide investment information to state agencies.

AGENCY'S RESPONSE:
The Office of the State Treasurer (OST) agrees that additional accounting resources are needed to ensure that investment information can be provided to state agencies in a timely manner. OST has requested two additional investment accounting positions within our 2009-2011 budget that will be tasked with supporting financial reporting, investment monitoring and compliance initiatives.

OST is also in the process of developing formal procedures to address the control structure in place over financial reporting for investments. The goal of these procedures will be to ensure that investment information provided to state agencies and Statewide Accounting & Reporting Services supports the preparation of financial statements in accordance with generally accepted accounting principles. Procedures will include specific direction regarding derivatives, short sales, and repurchase agreements to ensure proper reporting of these investment activities.

OST plans to complete financial reporting procedures by June 30, 2009. If additional resources are obtained, OST expects to completely resolve this audit finding by December 31, 2009. If resources do not become available, OST will develop an alternative plan to resolve this concern and will provide the Oregon Audits Division with a revised corrective action plan and resolution date.

08-2
Office of the State Treasurer
Lack of Internal Controls Over Financial Reporting
Material Weakness

The Office of the State Treasurer (OST) management is responsible for establishing and maintaining internal controls that provide reasonable assurance of the reliability of financial reporting for the Oregon Short-Term Fund. Financial reporting relates to the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles.

OST's controls over its financial reporting process for the Oregon Short-Term Fund were not sufficient to prevent or detect a significant error in the compilation of the financial statements. This error resulted in material understatements of Participants' Contributions and Participants' Withdrawals in the Statement of Changes in Net Assets on the 2007 Oregon Short-Term Fund financial statements, but had no effect on the net assets of that statement. The error is a financial reporting error and had no effect upon the individual participants' accounts.

The underlying cause of this error would have materially understated Participants' Contributions and Participants' Withdrawals in the current-year Statement of Changes in Net Assets if it was not corrected. However, once we brought this error to management's attention, OST made adjustments to ensure its current-year financial statements were appropriately prepared.

We recommend that OST management establish and maintain a documented internal control structure over financial reporting for the Oregon Short-Term Fund to prevent errors in the financial statement, and detect and correct errors in a timely manner.

AGENCY'S RESPONSE:
The Office of the State Treasurer agrees that there was an equal and offsetting misclassification in the compilation of participants' contributions and withdrawals. OST corrected this for the current year statements as noted in the finding and will review, and revise as necessary, our policies and procedures relating to controls over financial reporting for the OSTF.

08-3
Oregon Department of Revenue
Taxes Receivable Misstatement During Year End Financial Reporting
Material Weakness

State policy for year-end closing processes indicates that accounting estimates used for accruals should be fundamentally sound, sufficiently documented, able to be audited, and conform with generally accepted accounting principles. The quality of the state's Comprehensive Annual Financial Report depends on the accuracy and completeness of year-end closing activities, including the preparation of accruals. Agency management is responsible for ensuring the accuracy and completeness of the information that supports its year-end adjustments.

Each year, as part of its annual financial reporting process, the Oregon Department of Revenue (department) prepares estimates as of June 30 of the taxes receivable accrual for tax programs under its purview. The estimates involve many separate calculations and are based on several sources of data, including historical trends, uncollectible taxes, estimated refunds payable, and other information contained in the department's subsidiary accounting system.

In reviewing the estimates prepared for state fiscal year 2008, we found multiple errors and methodology issues in the department's calculation, such as double counting and incorrect and omitted amounts. As a result of these errors, the taxes receivable amount for the government wide statements was misstated by approximately $32 million and required an audit adjustment to be fairly stated in accordance with generally accepted accounting principles.

We recommend department management ensure the year-end calculations of the taxes receivable estimate are adequately reviewed to ensure errors are identified and corrected in a timely manner. Furthermore, the methodology used to calculate the estimate should be reviewed annually to ensure all relevant information is included.

AGENCY'S RESPONSE:
Management agrees with the recommendation. The department recognizes the importance of accurate receivable data and will continue to look for means and methods of minimizing mathematical and procedural errors. We have also inserted an annual review of the receivable methodology into the year-end timeline.

08-4
Oregon Department of Revenue
Cash Reconciliations Not Reviewed Timely

During state fiscal year 2008, the Oregon Department of Revenue (department) received, processed and deposited over $6 billion in revenues from various tax programs. To facilitate more efficient accounting, the department has set up specific cash accounts for these tax programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the general fund or other funds, as appropriate. State policy recommends agencies reconcile cash accounts on a regular basis and, if an agency uses a subsidiary accounting system, reconcile the subsidiary system to the state accounting system. Cash reconciliations are an important internal control that provides assurance that account balances are accurate and agree to the actual assets in the custody of the state.

The department's typical process is, on a monthly basis, to reconcile cash accounts in its subsidiary system to related accounts at the Oregon State Treasury and then reconcile the department's subsidiary system to the state accounting system. During the audit, however, we found that the department did not routinely reconcile its subsidiary system's cash accounts to the state accounting system. Instead, the department prepared one reconciliation in April 2008 to cover the eight months from July 2007 through February 2008. Furthermore, the department did not prepare the June 2008 reconciliation until October 2008. In bypassing the control of a monthly reconciliation, the department was not in compliance with state policy and had less assurance that errors would be detected and corrected in a timely manner.

We recommend department management comply with state policy and ensure the cash accounts in its subsidiary system are routinely reconciled to the state accounting system.

AGENCY'S RESPONSE:
Management agrees with the recommendation. Management has implemented a revised tracking system to monitor the status of reconciliations and determine the reason for missed deadlines. Corrective actions (including additional training) will be implemented to address any issues.

08-5
Oregon Department of Administrative Services
Self Insurance Plan Note Disclosures Not Adequately Reported

Starting in fiscal year 2007 the Oregon Department of Administrative Services (department) operated a medical self insurance plan for current and former employees. The department did not make the required financial statement note disclosures for this plan for fiscal years 2007 and 2008. In addition, in each of the two fiscal years, the department incorrectly reported the plan's current activity in an agency fund. Further, 2007 fiscal year transactions were incorrectly reported as fiscal year 2008 transactions.

This condition resulted from misunderstandings between the department's various divisions responsible for performing, recording, and reporting financial activity associated with this plan. There were misunderstandings about the underlying nature of the transactions, and the correct method of reporting and disclosing plan activity in the financial statements.

We recommend the department improve its communications between divisions related to year-end financial reporting. The department should ensure that activities are identified and discussed, prior to fiscal year-end, to ensure proper classification and disclosure of plan activities in the financial statements.

AGENCY'S RESPONSE:
The Department agrees with the finding and recommended action. Management plans to schedule several meetings prior to 2009's fiscal year end to ensure personnel from the State Controller's Division, Operations Accounting Services Unit and the Public Employees Benefit Board identify and discuss the accounting and disclosure requirements for reporting the activities of the self-insured medical plan. Specifically, these meetings will be used to identify (1) the proper fund and general ledger accounts for recording the related claim liabilities, (2) whether classification between a current and long-term liability is appropriate, and (3) the data sources and timelines for obtaining the information required for the risk financing note disclosure.

Determination of the proper accounting and identification of the data sources should be completed no later than June 30, 2009. The disclosure information, itself, should be obtained no later than the August 31, 2009.

08-6
Oregon Employment Department
Cash Reconciliations Not Performed Timely

The Oregon Accounting Manual states that departments should regularly perform reconciliations of cash recorded in agency records to amounts reported on Treasury statements. Those reconciliations should be performed by persons not otherwise responsible for handling or recording cash and should be independently reviewed by management.

The Oregon Employment Department (department) did not perform timely reconciliations of its cash accounts. We requested the department's cash reconciliations for two accounts and noted that the reconciliations from July 2007 to June 2008 were not performed until August 2008. Based on the year-end reconciliation, the department made an adjustment to reduce cash by $2.5 million in order to agree the accounting system balance to the balance per the year end reconciliation.

Reconciling bank statements to amounts recorded in agency accounting records is an essential internal control. Timely and effective reconciliations can help identify errors or other problems that may have occurred, and provide additional assurance that reported cash balances are accurate. In bypassing the control of performing regular reconciliations, the department was not in compliance with state policy and had less assurance that errors would be detected and corrected in a timely manner.

We recommend department management make cash reconciliations a priority and ensure reconciliations are performed timely.

AGENCY'S RESPONSE:
We concur with the auditors that cash reconciliations have not been performed timely. To rectify this situation the Oregon Employment Department has added temporary staffing to bring the cash reconciliations current. We have already made significant progress over fiscal year ended June 30,

2008. As of the date of this response, we have completed the Trust Clearing suspense account reconciliation through December 2008 and the Benefit suspense reconciliation through November 2008. Further, we are changing our Suspense account monthly entries into daily Statewide Financial Management System Suspense account entries for our Trust Clearing Account, Benefit Suspense Account, Federal Trust fund, and the Manpower (Trade Act) Suspense Checking Account. We will have completed four months of daily entries by the end of fiscal year 2009. Finally, we are documenting sources of cash differences to aid us in the future. We anticipate improved and timely suspense cash account reconciliations for review by auditors in July and August 2009.

08-7
Oregon Employment Department
Controls Over Year End Closing Activities Could Be Improved

The accuracy of the state's Comprehensive Annual Financial Report depends on the accuracy and completeness of agency year end closing activities. Department management is responsible for implementing controls that ensure fiscal year end closing procedures result in reporting department financial information in conformity with generally accepted accounting principles. These controls include adherence to accounting and reporting policies and procedures included in the Oregon Accounting Manual.

During our review of year end closing activities, we noted that the Oregon Employment Department (department) did not have sufficient controls in place to ensure adjusting entries were appropriate and adequately supported. Specifically, we noted the following:

- The department made a year end adjustment to reduce employment taxes revenue. The department was not able to explain nor provide supporting documentation for the reduction to employment taxes revenue.
- The department accrued expenditures for benefit payments that had been distributed to individuals but not yet redeemed. These expenditures had previously been recorded as an expenditure when the benefit payment was distributed. As a result, the current year accrual and the reversal of the prior year accrual understated expenditures at June 30, 2008 by $6.7 million and were not in accordance with generally accepted accounting principles.
- The department inappropriately recorded an adjustment to taxes receivable, resulting in a misclassification between current and noncurrent taxes receivable of $1 million.
- The department made an adjustment to transfer expenditures from the employment services fund to the unemployment fund. Upon inquiry, it was determined these expenditures should not have been transferred to the unemployment fund, resulting in a $6.3 million overstatement of expenditures at June 30, 2008.

We recommend department management implement controls to ensure year end adjustments are appropriate and adequately supported.

AGENCY'S RESPONSE:
We concur with the auditors that controls over year-end closing activities could be improved. We will review our accrual methodology for benefit payments during this upcoming fiscal year end. We anticipate that the errors and misclassifications identified in this management letter will not be repeated in July and August 2009.

08-8
Oregon Department of Education
Employee Fraud

Audit standards require that we communicate any instances of fraud on the part of senior management to those charged with governance. Between June 2007 and June 2008, the Oregon Department of Education's (department) former accounting director misappropriated approximately $925,000 in federal funds. In perpetrating the fraud, the former accounting director was able to use knowledge of the department's internal controls and accounting structure to override the existing internal controls of the department. Following a guilty plea in April 2008, the former accounting director was sentenced to two years in prison and is required to repay the department for the total amount of funds misappropriated.

Following the identification and investigation of the theft, department management reviewed and made changes to controls as determined appropriate.

We recommend department management minimize the opportunity for fraud to occur by maintaining internal controls that are adequate to ensure all accounting transactions are appropriately authorized, justified, documented and reviewed for accuracy. Additionally, we recommend that management provide training to department staff to identify symptoms of fraud and inform staff of how to respond when a potential fraud is identified.

AGENCY RESPONSE:
The department agrees that the fraud occurred. As acknowledged in your letter, management has already reviewed and made changes to controls as appropriate. For example, the department hired an additional accountant so that there is proper separation of duties when requesting federal funds. Also, the Director of Financial Services is creating a fraud policy that will include identifying symptoms of fraud and informs staff how to respond when a potential fraud is identified. The policy will be in place by June 30, 2009.

08-9
Oregon Department of Education
Weaknesses Identified In Year End Accrual Process

Generally accepted accounting principles require that revenues be recognized when the underlying expenditures have occurred. The Oregon Accounting Manual clarifies that revenues received within 90 days of fiscal year end for expenditures that occurred during the year should be recognized in the year in which the expenditures occurred.

Through our testing we found weaknesses in the Oregon Department of Education's (department) process for accruing expenditures and the related revenue. The department did not accrue all expenditures and revenue known or estimated through the 90 day period after June 30, 2008. As a result, expenditures and revenue for fiscal year 2008 were misstated by approximately $19.2 million in the Educational Support Fund and $1.8 million in the Nutritional Support Fund.
See *Prior Year Finding 07-20.*

We recommend the department review and update their policies and procedures to ensure year end accruals are made in conformity with generally accepted accounting principles. The procedures

should include steps to identify all expenditures and revenue known at the time of preparing the year-end closing adjustments and an estimate of the revenue likely to occur after year-end close and prior to the 90 day recognition period.

AGENCY'S RESPONSE:
The department agrees with the finding that there are weaknesses in the process for accruing expenditures and the related revenue. The department did not accrue all expenditures and revenue known or estimated through the 90 day period after June 30, 2008. The department is continuously improving the way it records accruals to ensure year-end transactions (Month 13) are made in conformity with generally accepted accounting principles.

During fiscal year 2008, the Director of Financial Services established an accrual procedure and instructed staff to use the Service Date field in the accounting system so that payments are identified to the month goods were received, services performed or when the subrecipient incurred the costs.

Even though improvements were made, there is still one item that needs to be addressed, which is the estimating of expenditures after Month 13 closes. The department isn't able to accurately estimate post-Month 13 expenditures due to a lack of historical data. However, the Director of Financial Services will update the accrual procedure by June 30, 2009, to include a methodology to estimate expenditures and the Service Date will be used as the basis of the estimation. As historical information becomes available over time, we expect these data to contribute to our ability to more accurately estimate amounts to be accrued.

08-10
Oregon Department of Forestry
Inconsistency in Accounting for State Forest Lands Revenue Results in Misstatement

To communicate effective information, financial reporting must be consistent, including the use of the same reporting method for all similar transactions. The Oregon Department of Forestry (department) accounted for State Forest Lands revenue inconsistently during fiscal year 2008.

The timber sales contract amounts are based on the net of gross timber sale value less estimated project work costs. Project work is work needed to be done by the contractor to access the timber for harvesting; this work mostly consists of road construction and road improvements. Historically, the department has reported State Forest Lands revenue from these contracts on a net basis. In June 2007, a legislative bill required transfers to counties during the 2007-09 biennium of additional revenue to offset a portion of project work costs on timber sales. In association with the required transfers, the department recognized the revenue on a gross basis by recognizing the associated project work costs. Consequently, department management reported a portion of the State Forest Lands revenue on a gross basis (total forest sales value), but reported the remaining portion on a net basis (total forest sales value less project work costs). This resulted in total revenue being understated by approximately $3.1 million.

We recommend department management ensure State Forest Lands revenue is reported consistently for financial statement purposes.

AGENCY'S RESPONSE:
In regards to the finding of inconsistency in accounting for State Forest land revenues, as we discussed with your staff during the audit process, we were aware that in order to meet the legislative mandate from the 2007 Oregon legislative session, we would have to report our revenues and expenditures for project work done on timber sales inconsistently. We were required to share additional revenue with the counties based on a limited number of projects done around the state. That required us to recognize both the revenue and the expenditure related to these projects while netting the expenditures against the revenues for projects not on the list, as was our practice in the past. To accomplish this task we were given budget limitation and legal authority only for the exact amount of the projects that we would be recognizing. This restricted our ability to be consistent and recognize all the project work that was done in a like manner. To this extent, we agree with the finding and recommendation. To correct this in the future and to be transparent in how we account for the revenues and expenditures of the State Forest Land revenues, we have included in our 2009-11 Agency Request Budget the necessary budget limitation to allow us to account for these transactions on a consistent and transparent basis. This was completed on September 1, 2008. This request has now also been included in the Governor's Recommended Budget that was released December 1, 2008. These corrective actions will be completed with the beginning of the 2009-11 biennium.

08-11
Oregon Parks and Recreation Department
Lack of Segregation of Duties and Logical Access to Accounting Systems

During our audit of the Oregon Parks and Recreation Department (department), we noted a weakness in the segregation of duties related to cash. One employee reconciled the cash accounts, had access to the safe and had entry capability to the department's automated financial accounting system (FMS), which interfaces with the state's centralized accounting system (Statewide Financial Management Application). Additionally, the employee was appointed as the administrator for the FMS. As administrator for this system, the employee had the ability to assign her own system access level. Duties for authorization, recordkeeping, and custody of the related assets should be segregated to reduce the opportunities for any individual to be in the position to both perpetrate and conceal errors or fraud in the normal course of duties. Additionally, appropriate logical access controls for financial accounting systems support and enforce segregation of duties by limiting the ability of any one individual to view, alter and control resources.

We recommend department management ensure responsibilities for cash are segregated. Specifically, management should ensure adequate separation of authorization for the execution of transactions, recording of transactions, custody of assets, and periodic reconciliation of existing assets to recorded amounts. In addition, management should ensure that individuals performing financial system security functions do not have conflicting accounting duties or responsibilities for monitoring and validating logical access, to ensure those functions are independently performed.

AGENCY'S RESPONSE:
The Oregon Parks and Recreation Department agrees with the recommendations, and completed all corrective actions in November 2008. We changed the combination of the safe and removed access of the noted employee. We worked with our Information Technology division to remove her

capability to change her own system access levels. In the future, as we have changes in staff, we will continue to ensure that their duties are appropriately segregated.

08-12
Oregon Department of Fish and Wildlife
Lack of Reconciliation of Point of Sale System

The Oregon Department of Fish and Wildlife (department) receives fax/mail orders for licenses and tags at its Salem headquarters. The department accounts for these sales by generating the license or tag with its Point of Sale Licensing System (POS) and records cash received using a cash register system. The department does not reconcile its Point of Sale system and its cash register system for these sales. Regular reconciliations between these two systems is an important internal control that provides assurance that the licenses generated in the POS system agree to the cash register receipts for fax/mail order license sales. Although the department has taken steps to address this issue by reviewing a sample of POS transactions against cash register transactions, without a complete reconciliation between the two systems, there is an increased risk that misappropriation of assets could occur and not be detected in a timely manner. See *Prior Year Finding 07-17*

We recommend department management strengthen its controls over license sales by regularly reconciling the POS system and the cash register system to ensure accountability for all licenses, tags and cash receipts.

AGENCY'S RESPONSE:
Initially, during the 2005 financial audit, the department thought this issue would be resolved with the new POS system. However, the new system will not resolve the reconciliation issue. Even without a system process in place, the transactions input into the register and the POS licensing system can be reconciled. Both transactions are tracked with a corresponding identification number. The department has implemented a sampling review of POS transactions against register transactions. This review will continue in lieu of reconciliation until such time resources are available or system capabilities enable a full and complete reconciliation.

Until a full and complete reconciliation is implemented, risks are decreased as more transactions are moving to the internet channel.

08-13
Oregon Department of Fish and Wildlife
Procedures for Accruing Federal Revenue Need Improvement

The Oregon Department of Fish and Wildlife (department) created a methodology for accruing federal revenue and classifying receivables as current and non-current to help address a recurring prior year finding. Generally Accepted Accounting Principles require current receivables and revenue only be reported if payment is expected to be received within 90 days of fiscal year end and that receivables expected to be collected after the 90-day period be reported as non-current. The department's methodology requires the evaluation of transactions that occurred during the fiscal year for the purpose of estimating the balance and collection of receivables at fiscal year end. During our audit, we tested the department's methodology and found that it did not capture all applicable transactions that occurred during the fiscal year. In addition, the methodology did not

correctly classify all receivables as current and non-current. As a result, federal revenue and the related accounts receivable were misstated at June 30, 2008. See *Prior Year Finding 07-18*

We recommend department management review and modify its methodology for accruing federal revenue to capture all applicable transactions and to correctly classify receivables as current and non-current at fiscal year end.

AGENCY'S RESPONSE:
The department reviews the methodology annually and adjusts the methodology based on current findings. The department will update documentation of the methodology in a policy and/or procedure format by June 30, 2009 to ensure that all applicable transactions are reviewed.

08-14
Oregon Department of Fish and Wildlife
Duplicate Federal Revenue Transactions

The Oregon Department of Fish and Wildlife (department) prepares monthly reconciliations to ensure the accurate recording of federal expenditures and associated federal revenues. Management review is an important internal control that helps to ensure amounts are accurate and properly recorded. Department management did not review the monthly federal revenue reconciliations during fiscal year 2008. We found the department recorded a total of 30 duplicate transactions during the year, resulting in an overstatement of $303,738 in federal revenue and receivable account balances as of and for the year ended June 30, 2008. As a result of our audit, management took action to correct these errors in the financial system and, as of March 6, 2009, only $2,820 remained uncorrected related to these errors.

We recommend department management perform timely and adequate review of monthly reconciliations of federal expenditures and associated federal revenues to ensure all transactions are accurately recorded. In addition, we recommend the department resolve all duplicate transactions and repay any cash received inappropriately due to the errors.

AGENCY'S RESPONSE:
The department generally agrees with the recommendation. The department has brought current the review of monthly reconciliations of federal expenditures and associated federal revenue. From this point forward, the Fiscal Services Manager will review these reconciliations within 21 days of preparation. The department will resolve the remaining $2,820 errors by April 30, 2009.

08-15
Oregon Department of Transportation
Inadequate Controls over Financial Reporting

According to the Oregon Accounting Manual, a department's internal controls must be adequate to provide reasonable assurance that transactions are accurate and properly recorded. The Oregon Department of Transportation (department) did not have sufficient internal controls in place to prevent or detect the following June 30, 2008, financial reporting misstatements:

- A portion of Noncurrent Bonds Payable was not reclassified to Current Bonds Payable, resulting in each account being misstated by $9 million.

- Fiscal year 2007 accruals were not reversed in fiscal year 2008 as required by department policy, causing misstatements to Accounts Payable and Accounts Receivable in the amounts of $2.9 million and $1.1 million, respectively.

  Further, these accruals affected the Increase in the Fair Value of Investments account in fiscal year 2008 and, as a result, it was misstated by $1.7 million.
- A fiscal year 2009 transaction was inappropriately recorded in fiscal year 2008, resulting in a misstatement to Transfers to Counties of $750,000.
- A $1million investment purchase and the associated $16,260 investment discount were recorded in the opposite accounts, misstating each account by $1,016,260.

During fiscal year 2008, the department had fewer staff available for preparing year-end transactions and conducting independent reviews, which may have contributed to the number of errors we identified.

We recommend department management ensure adequate controls are in place to prevent and/or detect financial reporting errors.

AGENCY'S RESPONSE:
The department will ensure adequate staff resources are available to complete midyear and year-end detailed work within required deadlines. The department plans to work with Department of Administrative Services, Statewide Accounting and Reporting Services staff to clarify and address the broker payable, broker receivable and reversing entries for the investment program. In addition, the department will update its Financial Administration and Standards Manual regarding the review and approval of transactions for year-end reporting to ensure better controls exist for coding and changes after documents have been submitted.

08-16
Oregon Department of Transportation
Jurisdictional Transfers Not Adequately Supported

The Oregon Accounting Manual states that all transactions must be supported by appropriate documentation. We noted the Oregon Department of Transportation (department) did not obtain the necessary documentation to ensure jurisdictional transfers were properly recorded.

A jurisdictional transfer occurs when the department transfers the jurisdiction of a segment of the state highway system from the state to a city or county.[1] The transfer requires a formal agreement between the state and all affected local governments. The department is then responsible for calculating the value of the transfer and removing it from the accounting records. While preparing year-end accounting transactions for jurisdictional transfers, the department did not obtain adequate supporting documentation. As a result, the department removed the value for a jurisdictional transfer that was not yet complete. In another instance, a jurisdictional transfer had occurred; however, the department did not record the transfer. As a result of these two errors, the state highway system account was understated by $25 million.

[1] Jurisdiction refers to the territory over which authority is exercised.

We recommend department management ensure transactions relating to the state highway system are adequately supported.

AGENCY'S RESPONSE:
The department's Financial Services staff will work with the Right of Way Section to have a manager review and approve the jurisdictional transfer report prior to year-end transactions being prepared to ensure jurisdictional transfers are accurately and correctly reported.

08-17
SAIF Corporation
Reinsurance Recoverable Not Accurately Calculated

We noted that the SAIF Corporation's (SAIF) Actuarial Department maintains a spreadsheet to track reported claims that are covered under SAIF's various reinsurance contracts. This spreadsheet is used to calculate reinsurance recoverable on paid and unpaid losses for purposes of SAIF's in-house actuarial study and to record reinsurance activity to the general ledger via manual journal entries. In performing testwork over reinsurance recoverable, we noted an error in the spreadsheet calculation related to accident year 1995 under the first ($3 million excess $2 million) and second ($5 million excess $5 million) excess of loss reinsurance contracts. Based on the spreadsheet calculation, SAIF had recorded a recoverable in excess of the maximum amount recoverable under the related contracts. This error resulted in SAIF recording an adjustment to reduce reinsurance recoverable on unpaid losses by $1,348,550.

We recommend that SAIF implement a formal review procedure over the spreadsheet in order to ensure that reinsurance recoverable is accurately calculated and recorded in accordance with the terms of the corresponding reinsurance contracts.

AGENCY'S RESPONSE:
SAIF agrees with this recommendation. The spreadsheet has been reviewed and a column was added that caps the expected recovery for each reinsurance treaty. This will prevent the described error from being repeated. SAIF's Actuarial Division has a formal review process in which each actuary reviews the data and calculations in the spreadsheet every quarter. By year-end 2008, each SAIF actuary will separately read each reinsurance contract to ensure that the spreadsheet properly reflects the language of each contract.

08-18
SAIF Corporation
Information Technology – Administrator and Superuser Access Not Reviewed

The Workers' Compensation Insurance System (WCIS) application maintains the majority of the SAIF Corporation's (SAIF) policy data. In performing testwork, we noted that a Generic Administrator account, Helpdesk, exists in the WCIS application. Per inquiry with SAIF personnel, KPMG determined that the password to this account is not controlled. Generic and uncontrolled users with the ability to add, modify, and remove user accounts increases the risk of unauthorized or inappropriate access to programs and data. This provides a significant risk to the reliance which can be placed on application data and business processes.

We recommend that SAIF perform detailed reviews of all system accounts including those with access to user administration functionality. The review should address those accounts that are determined to be generic in nature and assign individuals to those accounts or remove them completely from the active user environment.

AGENCY'S RESPONSE:
Information systems agree that generic user accounts should not be used. The generic administrator account, Helpdesk, identified in the finding was an unused account that has been deleted. This account was in fact the residue of creating individual accounts for the two individuals who administer security from the Helpdesk team. Information Systems has completed a detailed review of administrator accounts and validated that all are assigned to authorized individual accounts.

08-19
SAIF Corporation
Information Technology – Administrator Access and User Provisioning Not Appropriate

As noted above, the Workers' Compensation Insurance System (WCIS) application maintains the majority of the SAIF Corporation's (SAIF) policy data. The Legacy Mainframe application maintains certain policy data and all claims data. In performing testwork, we noted that for both the WCIS application and the Legacy Mainframe environments, administrators with developer rights and abilities have access to modify code and promote their own changes to the production environment. Additionally, changes to the production environment that were tested were found to be lacking proper evidence of testing and approval.

With this level of access, we noted that these individuals have the ability to bypass established change management controls undetected. This could lead to applications and data being inappropriately modified. It also increases the risk of inappropriate code being introduced into the production environment which could cause key system functionality, processes, and calculations to produce erroneous data.

We recommend that SAIF develop a solution that would either limit the level of access these developers have or implement a detective control that would provide assurance to the integrity of the change management process. In addition, we recommend that SAIF maintain records of testing and approval for all application changes.

AGENCY'S RESPONSE:
Information Systems has change management controls in place that prevents developers from promoting their own code. The finding identifies an exception where two individuals, due to staff efficiencies, are responsible for administration duties as well as code development. This does create a situation where these two individuals could promote their own code to production. For those two individuals, an additional detective control will be put in place to allow efficient use of staff, while providing assurance to the change management process.

08-20
SAIF Corporation
Information Technology – Lack of User Access Review

We noted that the SAIF Corporation (SAIF) did not conduct a user review for the Workers' Compensation Insurance System (WCIS) application users or Oracle database users in 2007.

Failure to perform an adequate review of users with access to key financial systems and databases increases the risk of unauthorized or inappropriate access. When there is a breakdown in preventative controls, this detective control can be helpful in mitigating the risks associated with unauthorized or inappropriate access.

We recommend that SAIF perform a periodic review of user access to all of the financially relevant applications, databases, and operating systems to ensure:

- Terminated users are identified and removed
- Segregation of duties conflicts do not exist
- Each user's access is appropriate to their job function
- Generic accounts do not exist or are limited to service level accounts
- Each user has been appropriately authorized and approved for their level of access.

AGENCY'S RESPONSE:
Although not in place for the time period under review, a manual review of WCIS and Oracle database users was completed in September 2008. In addition, an automated process is under development which will allow more efficient and timely access reviews for all WCIS and Oracle users starting in 2009 and yearly thereafter.

Section III – Federal Awards Findings and Questioned Costs

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

08-21
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Activities Allowed or Unallowed – Federal Benchmarks Not Met
Material Weakness

The Office of Private Health Partnerships (department) operates under a waiver that requires health coverage plans to meet federal benchmarks. The department uses a benchmark worksheet to ensure benchmarks are included in the coverage; however, this worksheet has not been updated to include all the requirements outlined in the waiver such as mental health services. As a result, the department approved health coverage that did not include mental health services and, therefore, did not meet the federal benchmark.

We tested a sample of 60 subsidy payments issued during fiscal year 2008 and found that 24 of the payments were for coverage that did not meet the benchmark requiring mental health services. We also found that seven of the nine health insurance plans represented in the sample did not include mental health services.

We recommend department management implement procedures to ensure the benchmark worksheets include all the required federal benchmarks. We further recommend department management ensure all approved health insurance plans are in compliance with current benchmark requirements.

AGENCY'S RESPONSE:
The agency partially agrees with this finding and is taking corrective action. As a result of the Benchmark Specialist marking "no coverage" in error on the benchmark worksheets, the Secretary of State's office determined that 24 of 60 subsidy payments they tested were made for coverage not meeting the benchmark requiring mental health. Program management has confirmed that all but two of these payments were made for plans containing mental health coverage. The associated benefit plan for the other two payments is still being reviewed and we are waiting for additional information from the carrier.

1 The Secretary of State's office is recommending that agency benchmark worksheets be updated to insure all required federal benchmarks are included.

FHIAP management has already started corrective action. Full implementation is anticipated by April 15, 2009.

2 The Secretary of State's office is also recommending the agency ensure that all approved health insurance plans comply with current benchmark requirements.

FHIAP management will take the following corrective action: a. Review all plans for compliance and determine a corrective course of action by May 30, 2009; and b. Correct any compliance issues by October 31, 2009.

08-22
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Eligibility – Untimely Eligibility Redeterminations
Questioned Costs $2,990
Material Weakness

The Office of Private Health Partnerships (department) administers a program to subsidize eligible Oregonian's private health insurance premiums. Eligibility is established based on criteria outlined in a federal waiver. One specific requirement is that eligibility redeterminations be performed at least once every 12 months. We tested 60 case files and found that during fiscal year 2008 the department did not perform timely eligibility redeterminations for 29 of those cases. We also noted one income calculation error and two instances where the department did not pursue proof of citizenship as required by federal regulation. The known questioned costs total $2,990.

We have reported eligibility internal control issues in the past two fiscal years. The department has made progress in identifying and correcting errors. For the current year, we identified fewer calculation and input errors than in prior years; however, we identified more cases in which eligibility redeterminations were not made timely. According to the department, the increase is a result of prior fiscal years caseload issues and redirected work assignments as the department focused on meeting its federal requirement related to maintenance of effort. *See Finding 07-40.*

We recommend department management continue to improve their eligibility review process. We also recommend the department determine the amount of State Children's Insurance Program funds that should be refunded to the federal agency.

AGENCY'S RESPONSE:
The agency agrees with this finding and has already taken some corrective action. Further corrective action is planned. The Secretary of State's office is reporting that eligibility determinations were not made timely in 29 of the 60 case files reviewed. As reported last year, these errors were made as a direct result of caseload issues and redirected work assignments resulting from Maintenance of Effort (MOE) challenges. Program management staff has since identified and implemented process changes enabling the agency to mitigate the risk of subsidies being paid beyond the 12-month eligibility period. Files identified in this year's audit were processed prior to implementation of these process changes.

The agency has already implemented a short-term (manual) solution. In the short term, eligibility staff work redetermination applications based on the subsidy eligibility date. FHIAP management assesses upcoming redeterminations weekly. Applications closest to the end of their 12-month eligibility period are worked first.

Last year's audit response indicated that program management would submit a request for a database change. The database enhancement would enable creation of a script identifying accounts approaching the end of the subsidy eligibility period, thus moving to an automated versus manual review process. This database change was put on hold as a result of a decision to restructure the entire database. Once the new database is implemented, it will automatically generate reports identifying accounts nearing the 12-month eligibility maximum. Similar to the manual process, staff will then work the files closest to the end of the eligibility period.

The office will determine the amount of SCHIP funds that should be refunded to the federal agency and will do so by June 30, 2009.

08-23
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Activities Allowed or Unallowed – Potentially Unallowable Health Coverage
Questioned Costs $9.4 Million

The Office of Private Health Partnerships (department) administers a program to subsidize eligible Oregonian's private health insurance premiums. The department uses State Children's Insurance Program (SCHIP) funds to pay the insurance premium subsidies under a waiver approved by the Centers for Medicare and Medicaid Services.

Federal regulations specifically address an exclusion for the use of SCHIP funds; SCHIP funds may not be expended to assist in the purchase, in whole or in part, of health coverage that includes coverage of abortion, except under specific circumstances outlined in CFR Title 42. Based on discussions with the department, as the department subsidizes a person's private health insurance, the department does not have the ability to require this exclusion in the plans. Therefore, the department does not ensure the health insurance plans subsidized with SCHIP funds exclude abortion coverage except as allowable per federal regulations.

We reviewed one of the nine health coverage plans present in our sample. We found that the plan did not specifically exclude coverage for abortion services. Total payments to this health coverage plan during fiscal year 2008 totaled $9.4 million (more than 60 percent of SCHIP funds expended by the department).

We recommend department management work with the federal government to determine whether it is allowable for the program to pay insurance premiums for private health insurance plans that do not specifically exclude abortion coverage.

AGENCY'S RESPONSE:
The agency disagrees with this finding. The Secretary of State's office is recommending that the agency work with the federal government to determine whether it is allowable for the program to pay insurance premiums for private health insurance plans that do not specifically exclude abortion coverage.

This issue was discussed during the initial 2002 waiver negotiations with the Department of Human Services (DHS), Office of Private Health Partnerships (OPHP), and Centers for Medicare and Medicaid Services (CMS). At that time, all parties agreed that because the Family Health Insurance Assistance Program (FHIAP) does not subsidize medical services, but provides a subsidy for private insurance premiums, this requirement does not apply. Further, because the program does not pay for claims or receive encounter data, the requirement would be impossible to monitor. This is consistent with some other states' premium assistance programs. Notwithstanding our disagreement with this finding, the agency agrees to consult with the Department of Human Services (DHS) to raise the issue with CMS.

08-24
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Maintenance of Effort & Eligibility – Advanced Subsidy Payments
Questioned Costs $4.6 Million

In 2002 the Centers for Medicare and Medicaid Services (CMS) authorized a five-year waiver, expiring October 31, 2007, that allowed eligible uninsured children and adults to receive insurance premium subsidies for the purchase of private health insurance. The waiver also included a maintenance of effort requirement that the amount of state funds expended for the program be maintained or increased above the state fiscal year 2002 level.

To meet the maintenance of effort requirement as of October 31, 2007, the Office of Private Health Partnerships (department) made advanced subsidy payments to three private insurance carriers for the periods of December 2007 through February 2008. The department had not incurred an obligation to pay the insurance premium subsidies. If the department had not paid the insurance premium subsidy payments in advance, it would not have met the required maintenance of effort by approximately $2 million.

In addition, effective November 1, 2007, adults became ineligible for State Children's Insurance Program (SCHIP) funding as the waiver that allowed it had expired. The department used $4.6 million of SCHIP funding to prepay for insurance premium subsidies for adults from November 2007 through February 2008. If the prepayment had not occurred, the department would have paid the subsidies with either Medicaid funds, if eligible, or state funds.

Noncompliance with the maintenance of effort requirement specified in the waiver could result in disallowed costs. Further, if prepayment for adults using SCHIP funding is determined to be non-compliant, the federal agency could require the department repay the disallowed costs of $4.6 million.

We recommend department management consult with CMS to determine whether subsidy prepayments are allowed to be counted toward maintenance of effort, and whether prepayments made for adults were allowable since the adults were ineligible for SCHIP funding for the time period prepaid. *See Finding 07-41.*

AGENCY'S RESPONSE:
The agency disagrees with this finding. The agency believes it operated within its contractual obligation with the Centers for Medicare and Medicaid Services (CMS). Prior to making advance subsidy payments, the agency worked with the Department of Human Services (DHS) and the Department of Administrative Services (DAS) to discuss the appropriateness of the payment. Notwithstanding our disagreement with this finding, the agency agrees to consult with the Department of Human Services (DHS) to raise the issue with CMS.

08-25
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Eligibility – Ineligible Clients Funded
Questioned Costs $55,000

During fiscal year 2008, the Office of Private Health Partnerships (department) administered a program that allowed eligible Oregonians to receive insurance premium subsidies for the purchase of private health insurance. Effective November 1, 2007, adults were no longer eligible for State Children's Insurance Program (SCHIP) funding as the federal waiver allowing it expired.

The department made a coding error when recording a subsidy payment in the State's accounting system and the error was not discovered by the department during its transaction review process. As a result, $55,000 of SCHIP funds were used to subsidize insurance premiums for adults when the premiums should have been subsidized with Medicaid or state funds.

We recommend department management correct the accounting transaction and determine the amount of SCHIP funds that should be refunded to the federal agency. We also recommend department management ensure the transaction approval process is adequate to ensure coding is entered accurately.

AGENCY'S RESPONSE:
The agency agrees with this finding and has already taken corrective action. Effective March 19, 2009, the program added a third level of review for carrier payments. Accounting staff now audit the transition between the funding report to the accounting input document line by line prior to final approval by the fiscal manager. The new database will automatically create SFMA input documents, eliminating the possibility of manual transposition and coding errors. The new database is scheduled to be fully implemented by January 2010. The office will determine the amount of SCHIP funds that should be refunded to the federal agency and will do so by June 30, 2009.

08-26
Oregon Department of Human Services
Temporary Assistance for Needy Families, CFDA 93.558
Allowable Costs – Expenditures Not Allowable or Unsupported
Questioned Costs $1,564

Federal requirements state that the department may use TANF funds for expenditures that are not in violation of the Office of Management and Budget (OMB) Circular A-87. The OMB Circular A-87 states that allowable costs must meet the following general criteria: (1) be necessary and reasonable for proper and efficient performance and administration of federal awards, and (2) be adequately documented.

We identified one transaction that included payment for repairs to a state-owned vehicle damaged while a department employee was attending allowable TANF training. The department used federal TANF monies to pay $317 of the total repair costs of $634.

For another transaction, we were unable to determine the allowability of the expenditures because the department was unable to provide documentation to support a $1,247 charge to the federal program.

We recommend department management ensure that funding transactions are allowable for federal programs and documented in accordance with OMB Circular A-87.

AGENCY'S RESPONSE:
The department agrees with this recommendation. The department will increase training for program staff to ensure that expenditures are coded in accordance with Office and Management and Budget (OMB) Circular A-87. Program staff is reviewing all Fiscal Year 2009 motor-pool transactions to make certain that they are allowable for federal programs.

08-27
Oregon Department of Human Services
Temporary Assistance for Needy Families, CFDA 93.558
Eligibility – Client Maintenance System Coding Errors
Questioned Costs $254

Upon determination of eligibility, monthly benefits under Temporary Assistance for Needy Families (TANF) are calculated using information such as number in household and earned or unearned income received based on policies and procedures outlined in the Department of Human Services' (department) Self-Sufficiency Family Services Manual.

In testing 36 self-sufficiency payments, we found five instances where caseworker input errors resulted in either underpayments or overpayments to clients. In four cases, the department's documentation of the client's household composition did not agree to the data entered into the Client Maintenance System (CMS). In two cases, changes occurred upon redetermination, but the coding in CMS was not updated. For one case, the client's unemployment benefits were coded incorrectly when the case was opened and the coding was not updated when unemployment benefits ended.

These errors resulted in $376 in underpayments and $254 in overpayments for the fiscal year.

We recommend department management implement procedures to ensure coding and client data are accurately entered and appropriately updated in CMS and correct the identified errors.

AGENCY'S RESPONSE:
The department agrees with this recommendation. The Client Maintenance System (CMS) calculates benefits for No-Adult cases based on the number in the household, the number in the need group, and the countable income. Examples of No-Adult cases are: households where the adult is a non-citizen, SSI recipient, or non-needy caretaker relative. Most errors were related to improper coding of the number in the household. Currently, there are no edits in CMS that require this data field be updated whenever the caseworker makes changes to the case.

The department will evaluate current policy and procedures related to ensuring coding and client data are accurately entered and appropriately updated in the Client Maintenance System (CMS). This assessment will also look at edits in CMS.

In addition to follow-up and correction of the five cases with identified errors, the department will implement the following:

- *Assess the feasibility of computer system edits to reduce the potential of inaccurate benefit issuance.*
- *Send a Policy Transmittal to SSP field staff regarding data entry requirements for No-Adult cases and emphasizing case reviews at re-determination of TANF eligibility to the ensure benefit level is accurate.*
- *Review and update training materials related to TANF eligibility groups, income coding and computer data elements.*

08-28
Oregon Department of Human Services
Adoption Assistance, CFDA 93.659
Allowable Costs – Payments Do Not Match Adoption Agreement
Material Weakness
Questioned Costs $735,000

Each state having a Federal Title IV-E Adoption Assistance program is required to enter into adoption assistance agreements with the adoptive parents of children with special needs. In addition, an adoption assistance agreement must be in place prior to the payment of monthly benefits and a new agreement must be signed prior to any change in payment amounts.

In 2007, we identified an overpayment resulting from errors that occurred when the department restored adoption assistance payments after a budget reduction in 2003. During the 2008 audit, we identified additional overpayments caused by those errors.

In February 2003, the department reduced adoption assistance payments by 7.5 percent as a result of a budget reduction. The reduction period lasted through October 2003. Payments on adoption cases opened during this nine-month period did not appear to be treated consistently. For example, payments were entered into the department's system at either the signed agreement rate or at the 7.5 percent reduced rate. For more than 500 cases entered at the signed agreement rate, the department could not support that all of the agreements had been negotiated at the 7.5 percent reduced rate. When the budget reduction was cancelled, the department restored the assistance payments to the signed agreement rate. The department, however, also adjusted assistance payments on new adoption agreements entered at the signed agreement rate as well as agreements impacted by the budget reduction, resulting in overpayments. For new cases entered at the signed agreement rate, the restored rate exceeded the rate in the adoption agreement. We estimated the potential overpayments as of January 2009 to be more than $1.2 million of which more than $735,000 was federal funds.

The department did not detect the overpayments because the department did not have a procedure in place to detect whether the signed agreement rate agreed to the adoption assistance payment. As a result of prior year finding, the department has recently developed a report that will identify these discrepancies. See *Prior Year Finding 07-42.*

We recommend department management implement a procedure to detect whether assistance payments agree with the signed adoption agreements. We further recommend that department

management work with the designated federal agency to determine the appropriate way to resolve any potential overpayments

AGENCY'S RESPONSE:
The department partially agrees with this finding. Effective February 1, 2003, the department implemented an across-the-board 7.5 percent reduction in foster care payments and a 10 percent across the board reduction in personal care/special rates that was concomitantly applied to all previously negotiated adoption assistance payments. The change became the foundation for a subsequent law suit. Payment changes were compounded by a reduction to the hourly cost of supervision and recalculation of the number of hours of supervision available to some children through personal care/special rates.

The reduction period lasted through October 2003. Rates were restored pursuant to a court order and direction from legal counsel in November 2003. The increase was determined through a complex calculation agreed to by all parties to the legal proceeding.

During the nine months (February 2003 to October 2003) that adoption assistance was subject to an across the board reduction, new cases opened during this period of time were negotiated in accordance with lower foster care rates established in February. Children who were receiving personal care/special rates also had that part of their adoption assistance payment calculated using the lower hourly rate for supervision. Pursuant to the legal case involving adoption assistance cases subject to the original across-the-board rate reduction, these cases were treated equally for the purpose of rate restoration since they would also have been established at a higher rate in the absence of the original reduction.

The department believes that it was the clear intent that all new cases opened during the rate reduction period were to be established using the newly reduced, across-the-board foster care rates and to be restored summarily with all other open assistance cases. The department does not believe that the restoration of all adoption assistance rates to pre-reduction numbers resulted in an ensuing overpayment for every new case established during the reduction period since the basis for the rate was restored to a higher amount.

More than 7,000 adoptive parents with open adoption assistance cases were mailed an "Amendment to State of Oregon Adoption Assistance Agreement" dated November 1, 2003, stating that the purpose of the amendment was to revise the current agreement to restore adoption assistance benefit payments that were previously reduced due to budgetary reductions and to clarify the manner in which future adjustments to adoption assistance benefits may occur. The agreements were to be signed and returned to the department. It is clear that the amended agreements spoke to – and raised – all adoption assistance agreements in effect on October 31, 2003, to include new cases open during the reduction period. Parents were advised of the following changes in the amended agreements:

- *Monthly payments were increased by 8.108 percent.*
- *A special payment was increased by 8.108 percent if it was payable under an adoption assistance agreement that was in effect on January 31, 2003, reduced on February 1, 2003, and restored in November, 2003.*
- *Special payments were not increased if it was payable under an adoption assistance agreement in effect after February 1, 2003.*
- *Nonrecurring payments were not impacted.*

Some of the cases established during the reduction period were established at a rate less than the reduced foster care rate through negotiation with the family, some had an added amount for personal care/special rates, and some directly align with the foster care rate by age group. Upon initial review, it does appear that some of the cases established during this period may have been treated inconsistently after the initial rate was established and prior to the rate restoration. These cases appear to warrant a more rigorous re-review to confirm that rates were correctly managed.

As a result of a prior audit finding, the department recently implemented an automated system to detect over – and under – payments. An electronic report is generated by the Integrated Information System (IIS) that identifies discrepancies. A process is in place that includes staff review of the report and correction of any payment discrepancies, as necessary.

The department's Adoption Program will conduct a review of all of the cases identified in the audit to confirm the following:

- *Payments opened during the reduction period of February through October, 2003, were established in line with the reduced foster care rate and pursuant to a properly negotiated adoption assistance agreement;*
- *There was equitable management of payments for new cases opened during the reduction period;*
- *All payments for new cases opened during the reduction period were increased at the same time as longer-standing adoption assistance cases.*

The department may find, as a result of a review of the questioned cases, that there may be specific cases with incorrect payments. The department will work with the Administration for Children and Families Children's Bureau, Region X Child Welfare Program Office, to determine the proper way to handle any identified overpayments of Title IV-E adoption assistance funds.

The Adoption Unit is currently utilizing the electronic payment review report referenced above and payment inaccuracies are being identified and corrected. It has been determined that the additional step involving staff verification that ensures payment corrections have been entered and accepted by the payment system (Integrated Information System) will be added to this review process.

08-29
Oregon Department of Human Services
Adoption Assistance, CFDA 93.659
Eligibility – Incorrect Eligibility Determination
Questioned Costs $19,175

For a child to receive Federal Title IV-E Adoption Assistance, the child must meet the eligibility requirements of the Social Security Act. In part, eligibility is based upon whether the child resides with a relative intending to adopt the child and that relative meets the definition of a blood relative or half-blood relative.

We examined 40 transactions and the related adoption case files and identified one instance where a child was incorrectly identified as Title IV-E eligible. The adoption application indicated the child was being adopted by a relative; however, we found evidence in the file that indicated the adoptive parents did not meet the definition of a blood relative or half-blood relative.

The department has received federal reimbursement for this case since November 2001. The total questioned costs from that date through December 2008 is $19,175.

We recommend department management correct this case in its system so that the appropriate funding source is used for assistance payments and return any disallowed costs to the appropriate federal agency.

AGENCY'S RESPONSE:
The department agrees with this finding. The department agrees that this case was inappropriately determined to be Title IV-E eligible for the purposes of drawing federal funding for the adoption assistance payment and that the case needs to be recoded on the payment system and in the case record as non-IV-E eligible. Eligibility will be corrected for this case, as discussed. Furthermore, the department will work with the Administration for Children Youth and Families, Children's Bureau, Region X Child Welfare Program Office, to determine the actual disallowance and effect return of those costs.

08-30
Oregon Department of Human Services
Medicaid Cluster
Allowable Costs – Private Health Insurance Not Billed
Questioned Costs $11,206

Federal regulations require the department take all reasonable measures to ascertain the legal liability of third parties (private health insurance) for Medicaid claims. To meet this requirement, the department requires its clients to provide information about private health insurance on their Medicaid application. If clients indicate they have other insurance, this information is entered into the department's Medicaid Management Information System (MMIS). If providers are aware a client has private health insurance, they are required to bill the private health insurance first, prior to billing the department.

During our testing, we found controls were not sufficient to ensure that each private health insurer listed on one client's application was entered into MMIS. As a result, claims for the client were not first billed to the private health insurance as required by federal regulations. The client's Medicaid claims totaled $11,206 for the fiscal year, a portion of which may be recoverable from the private health insurer.

We recommend department management implement controls to ensure all private health insurance listed on client applications is entered into MMIS and seek recovery from the private health insurer for the appropriate portion of the client's claims.

AGENCY'S RESPONSE:
The department agrees with this recommendation. The department's Health Insurance Group (HIG) is responsible for verifying and coding the client's private health insurance information onto the Medicaid Management Information System (MMIS) from the Medicaid application. When Medicaid pays a claim that could be paid by the private insurer, it is automatically billed by the MMIS system and referred to the Medical Payment Recovery (MPR) unit for follow up and collection. MPR attempts to recover on claims going back up to six years for some coverage plans. Unfortunately, HIG currently has a back-log of applications that have not been entered.

The private insurance information for the client identified during the audit has been entered into Medicaid Management Information System and the Medical Payment Recovery unit will pursue recovery on the claims already paid by Medicaid.

In addition to hiring two (2) new staff, the Health Insurance Group (HIG) will utilize staff from other units to deal with the backlog and workload issues. Members from other units within the Office of Payment Accuracy and Recovery have been, or will be, cross-trained to help with this effort. HIG has also modified its work processes in order to help streamline referral processing.

08-31
Oregon Department of Human Services
Medicaid Cluster
Special Tests and Provisions
Required Provider Agreements Missing Required Disclosures

Federal regulations require Medicaid providers enter into an agreement with the department to provide Medicaid eligible services. As part of the agreement, federal regulations require providers to disclose ownership interests and criminal history as well as agree to maintain pertinent records and provide them for audit. We performed tests of 60 provider files and found the department did not comply with this federal requirement as 19 agreements lacked one or more of the required disclosures.

We recommend department management comply with federal regulations and ensure provider agreements contain the required disclosures.

AGENCY'S RESPONSE:
The department agrees with this finding. We believe the department currently meets the disclosure requirements addressed in the finding for Home Care Workers enrolled after December 2007, when the enrollment form was last revised. It is the department's position that control and ownership disclosures do not apply to Home Care Workers due to the nature of their relationship with the clients, nor do the requirements related to advanced directives. Home Care Workers are employed by the client, the relationship is one of employee and employer. As employees of the client, they work as directed verbally and from a task list. Home Care Workers are encouraged to talk with their employer about emergency action plans.

Changes to the Seniors and People with Disabilities (SPD) Adult Foster Home Provider Enrollment Agreement form are needed to address the ownership and control disclosure requirements.

The Addictions and Mental Health (AMH) Adult Foster Home Medicaid Provider Agreement does not currently contain the required assurances or require providers to provide residents the opportunity to complete an advance directive. AMH Adult Foster Homes now receive payment through the new Medicaid Management Information System (MMIS). MMIS Provider Enrollment Unit currently requires these Medicaid providers to sign the Medicaid agreement.

Administrative rules related to Assisted Living Facilities and Residential Care Facilities currently require providers to have policies and procedures on medical emergency response, but do not address advance directives specifically, since this is considered a personal client choice.

The department will provide all current Home Care Workers with information regarding record keeping and disclosure requirements. Information regarding these requirements will be included on the remittance advice that each active Home Care Worker receives with payment.

Seniors and People with Disabilities will add ownership and control disclosure requirements to the Adult Foster Home provider enrollment agreement, form #SDS 738.

Addictions and Mental Health (AMH) will coordinate with Division of Medical Assistance Programs Provider Enrollment Unit to review and revise as necessary the Adult Foster Home Medicaid agreement to include the federally required assurances; this includes assuring that current Adult Foster Homes have signed Medicaid agreements that include the required assurances. AMH will amend Adult Foster Home rules to include a requirement that all residents be provided the opportunity to complete an advance directive.

Administrative rules regarding Assisted Living Facilities and Residential Care Facilities will be revised to clarify the provider's role regarding advanced directives.

08-32
Oregon Department of Human Services
Medicaid Cluster
Allowable Costs – Lack of Documentation

State policy requires controls be implemented to ensure that all transactions are accurate, authorized and adequately supported. We tested seven payments made for clients in residential treatment facilities. The signed monthly rate for three of these clients did not agree to the rate paid to the provider. After research, the department provided additional information regarding the rate differences. The information, however, did not clearly document whether the payment rates were correct or appropriately authorized. Without a clearly defined process for documenting approved rates and ensuring that the documentation is readily available, the department is less able to identify potential errors.

We recommend department management implement procedures to ensure that adequate supporting documentation is maintained for all payments, specifically provider payment rates and any authorized changes to each rate.

AGENCY'S RESPONSE:
The department agrees with this recommendation. While the department feels the reviewed rates were correct, the supporting documentation could be improved. Addictions and Mental Health (AMH) will implement policies and procedures to ensure all requested rates are reviewed prior to entry in the Medicaid Management Information System interface and adequate supporting documentation is maintained for all provider payment rates and authorized rate changes. AMH will develop and implement a procedure regarding notification of any authorized rate changes.

08-33
Oregon Department of Human Services
Immunization Grants, CFDA 93.268
Subrecipient Monitoring – Lack of Policies and Procedures for Site Visit Protocol

The Oregon Department of Human Services (department) did not have written policies and procedures for site visit protocol during the fiscal year. Subsequent to June 30, 2008, written policies and procedures were adopted. According to the 2007 Vaccines For Children Operations Guide, Immunization Grants Programs must develop written procedures for site visit protocol. The Program should document its guidance for completing site visits and the site visit questionnaire. Lack of written guidance leaves the details of some of the work that is performed when completing the site visit questionnaire unclear and possibly inconsistently followed.

We recommend the department continue to use the site visit protocol adopted August 1, 2008. This protocol should be available for review by program employees so that proper monitoring procedures are performed.

AGENCY'S RESPONSE:
The department agrees with the recommendation. To address this finding, the program will take the following steps:

1 *The site visit protocol (VFC010, "ABCs of a VFC Site Visit") was crafted in early 2008, and then piloted through the training of new health education staff. The policy was formalized and signed in August 2008. It remains in effect as one piece of a nationally recognized comprehensive VFC staff training program.*
2 *All staff who conduct VFC site visits will receive training on the policy at hire, and with every publication update.*

08-34
Oregon Department of Human Services
Immunization Grants, CFDA 93.268
Subrecipient Monitoring – Subrecipients Allowed to Select Samples for Testing

The Oregon Department of Human Services (department) program staff notify providers of site visits with a template which requests, among other items, that providers provide a "sample of five patient charts where immunizations are documented." Effective monitoring procedures should be that the program staff selects monitoring samples to prevent providers from manipulating monitoring samples. An element of surprise is necessary to appropriately monitor providers.

We recommend the department implement procedures to ensure that samples are selected by the program staff such as selecting from databases of vaccinated children or other records.

AGENCY'S RESPONSE:
The department agrees with the recommendation. To address the audit finding, Oregon Vaccines for Children will take the following steps:

For providers that report data to the ALERT IIS:

1 *The pre-visit template will no longer ask provider to have a sample of five charts available for review during the site visit. Instead, the template will state that during the site visit, the reviewer*

will select five to ten charts to review (depending on size of clinic population). The pre-visit fax will also state that clinic staff will need to be available to pull charts at the time of the site visit.

2 *The reviewer will get a sample of patients from the ALERT IIS, including patient first and last name, chart or medical id number, immunization date, immunizations administered, and eligibility code.*
3 *The reviewer will pull an ALERT participation report and evaluate it for coding errors (for example, doses coming into ALERT as "not specified.")*
4 *At the site visit, the reviewer will select ten patients, both VFC-eligible and privately insured, from the list provided by ALERT to review.*
5 *The reviewer will evaluate the charts for compliance with VFC eligibility screening and documentation requirements.*

For providers that do not submit data to the ALERT IIS:

1 *The pre-visit template will state that the reviewer will pull a random sample of 30 charts at the time of the site visit. The pre-visit fax will also state that clinic staff will need to be available to pull charts at the time of the site visit.*
2 *At the site visit, the reviewer will select 30 charts representing children immunized. The reviewer will do this by selecting patients from the appointment book or by pulling hard copy charts from the shelves.*
3 *When the reviewer has 30 charts, the reviewer will complete the Protocol for Assessing VFC Eligibility Screening spreadsheet to determine eligibility screening.*

These processes will be in place by January 1, 2009. Steps that need to be taken before implementation include developing a workflow process with ALERT staff to request patient lists prior to site visits and updating the VFC Site Visit Policy and Procedure and the VFC Site Visit Workflow.

U. S. DEPARTMENT OF DEFENSE

08-35
Oregon Military Department
National Guard Military Operations and Maintenance (O&M), CFDA 12.401
Matching – Lack of Controls Over the Allocation of Funds

National Guard Regulation 5-1, National Guard Grants and Cooperative Agreements, provides regulatory guidance on the execution of Master Cooperative Agreements for Operation and Maintenance Projects. Specifically, Chapter 13 provides guidance for the operation and maintenance of Army National Guard facilities. The Facilities Inventory and Support Plan (FISP) outlines percentages of federal and state support by type of facility and/or function, to include multi-use functions. Expenditures charged to a given facility are to be allocated across federal and state projects/support levels on a transaction by transaction basis. Testing of transactions at Camp Withycombe revealed a lack of control over application of the required percentage allocations among the various federal and state support codes for that installation. Additionally, the review of those allocations at the transaction level at the Oregon Military Department (department) level was general in nature, and not detailed enough to catch allocation errors.

The percentages of federal and state allocations for the various projects and facilities at Camp Withycombe were erroneous on one of our test transactions, resulting in an undercharge to CFDA 12.401. Further inquiry and analysis disclosed 41 instances of misallocation; however the net effect was an undercharge of approximately $550, which is not considered a material instance of noncompliance. However, the number of allocation errors that were identified in the analysis indicates a more than remote likelihood of the potential of material noncompliance over federal and state match accounts occurring, constituting an internal control significant deficiency. Forty one instances of allocation errors related to the CFDA resulted, which demonstrates a lack of internal controls over allocation of funds over federal and state match accounts that could have resulted in an overcharge to the federal program that was a material instance of noncompliance.

The misallocation of funds over federal and state match accounts appears to be due to a lack of training, attention to detail, and/or awareness by site personnel responsible for applying the percentage allocations. Another contributing factor appears to be that the department did not have an effective mechanism in place to thoroughly review federal and state allocations at the departmental level before payments were made.

We recommend the department initiate training for Camp Withycombe personnel in the required procedures for correct allocation of funds per the FISP and other governing documents. We also recommend the department develop and implement a more thorough review process of federal and state match allocations at the departmental level before requests for payment from the United States Property and Fiscal Office are made.

AGENCY'S RESPONSE:
The agency agrees with the audit finding. The finding indicates a need for improved oversight over federal/state expenditure allocation requests from Camp Withycombe before submission to the accounting office for payment. The agency will require all Camp Withycombe payment requests be personally validated by the responsible manager as having been computed for proper allocation of federal state splits. Estimated implementation date for this procedure is Monday, December 8, 2008.

U. S. DEPARTMENT OF AGRICULTURE

08-36
Oregon Department of Education
Child and Adult Care Food Program, CFDA 10.558
Subrecipient Monitoring – Failure to Check the National Disqualified List

Federal regulations require that key individuals be checked against the National Disqualified List upon the occurrence of key events such as initial application, and during renewals. Program staff does not have a process in place to check key individuals against the list when mid-year personnel changes occur, or at renewal time. The failure to check key individuals against the list could result in persons working for the Program who are not allowed to do so for a variety of reasons including previous fraud or abuse. Program management developed procedures to check new entities and individuals against the list upon initial application, but did not set up a procedure for key individuals when mid-year personnel changes occur, or at renewal time.

We recommend the Oregon Department of Education check the National Disqualified List both at the time of mid-year personnel changes and at annual renewal for all key individuals in order to ensure that those present on the list are disqualified from Program enrollment.

AGENCY'S RESPONSE:
The US Department of Agriculture (USDA) Food and Nutrition Service federal regulations require state agencies to check the National Disqualified List upon initial application, and as responsible individuals and responsible principles change. This requirement was included in the federal regulations in 2002 but USDA did not make regular access and instructions available to state agencies until October 2007.

The Oregon Department of Education Child Nutrition Program responded swiftly to the 2002 regulatory change by implementing the collection of required birthdates and maintaining an Oregon list of disqualified sponsors and individuals. We also incorporated checking the list upon initial application. Since the national list was not yet available we did not check the list for changes in responsible individuals and principals. USDA knew it was impossible for states to be in compliance with this requirement due to unavailability of the lists.

When USDA made the list available to state agencies on in late 2007, and provided instructions for access in April 2008, ODE Child Nutrition Staff did not incorporate checking the National Disqualified List for mid-year changes. ODE has developed the enclosed procedure to ensure compliance with requirements to check the National Disqualified list.

08-37
Oregon Department of Human Services
Food Stamp Cluster
Allowable Costs/Cost Principles – Reported Expenditures Exceeded Actual
Questioned Costs $20,401

Expenditures reported exceeded actual expenditures by $20,401.33 for CFDA10.561 for the year ended June 30, 2008. Known questioned costs of $10,000 or more are required to be reported on the Schedule of Findings and Questioned Costs. As a result, these costs are questioned. The Oregon Department of Human Services (department) has a federally-approved cost allocation plan which specifies the methods of cost identification and allocation. The department uses an Excel spreadsheet to calculate a monthly rate for certain costs to be allocated using random moment sampling results of the prior month's personal service expenditures. The amounts are entered into the spreadsheet manually. A variance test is applied to the rate to determine that it is reasonable. We noted that for the September 2007 month, the rate was carried forward from the prior month instead of being calculated on the random moment sampling results. The variance test failed to identify the error since there was no variance from the prior month. Under the allowable costs/cost principles requirements of the Office of Management and Budget Circular A-133 Compliance Supplement dated March 2008 indirect costs are limited to those charged under a cost allocation plan. The department did not follow its federally-approved cost allocation plan methodology.

We recommend that the department consider reducing the chance of errors in manual entries by using a system other than Excel-type spreadsheets for compiling and calculating monthly cost allocation rates. The department is in the process of moving its cost allocation statistics preparation from Excel to Access, to reduce the chance of human error in data entry.

AGENCY'S RESPONSE:

The department agrees with the recommendation. Financial Services hired a contractor June 1, 2008 to start the development of an integrated database to manage the cost allocation process. That contract runs through December 31st, 2008. The goal of the project is to create a tool that's data is reconcilable to the Statewide Financial Management Application and reduces or eliminates the use of imported spreadsheets that are not verifiable. In addition the project's goal is to create a consistent process that agrees with the approved cost allocation plan, and creates a log to document when and if changes or deviations should occur in the process so that management, if needed, can take action to rectify. We agree that the questioned cost is not a material instance of noncompliance. As such, the department believes no retroactive adjustment to the allocation is warranted.

Section IV – Schedule of Prior Financial Statement Findings for the Years Ended June 30, 2007 and 2006

This section includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2007. It also includes the current status reported by the department of all financial audit findings from fiscal year ended June 30, 2006 that were uncorrected at June 30, 2007.

Finding 07-1: **Expenditure Accrual (Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) management should review their accrual methodology, and compare estimated accruals with actual accrual period results. This will allow management to make any necessary adjustment to their methodology to ensure it is fundamentally sound and results in accruals that are reasonably accurate.

Status: Partial corrective action was taken.

The department pursued changes to Medicaid accruals and revised financial statement procedures for estimated expenditures to account for the differences between financial statement and budgetary accruals and to produce better accruals. The department has tested and made adjustments to our accrual methodology. DHS is implementing new procedures for the 2007-2008 financial statement accruals. Other fund revenue accruals were part of the revisions made to the procedures. In our new accrual methodology, we have included extensive review of the process in part and as a whole. The written procedures are being finalized.

Finding 07-2: **Other Revenue – Drug Rebate (Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) management should ensure future contracts with service providers require the service providers to have periodic independent internal control reviews performed. Further, we recommend department management ensure adequate supporting documentation is obtained for all transactions posted to the accounting system. Management should provide training as necessary to help ensure staff and supervisors post all transactions in accordance with the revenue recognitions principles identified by GAAP.

Status: Partial corrective action was taken.

The department will revise its training plan to further emphasize proper documentation. In addition, the deputy director and controller will put special emphasis on helping managers understand their role in

reviewing transactions for proper documentation as part of their approval process. The department has implemented new contract language in light of this recommendation and made appropriate changes to standard contract template language. In addition, the department is developing specific contract language for selected private industry service provider contractors who also act as fiscal agents.

As part of the department's Transformation Initiative, the department has designated initiative #OX7 (program integrity) as its highest priority cross organizational initiative. In addition, individual divisions are conducting events that will focus on improving documentation to support eligibility determination and supporting financial transactions. This will be an on-going process improvement effort.

Finding 07-3: **Other Revenue Accrual**

Recommendation: The Oregon Department of Human Services management should ensure appropriate query limits are used and communicate the importance of management reviews to ensure other revenue is properly accrued at fiscal year end.

Status: Corrective action was taken.

Finding 07-4: **Financial Reporting Accuracy (Material Weakness)**

Recommendation: The Oregon State Police management should ensure that it properly accrues amounts at fiscal year end so that accounts are accurately stated for financial reporting purposes.

Status: Partial corrective action was taken.

As per the Corrective Action referenced in the Statewide Single Audit Report, I drafted an internal control policy and procedure and provided fiscal year end training to technician and professional level accounting staff. The internal control policy and procedure was drafted, tested and modified as needed throughout the fiscal year end 2008 close process. The internal control policy and procedure is currently in draft form and will be finalized by January 31, 2009.

Finding 07-5: **Services and Supplies Expenditures Not Recorded in Compliance with Generally Accepted Accounting Principles**

Recommendation: The Oregon Department of Forestry should ensure all expenditures are accurately recorded when goods or services are received in accordance with GAAP.

Status: No corrective action was taken.

The correction for this finding must occur in the biennial budget process. As part of the 2009-11 budget development, the agency proposed, and the Department of Administrative Services, Budget and Management Division approved the necessary change at the Essential Budget Level. However, to be complete, the 2009 Legislative Assembly must still make final approval. This final action by the Assembly will allow us to move these from an expenditure/revenue process to a transfer of revenue process. This will allow us to have one expenditure at the time of the transaction. For the current biennium we must continue to process the transactions as they are budgeted.

Finding 07-6: **Incomplete Risk Assessment Process**

Recommendation: The Oregon Department of Forestry should develop and implement a plan to manage risks identified for financial reporting.

Status: No corrective action was taken.

We began a process of reviewing and documenting our internal controls and processes to give us the basis for making the risk assessment in the last biennium, but have not gotten back to the process. When we continue with this process, it will give us the basis for making the risk assessment. Due to changes in staffing we did not get this completed during the previous fiscal year. Work will continue on this during the current fiscal year, including the hiring of a contractor who will help with the internal control documentation and the framework for the risk assessment.

Finding 07-7: **Classification of Building Costs**

Recommendation: The Oregon Military Department management should revise its procedures for reclassifying capitalized construction costs to conform with generally accepted accounting principles and the Oregon Accounting Manual.

Status: Corrective action was taken.

Finding 07-8: **Incomplete Services and Supplies Expenditure Accrual Process**

Recommendation: The Oregon Parks and Recreation Department management should evaluate its expenditure accrual process and develop a more effective methodology to ensure expenditures are appropriately accrued to the proper period.

Status: Corrective action was taken.

Finding 07-9: **Inadequate Segregation of Duties Over Contracting Retainage Account**

Recommendation: The Oregon Parks and Recreation Department management should ensure appropriate segregation of duties for accounts established at banking institutions outside of Treasury. Management should require a minimum of two authorized signers be present when a withdrawal is made and that payments from the account are authorized by both signers.

Status: Corrective action was taken.

Finding 07-10: **Inadequate Support for Service and Supply Expenditures**

Recommendation: The Oregon Parks and Recreation Department (department) management should ensure adequate supporting documentation is received and reviewed for accuracy and appropriateness before the department releases payment to a vendor.

Status: Corrective action was taken.

Finding 07-11: **Reconciling Items Not Cleared Timely**

Recommendation: The Oregon Public Employees Retirement System management should take steps to resolve items in the clearing accounts in a timely manner.

Status: Corrective action was taken.

Finding 07-12: **Weakness in Cash Controls**

Recommendation: The Oregon Public Employees Retirement System (system) management should ensure cash reconciliations are completed in a timely manner and reviewed by a member of management in accordance with policy established in the Oregon Accounting Manual. Evidence of management's review should be documented. We also recommend system management take steps to clear the $1.4 million of reconciling items.

Status: Corrective action was taken.

Finding 07-13: **Incorrect Financial Statement Disclosure Amounts**

Recommendation: The Oregon Employment Department management should perform a thorough review of all disclosures and related spreadsheets before they

are submitted for inclusion in the notes to the state's financial statements.

Status: Corrective action was taken.

Finding 07-14: **Taxes Receivable – Year End Financial Reporting**

Recommendation: The Oregon Department of Revenue management should reconsider its methodology for accruing taxes receivable at fiscal year end and consider whether modifications are indicated. In addition, management should implement a procedure to compare prior accruals with subsequent collections and use the results to assess the reliability of the accrual and to make further modifications to the methodology as needed.

Status: Partial corrective action was taken.

We reviewed methodologies and considered modification. We maintain that our current methodology provides reasonable estimates of future revenues. Other methodologies we analyzed did not provide any more reasonable figures. We used the same methodology for the current year-end. We intend to provide a disclosing statement that there could be additional revenue, but due to the unique nature of the receivable, we are unable to reasonably estimate the amount with enough surety to formally present in the financial statement. We have developed a worksheet for comparative purposes to implement as part of our year-end analysis.

Finding 07-15: **Controls Over Reasonableness of Alternative Equity Valuations in Accordance with GAAP**

Recommendation: The Office of the State Treasurer (OST) management should document an understanding of the valuation process used by the partnerships and State Street Bank and establish controls sufficient to evaluate and challenge the valuations on a periodic basis, and provide assurance that the investment information provided by Treasury to state agencies will enable the agencies to report investments in accordance with generally accepted accounting principles (GAAP).

Status: Partial corrective action was taken.

The Office of the State Treasurer (OST) has developed several new procedures and controls designed to ensure that we comply with GAAP regarding valuation and financial reporting for alternative equity investment. OST's Internal Audit Services section is currently wrapping up an audit addressing controls over valuation and financial reporting for all portfolios overseen by OST. The results of this audit

will be used to further strengthen the control structure over alternative equity.

OST will enhance the current control structure over alternative equity based on recommendations and best practices identified within the Internal Audit Services report, and formally document the new structure within OST policies and procedures.

Finding 07-16: **Timeliness of Identifying Construction Projects as Completed**

Recommendation: The Department of Administrative Services management should ensure that the Facilities Division communicates in a timely manner the completion of construction projects with the accounting staff in the Operations Division to assure proper financial reporting for capital assets. To facilitate this communication, the Facilities Division should periodically review the projects identified in SFMA as construction in progress and determine if that classification remains appropriate.

Status: Corrective action was taken.

Finding 07-17: **Lack of Reconciliation for Hunter and Angler Licenses**

Recommendation: The Oregon Department of Fish and Wildlife (department) management should strengthen its controls over license sales by reconciling cash register sales to the Point of Sale (POS) licensing system to ensure that revenues have been received for all sales.

Status: Partial corrective action was taken.

With an investment of staff resources that are not available, the transactions input into the register and the POS licensing system could be reconciled. Both are tracked with a corresponding transaction identification number. Last year, the department responded that it would document and implement a sampling review of POS transactions against register transactions on a regular basis. This review would continue in lieu of reconciliation until such time resources are available or system capabilities enable a full and complete reconciliation.

Currently, the POS Accountant randomly checks reports showing cash register receipt number and the corresponding documents issued against that cash register number for both POS and non-POS transactions. The department is evaluating the number of items and how often to review.

See current year finding 08-12.

Finding 07-18: **Inadequate Procedures for Estimating Federal Revenue and Accounts Receivable**

Recommendation: The Oregon Department of Fish and Wildlife (department) management should develop and implement policies and procedures for its federal receivables to ensure the proper reporting of current and non-current receivables and revenues in accordance with generally accepted accounting principles.

Status: Partial corrective action was taken.

The department reviewed the methodology used for fiscal year 2008 with the auditors before making the adjusting entries. This methodology will be reviewed based on actuals reported at September month close. Based on the results of that review, the methodology will be documented in a procedure format.

See current year finding 08-13.

Finding 07-19: **Lack of a Risk Assessment**

Recommendation: The Oregon Department of Fish and Wildlife management should perform an annual risk assessment to help ensure risks related to financial reporting are identified and evaluated.

Status: Corrective action was taken.

Finding 07-20: **Inaccurate Expenditure Accruals**

Recommendation: The Oregon Department of Education (department) management should establish and implement controls to ensure expenditures are reported to the proper period in conformity with generally accepted accounting principles.

Status: Partial corrective action was taken.

The department understands the importance of recording expenditures and accruals properly. The department made the following three changes:

- Created a written accrual procedure that was implemented by June 30th.
- Used the Service Date field in the accounting system so that payments are identified to the month goods were received, services performed or when the subrecipient incurred the costs.

- The new procedure was discussed at weekly Accounting Staff meetings.

Even though improvements were made, there is still one item that needs to be addressed, which is the estimating of expenditures after Month 13 closes. The department isn't able to accurately estimate post-Month 13 expenditures due to a lack of historical data. However, the department will update its accrual procedure to include a methodology to estimate expenditures and the Service Date will be used as the basis of the estimation. As historical information becomes available over time, we expect these data to contribute to our ability to more accurately estimate amounts to be accrued.

See current year finding 08-9.

Finding 06-2: **Lack of Documentation (Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) management should ensure adequate supporting documentation is maintained for all recorded transactions.

Status: Partial corrective action was taken.

The department continues to work with the Oregon Department of Administrative Services regarding the state policy requirement for Personnel Action Forms to be filed in personnel files even those auto generated by DAS for cost of living increases.

As part of the department's Transformation Initiative, the department has designated initiative #OX7 (program integrity) as its highest priority cross organizational initiative. In addition, individual divisions are conducting events that will focus on improving documentation to support eligibility determination and supporting financial transactions. This will be an on-going process improvement effort.

Finding 06-3: **Weakness in Cash Controls (Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) management should continue taking steps to ensure all cash account reconciliations are performed regularly and timely. We recommend management perform timely reviews of the reconciliations and ensure reconciling items are appropriate. Further, we recommend department management ensure that all suspense account balances are included in the cash balance at June 30.

Status: Partial corrective action was taken.

The department sees this as an on-going process improvement effort. We continue to improve the training provided to new reconciliation staff and are working with the Office of Information Services to develop improved reports to aid the reconciliation process. The timeliness and accuracy of the reconciliation reports continues to improve as reflected in our performance metrics. Reconciliation timeliness increased from 81 percent in May 2007 to 97 percent in May 2008. During that same period there was continued staff turnover and increased reconciliation activity (three additional active treasury accounts.)

Finding 06-4: **Lack of Knowledge, Skills and Abilities (Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) management should ensure personnel have the requisite knowledge, skills, and abilities to accurately perform their assigned duties.

Status: Partial corrective action was taken.

The department considers this an on-going process as new employees are hired and existing employees transition into new positions. With the implementation of the Lean Daily Management System we continue to assess staff skills and knowledge base and provide a training development plan to support the employee assessment. The department has also created a baseline assessment and benchmarking of our current financial organization.

Finding 06-6: **Unclaimed Property System Not Reconciled to SFMA**

Recommendation: The Oregon Department of State Lands (department) management should research and correct errors within the Unclaimed Property System (UPS) so the underlying detailed data fully support the financial accounting information reported by the department. Once this recommendation is implemented, we recommend the department proceed by performing regular reconciliations between UPS and the Statewide Financial Management Application (SFMA) to identify and correct errors in a timely manner.

Status: Partial corrective action was taken.

The agency has completed reconciliations of receipts and disbursements for fiscal year 2007 and fiscal year 2008. Fiscal year 2008 adjustments were made during year-end closing. Fiscal year 2007 adjustments will be made in the current fiscal year.

The reconciliation of receipts and disbursements is now completed regularly and adjusting entries are made as needed to ensure that

underlying detail records balance to the department's financial records going forward.

The agency has not reconciled the overall system balances. The two systems have been out of balance for over 15 years and through four UPS program conversions. The department will make an adjustment to UPS to balance the difference between SFMA and UPS.

Finding 06-7: **Infrastructure Accounting**

Recommendation: The Oregon Department of Transportation (department):

- Develop a methodology to remove the cost and associated mileage of the replaced roadway surface and its associated accumulated depreciation for all project types;
- Develop a methodology to update the useful life of the highway system as a result of ongoing road construction;
- Re-evaluate the appropriateness of the depreciation percentage originally recorded for infrastructure in 2002 and
- Determine if a prior period adjustment is appropriate, and develop a methodology to monitor the depreciation rate of the highway system to ensure it does not become fully depreciated and more appropriately reflects the value of the asset.

Status: Partial corrective action was taken.

The department has evaluated some project types and documented the methodology. Some adjustments have been made. The department will be completing a review/analysis for the remaining project types.

The department has reviewed the original entry and subsequent entries associated with depreciation and accumulated depreciation to determine the best way to address the rapid rate of depreciation to ensure the highway system does not become fully depreciated. The department determined previous entries for construction in progress were incorrect. Prior period entries were made in FY08 to correct those previous errors and the methodology has been changed to rectify the situation. We believe this should help to resolve the issue of rapid depreciation.

Section V – Schedule of Prior Federal Awards Findings and Questioned Costs for the Years Ended June 30, 2007 and 2006

This section includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2007. It also includes the current status reported by the department of all federal audit findings from fiscal year ended June 30, 2006 that were uncorrected at June 30, 2007.

Finding 07-21: **Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458**
Environmental Review, Material Weakness

Recommendation: The Oregon Department of Environmental Quality (department) management should design and implement effective controls to ensure environmental reviews are completed and that public notice of projects is provided. We also recommend department management ensure department procedures established for proper administration of Clean Water State Revolving Fund monies are followed.

Status: Partial corrective action was taken.

Controls (Stated Environmental Review Procedures and associated internal checklists) are now in place that require documentation of approved environmental reviews. The department will now incorporate into those controls assurances that approved planning documents are maintained in project files.

Finding 07-22: **Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458**
Matching

Recommendation: The Oregon Department of Environmental Quality management should design and implement effective controls to ensure matching funds of at least 20 percent are consistently provided by the date federal grant payments are received.

Status: Corrective action was taken.

Finding 07-23: **Special Education Cluster, IDEA Part B, CFDA 84.027**
Period of Availability

Recommendation: The Oregon Department of Education should implement the procedures as outlined in the Department's "Grant Closure Procedures during Annual Federal Grant Closure" to ensure that additional activity cannot be charged to closed grants.

Status: Corrective action was taken.

Finding 07-24: **Vocational Rehabilitation, CFDA 84.126**
Allowable Costs, Material Weakness, Questioned Costs $84,349

Recommendation: The Oregon Department of Human Services (department) management should ensure all costs incurred for vocational rehabilitation services are reasonable, necessary and adequately supported. Further, department management should ensure client files include adequate documentation of decisions made regarding the allowability of expenditures.

Status: Partial corrective action was taken.

The Office of Vocational Rehabilitation Services is currently providing staff training as a part of the Oregon Rehabilitation Case Automation (ORCA) 5 system roll out. Every staff person in the state is being trained and provided a new ORCA users manual which includes clarified instructions regarding vehicle modification documentation and purchase documentation. Training began in June and will be completed in September. Subsequent to this training, when District Field Technicians and District Business Managers provide annual branch reviews, they will be reviewing to determine if these standards are being followed.

Finding 07-25: **Vocational Rehabilitation, CFDA 84.126**
Equipment, Material Weakness

Recommendation: The Oregon Department of Human Services (department) management should ensure the equipment tracking database includes adequate information to comply with OMB Circular A-133 requirements. At a minimum, the department should ensure the database includes all qualifying equipment, purchase and disposal dates, temporary or permanent assignments to clients, and whether equipment is for client or department use. We also recommend department management perform a periodic inventory of vocational rehabilitation equipment.

Status: Partial corrective action was taken.

The Office of Vocational Rehabilitation Services (OVRS) has completed its analysis of its current tracking system and determined that it will need to be modified to comply with A-133. OVRS is currently examining the Oregon Rehabilitation Case Automation case management application to determine what modifications will be needed to automate tracking to meet the requirements.

Finding 07-26: **Vocational Rehabilitation, CFDA 84.126**
Allowable Costs

Recommendation: Department management should ensure employees are aware of the policy related to transportation provisions and that adequate documentation is maintained, including mileage logs.

Status: Partial corrective action was taken.

The Office of Vocational Rehabilitation Services is currently providing staff training as a part of the Oregon Rehabilitation Case Automation 5 (ORCA) system roll out. Every staff person in the state is being trained and provided a new ORCA users manual which includes clarified instructions regarding vehicle modification documentation and purchase documentation. Training began in June and will be completed in September 2008. Subsequent to this training, when District Field Technicians and District Business Managers provide annual branch reviews, they will be reviewing to determine if these standards are being followed.

Finding 07-27: **Vocational Rehabilitation, CFDA 84.126**
Eligibility

Recommendation: The Oregon Department of Human Services management ensure eligibility is determined or eligibility extensions are filed within 60 days of a client's application. We also recommend the department retain sufficient documentation to support eligibility determinations.

Status: Corrective action was taken.

Finding 07-28: **Vocational Rehabilitation, CFDA 84.126**
Eligibility, Material Weakness, Questioned Costs $18,320

Recommendation: The Oregon Commission for the Blind (commission) management should rely on the medical reports and commission's medical consultant in determining whether a client's condition meets the definition of legal blindness or has a condition that will likely lead to legal blindness. Furthermore, we recommend commission management review their current practice and ensure that it is consistent with their state plan, administrative rules and policy manuals.

Status: Corrective action was taken.

Finding 07-29: **Vocational Rehabilitation, CFDA 84.126**
Cash Management, Material Weakness

Recommendation: The Oregon Commission for the Blind (commission) management should ensure federal vocational rehabilitation funds are expended within three business days of receipt. If necessary, the commission should consider drawing more frequently then once a month in order to comply with the federal requirement.

Status: Partial corrective action was taken.

The agency adjusted the days that it draws cash for payroll from the 16th of every month to the 22nd. However, the federal draw system changed during this time and processed payments quicker than the prior one. Therefore, the agency adjusted its method to drawing on the 24th or later of every month. Additionally, the agency has changed its procedures for drawing federal funds to cover other monthly expenditures and now draws funds twice per month rather than once per month to ensure federal compliance.

Finding 07-30: **Vocational Rehabilitation, CFDA 84.126**
Equipment, Material Weakness

Recommendation: The Oregon Commission for the Blind (commission) management should ensure qualifying equipment is adequately tracked to comply with federal requirements. We also recommend the commission perform an annual inventory of vocational rehabilitation equipment.

Status: Partial corrective action was taken.

New equipment and inventory policies were developed and an updated inventory was developed for Federal Fiscal Year 2009.

Finding 07-31: **Vocational Rehabilitation, CFDA 84.126**
Allowable Costs – Payroll, Material Weakness,
Questioned Costs $1,756

Recommendation: The Oregon Commission for the Blind (commission) management should implement a process for administrative employees to track actual time spent on each grant so time can be properly recorded and allocated between federal programs. We also recommend that commission management develop and implement policies and procedures to ensure that amounts charged to each grant agree with commission methodologies for allocating time.

Status: Partial corrective action was taken.

A Cost Allocation Plan was developed and sent to the Oregon Department of Education, per a request from the Rehabilitation Services Administration. The agency recently heard back from the Oregon Department of Education in regards to the submitted Cost Allocation Plan and a revision, primarily consisting of the development of an Indirect Cost Rate, was determined. The agency is now working on establishing and implementing an Indirect Cost Rate along with its Cost Allocation Plan. A revised timeline of December 31, 2008 is being requested in order for the agency to be able to finalize the establishment of its Cost Allocation Plan and Indirect Cost Rate.

Finding 07-32: **Vocational Rehabilitation, CFDA 84.126**
Allowable Costs, Questioned Costs $1,995

Recommendation: The Oregon Commission for the Blind management should ensure that controls are designed, implemented and operating effectively to ensure that all payments are allowable, reasonable, and adequately supported to comply with federal and state guidelines.

Status: Corrective action was taken.

Finding 07-33: **Vocational Rehabilitation, CFDA 84.126**
Eligibility Determination

Recommendation: The Oregon Commission for the Blind management should ensure eligibility is determined or eligibility extensions are filed within 60 days of the client's application.

Status: Partial corrective action was taken.

We have a mechanism in place to monitor this issue and a performance management system to evaluate staff performance in meeting the requirement.

Finding 07-34: **Vocational Rehabilitation, CFDA 84.126**
Reporting

Recommendation: The Oregon Commission for the Blind (commission) management should ensure documentation is sufficient to support the categorization of expenditures on the report. Furthermore, we recommend the commission develop written procedures governing reporting.

Status: Partial corrective action was taken.

The Director of Administrative Services participated in a training of the Rehabilitation Services Administration (RSA)-2 at the 2008 RSA Fiscal

and Data Management Conference. Trainers went over exactly how the report should be filled out and even stated that it is a troublesome report with much room for discrepancies. They will be changing the form in 2010. Meanwhile, during its submission in 2008, management will ensure sufficient documentation to support the categorization of expenditures on the report. Additionally, written procedures will be developed that govern the reporting. The timeline for this finding remains December 31, 2008.

Finding 07-35: **Temporary Assistance for Needy Families, CFDA 93.558 Eligibility, Material Weakness, Questioned Costs $169,739**

Recommendation: The Oregon Department of Human Services (department) management should work with the designated federal agency to determine, the allowability of providing emergency assistance after the 365 day period, whether adoption assistance subsidy payments are allowable under the state's plan, and if the department can determine eligibility based on when the client was initially removed from the home rather than six months from determining emergency assistance. We also recommend department management implement controls to ensure assistance payments are only made to clients who meet the age requirement and are within the yearly assistance limit of $25,350.

Status: Partial corrective action was taken.

The department management will implement the following:

- Develop a report to track children who are over the age of 18 to ensure their Child Welfare Temporary Assistance for Needy Families-Emergency Assistance (TANF-EA) eligibility is closed appropriately. This report will be available October 1, 2008, for use by department staff.
- Research the current report being used to track cases that have exceeded the $25,350 assistance limit within 365 day period to determine why all the cases meeting this definition are not being reported. The report will be corrected by October 1, 2008, to ensure the assistance payments do not exceed the $25,350 limit. Based on the conclusion of our ongoing discussion with our designated federal agency the department management will implement any further changes required to meet our approved State Plan. Effective September 1, 2008, the department will have system modifications implemented to require staff to re-determine Child Welfare TANF-EA eligibility annually. The department will retroactively re-determine Child Welfare TANF-EA eligibility effective February 1, 2008.

Finding 07-36: **Temporary Assistance for Needy Families, CFDA 93.558 Eligibility, Material Weakness, Questioned Costs $1,171,469**

Recommendation: The Oregon Department of Human Services (department) management should consult with the designated federal agency to ensure the department's method for allocating these costs to Temporary Assistance for Needy Families (TANF) is allowable or whether the department is required to identify the specific client whose services are charged to TANF and maintain adequate eligibility documentation.

Status: Partial corrective action was taken.

The department has begun consultation with our designated federal agency. Based on the conclusion of this discussion, department management will implement changes to ensure funds are accurately claimed to TANF. The department has also included requirements to eliminate the coding limitations in the new child welfare system (OR-Kids, previously the Statewide Automated Child Welfare Information Systems (SACWIS)). The OR-Kids system has a planned implementation date in 2010. Effective September 1, 2008, system modifications will allow Child Welfare eligibility staff to determine a child is eligible for both Title IV-E Foster Care and Child Welfare Temporary Assistance for Needy Families-Emergency Assistance (TANF-EA). This will allow the financial system to claim appropriately based on the child's eligibility.

Finding 07-37: **Temporary Assistance for Needy Families, CFDA 93.558 Eligibility, Questioned Costs $2,069**

Recommendation: The Oregon Department of Human Services (department) management should take steps to ensure employees are adequately trained to understand the coding that needs to be entered in the child welfare system.

Status: Partial corrective action was taken.

The department provided all eligibility specialists training on the new eligibility requirements to be implemented 9/1/2008 (retroactive to 2/1/2008). The eligibility specialists also received refresher training in September 2008 as a reminder of the new requirements, as well as additional training in October 2008 regarding the revised procedures related to 18 year olds addressed above.

Finding 07-38: **Temporary Assistance for Needy Families, CFDA 93.558 Eligibility**

Recommendation: The Oregon Department of Human Services (department) management should ensure income verification used for eligibility determinations is retained in accordance with department and federal requirements.

Status: Partial corrective action was taken.

The department provided refresher training to Child Welfare eligibility specialists reminding them of the requirement to document income verification in the narrative section of the eligibility form. The department will implement an internal quality assurance process including a monthly report indicating when a Child Welfare TANF-EA eligibility determination has been completed without the required narrative effective March 2009. In addition, this eligibility criteria has been added as a required field on the new OR-Kids system.

Finding 07-39: **State Children's Health Insurance Program, CFDA 93.767 Eligibility, Material Weakness**

Recommendation: The Oregon Department of Human Services (department) management should strengthen controls over the eligibility process to ensure that applications are complete and that income determinations are accurate and adequately supported. Further, department management should periodically remind staff of the importance of obtaining independent third party information, or questioning the applicant to verify information reported on client applications.

Status: Partial corrective action was taken.

The department implemented a significantly shorter version of the OHP 7210 Oregon Health Plan Application for April, 2008. The revision is several pages shorter than the prior version and emphasizes income and resource related questions by removing many other questions to separate forms. The revision further emphasizes self-employment income by specifically asking if an applicant is self-employed rather than relying on completion of a companion form to indicate self-employment. Training for the new OHP 7210 reminded eligibility workers to review for the applicant's signature. It also reminded eligibility workers to compare the information on the form to the prior application (if available) and to compare it against any other available income resources, including the Employment Department and Work Number screens.

Signature requirements were included in the March Skill Maintenance Challenge. Skill Maintenance Challenges are written by Self

Sufficiency Program medical policy trainers to address identified training needs. In May a Skill Maintenance Challenge specific to income and resource verification was distributed.

In April, an Application Exercise was distributed that addressed earned income issues. Application Exercise documents are developed by the Self Sufficiency Program Accuracy Team based on issues identified through their medical case reviews. Application Exercises include a scenario pre-printed on a sample page from a DHS 415F Application for Services. Eligibility workers are guided through a review of the application scenario and are reminded how to address missing or incomplete information and narrate their actions.

Eight 2008 Accuracy Summits were conducted across the state this summer. The 2008 Accuracy Summits address program accuracy needs identified from field staff and managers, as well as program and program integrity staff. The sessions include eligibility reminders, including income and resource verification requirements.

The 'Medical Decision' training tool is currently used to assist staff in determining medical program eligibility. The department plans to automate the medical program eligibility decision process using a web-based computer system application version of the training tool.

The new application will act as a medical benefit calculator for eligibility workers. Eligibility workers will enter client information for each applicant, including income, household composition and other eligibility factors. The new application will review the eligibility factors for each medical category, including countable income, and present an eligibility decision. The first phase of the new web-based application is scheduled for implementation in June 2009. Additional application enhancements are planned for late 2009 and early 2010.

The Children, Adults & Families Self-Sufficiency Programs (CAF SSP) program staff are working in partnership with the Office of Information Systems to modernize CAF SSP eligibility systems. In addition to updating some legacy computer systems, a more intuitive user interface will be implemented. Applicant information will be entered on a common data interface screen and the data will be used to populate other screens or systems, reducing data entry errors and improving the accuracy of the client data.

Income calculations will be automated. For example, workers will enter basic wage information and the system will perform a variety of calculations and present eligibility decisions for a number of programs. The new income calculation functionality will improve the accuracy of earned income calculations.

New imaging technology will streamline the eligibility determination process and allow workers instant access to documents, including income documentation. Use of imaging technology will reduce the amount of paper documents that can potentially be misplaced or misfiled and increase the accuracy of the information used to determine eligibility.

The modernization efforts will be implemented in phases, beginning in late 2008 and continuing throughout 2009.

Finding 07-40: **State Children's Health Insurance Program, CFDA 93.767 Eligibility and Allowable Costs, Material Weakness, Questioned Costs $4,290**

Recommendation: The Oregon Office of Private Health Partnerships (department) should evaluate their review process over eligibility determinations and subsidy payment calculations to ensure the process is working as intended and payments are made only for eligible individuals. We also recommend the department strengthen its payment review process to ensure all coding changes have documented support and are appropriately approved. Further, we recommend the department recover overpayments made.

Status: Corrective action was taken.

Auditor Comment:
The auditee reported corrective taken was taken.
See current year finding 08-22.

Finding 07-41: **State Children's Health Insurance Program, CFDA 93.767 Maintenance of Effort – Advance Subsidy Payments**

Recommendation: The Oregon Office of Private Health Partnerships (department) should consult with the Center for Medicare and Medicaid Services (CMS) to determine whether it was appropriate to prepay subsidy payments to meet the maintenance of effort requirements and regarding the allowability of advance insurance premium subsidies funded with the State Children's Health Insurance Program for ineligible adults.

Status: No corrective action will be taken.

The agency operated within its contractual obligation with the Centers for Medicare and Medicaid Services (CMS). Prior to making advance subsidy payments, Family Health Insurance Assistance Program coordinated with the Department of Human Services and the Department of Administrative Services in making this decision. The agency had multiple discussions with CMS following their receipt of

the audit report as part of the November 1, 2007, waiver renewal. Agency staff reviewed the waiver document line by line with CMS staff. This decision was never raised as an issue. With implementation of the waiver renewal on November 1, 2007, Maintenance of Effort is no longer required and is no longer a consideration.

See current year finding 08-24.

Finding 07-42: **Adoption Assistance, CFDA 93.659**
Allowable Costs, Questioned Costs $15,440

Recommendation: The Oregon Department of Human Services (department) should create and implement policies and procedures for the timely and adequate review of adoption assistance entries into the child welfare information system. We further recommend that department management consider reviewing adoption assistance cases entered into the child welfare information system, during the budget reduction period, to ensure payment amounts were entered correctly. Finally, we recommend the department ensure all overpayments are collected.

Status: Partial corrective action was taken.

The department is in the process of verifying the crosscheck database report for accuracy. The department is also in the process of identifying remaining cases with possible overpayments.

See current year finding 08-28.

Finding 07-43: **Child Care Development Fund Cluster**
Allowable Costs, Questioned Costs $13,396

Recommendation: The Oregon Department of Human Services (department) should ensure child care expenditures, submitted to the Oregon Employment Department for reimbursement, are allowable under the interagency agreement and are supported in the accounting records. Furthermore, if indirect costs are allocated to this federal program, department management should ensure the allocation is done in accordance with OMB Circular A-87.

Status: Corrective action was taken.

Finding 07-44: **Immunization Grants, CFDA 93.268**
Subrecipient Monitoring – Site Visit Protocol

Recommendation: The Oregon Department of Human Services should document the approved site visit protocol. This protocol should be available for

review by program employees so that proper monitoring procedures are performed.

Status: Partial corrective action was taken.

A Site Visit Protocol, Site Visit Guide "High Risk Questions" Answer Key, and Vaccines For Children Health Educator Training Manual have all been developed. The Protocol was implemented as a pilot in February and officially implemented in final form August 1, 2008. The Training Manual is in pilot form.

Finding 07-45: **Immunization Grants, CFDA 93.268**
Reporting – Cash Transaction Report Not Reviewed

Recommendation: The Oregon Department of Human Services should implement procedures to ensure all reports that are submitted to regulatory agencies are reviewed and approved by applicable supervisors prior to submission

Status: Corrective action was taken.

Finding 07-46: **Medicaid Cluster**
Special Tests and Provisions – Automated Data Process

Recommendation: The Oregon Department of Human Services (department) management should ensure that the Automatic Data Process risk analysis and system security reviews are conducted at least every two years, as required.

Status: Partial corrective action was taken.

The implementation date of the Replacement Medicaid Management Information System has been extended until the fourth quarter of 2008. A system certification is required and should include a security assessment. If not, the department will schedule a security assessment immediately, followed by an additional security assessment every two years.

Finding 07-47: **Medicaid Cluster**
Cash Management

Recommendation: The Oregon Department of Human Services (department) management should apply the check clearance pattern to all applicable Medicaid expenditures. Additionally, the department should work with the federal government to determine the amount of interest owed for state fiscal year 2007.

Status: Corrective action was taken.

Finding 07-48: **Medicaid Cluster**
Special Tests and Provisions – Provider Eligibility

Recommendation: The Oregon Department of Human Services (department) management should implement procedures to ensure current licenses are maintained for all providers receiving Medicaid payments.

Status: Partial corrective action was taken.

The situation has been corrected. Beginning in November 2007, the department manually sent letters to new providers whose licenses would expire within 60 days. New providers who did not respond by sending a copy of their renewed license were business terminated as an Oregon Department of Human Services (DHS) provider. These providers could be reactivated back to their license renewal effective date once a copy of the renewed license is received.

Beginning December 2008, the department's replacement Medicaid Management Information System (MMIS) tracks current license expiration dates and automatically generates demand letters to providers 90 days (and 30 days if necessary) in advance of the expiration date. Providers who do not maintain a required license and/or provide a copy of their renewed license are business terminated as a DHS provider.

For providers licensed by the Oregon Medical Board, the Oregon Board of Nursing, and the Oregon Board of Pharmacy, the new MMIS also has a direct interface with databases maintained by those boards. The Oregon Board of Pharmacy interface runs monthly, while the Oregon Medical Board and Oregon Board of Nursing interfaces run weekly. These interfaces are ran to match the boards' license expiration date information with the provider enrollment files in MMIS. If the board has updated a license, the provider's file will be revised to reflect the new expiration date. If a board interface returns an expired license date, the system will automatically business terminate the provider.

Finding 07-49: **Medicaid Cluster**
Child Care Development Fund Cluster
State Children's Health Insurance Program, CFDA 93.767
Temporary Assistance for Needy Families, CFDA 93.558
Vocational Rehabilitation, CFDA 84.126
Procurement, Suspension, and Debarment

Recommendation: The Oregon Department of Human Services (department) management should ensure that contracting procedures are adhered to and the review

for suspension and debarment is documented in accordance with department policy.

Status: Partial corrective action was taken.

The Office of Contracts and Procurement (OCP) manager facilitated a workgroup regarding these issues. The work group recommended updates to Procedure 31 Federal Debarment and Suspension, and recommended a contract check list not be created.

The debarment procedure was updated August 1, 2008 to include printing the debarment check and placing this documentation in the contract file. An email was sent to all OCP staff explaining the change required for debarment checking with the updated procedure attached. It was determined the contract checklist would create additional, unnecessary work.

Finding 07-50

Medicaid Cluster
Child Care Development Fund Cluster
State Children's Health Insurance Program, CFDA 93.767
Temporary Assistance for Needy Families, CFDA 93.558
Adoption Assistance, CFDA 93.659
Vocational Rehabilitation, CFDA 84.126
Allowable Costs – Cost Allocation

Recommendation: The Oregon Department of Human Services (department) management should design and implement internal control procedures over the cost allocation process to ensure that indirect costs are allocated in accordance with the department's federally approved cost allocation plan. We recommend department management determine the effect of the errors identified above and make appropriate corrections to the cost allocation plan.

Status: Partial corrective action was taken.

Financial Services has hired a contractor to start the development of an integrated database to manage the cost allocation process. That contract runs through year-end 2008. The goal of the project is to create a tool that has data that is reconcilable to the Statewide Financial Management Application, reduces or eliminates the use of imported spreadsheets, provides a consistent process that agrees with the approved cost allocation plan, and generates a log to document when and if changes or deviations should occur in the process so that management can take action if needed to rectify.

Finding 06-12: **State Children's Health Insurance Program (SCHIP) CFDA 93.767 Eligibility and Allowable Activities (Material Weakness)**

Recommendation: The Oregon Office of Private Health Partnerships (department) management should implement a quality control or monitoring process over eligibility processes and subsidy payment calculations. We also recommend the department ensure all changes made are clearly documented. Finally, we recommend the department work with the federal government to resolve and correct the errors identified.

Status: Corrective action was taken.

Finding 06-16: **Adoption Assistance, CFDA 93.659 Eligibility (Material Weakness)**

Recommendation: The Oregon Department of Human Services (department) management should correct 24 cases and work with the federal government to resolve the financial ramifications of these errors. In addition, we recommend the department review coding entries in the Integrated Information System to verify the correct code is entered and ensure the department is not inappropriately billing the Federal government for ineligible clients.

Status: Corrective action was taken.

Finding 06-21: **Workforce Investment Act Cluster Cash Management**

Recommendation: The Oregon Department of Community Colleges and Workforce Development should thoroughly review the requests for federal funds and ensure that requests for federal funds are adequately supported, and the requests agree to expenditures already made.

Status: Corrective Action was taken.

Finding 06-23: **Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458 Lack of Public Notice Documentation**

Recommendation: The Oregon Department of Environmental Quality management should ensure required environmental review procedures, including notice to the public of proposed projects, are followed. Additionally, management should ensure that all necessary documentation is retained in project files for the duration of the loan process.

Status: Partial corrective action was taken.

The documentation of the public notice of the availability of the environmental review is being emphasized within the program and the internal checklist is being revised to highlight this requirement.

SUMMARIES OF SIGNIFICANT AUDIT REPORTS ISSUED BY THE OREGON SECRETARY OF STATE AUDITS DIVISION

REPORT TITLE AND NUMBER	**Department of Administrative Services: State Data Center Review; Report No. 2008-21**
REPORT DATE	July 15, 2008
RESULTS IN BRIEF	Based on our audit work we found: • Important data center consolidation objectives have not yet been achieved. As a result, it is unlikely that the anticipated savings or operational benefits associated with the CNIC project, such as enhanced enterprise disaster recovery and security solutions, will occur. • Operational controls did not sufficiently address service level agreements with customers, performance and capacity management, standard operating procedures, configuration management, or software licensing requirements. • The department was ill-prepared to timely resume data center operations or assist agencies in their efforts to restore critical computer applications after a major disruption. • The department had not provided a secure computing environment for SDC clients.

REPORT TITLE AND NUMBER	**Oregon Department of Human Services: Integrated Information System Application Controls Review; Report No. 2008-24**
REPORT DATE	August 8, 2008
RESULTS IN BRIEF	Automated and manual application controls did not reasonably ensure all transaction data would be complete, accurate, or valid. Specific control weaknesses included:

• Adoption Assistance payment parameters were not independently validated after staff manually entered them into the system.

• Staff did not perform timely or effective reconciliations of system payments.

• Replacement checks for lost or stolen checks were not properly recorded in the system.

• The department did not adequately separate duties for entering Adoption Assistance clients and initiating the associated automatic payments.

• Department staff did not document adjustments they made to correct system transactions that did not properly post to the state's financial application.

It is also unlikely that the department could timely restore the system in the event of a disaster or major disruption because it did not have a defined backup strategy, system restoration plan, or service level agreement with the State Data Center.

Department staff did not always follow appropriate program change management procedures or ensure that important quality assurance steps occurred.

Logical access controls did not adequately protect the system and its data from unauthorized use, disclosure, modification, damage, or loss

REPORT TITLE AND NUMBER	**Oregon Department of Administrative Services: Statewide Financial Management Application Computer Controls Review; Report No. 2008-29**
REPORT DATE	September 29, 2008
RESULTS IN BRIEF	Based on our audit work, we found that:

• Application controls provided reasonable assurance that system data input by agencies' staff would remain complete, accurate and valid. Those controls also reasonably assured that the Data Mart would accurately represent information contained in R*STARS transaction files.

• Department procedures ensured that system modification requests were appropriately prioritized, authorized, assigned, documented, tracked and tested.

• System managers did not have assurance that backup tapes were viable or were stored off-site. In addition, the department did not have adequate procedures for restoring the system in the event of a disaster or major disruption.

• Logical access controls provided a vital layer of security to reasonably protect the system. However, the system was at increased risk of compromise due to security weaknesses at the State Data Center.

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Directory of Key Officials

Interim Director	Drummond Kahn, MS, CIA, CGFM, CGAP
Deputy Director	William K. Garber, MPA, CGFM
Deputy Director	Mary E. Wenger, CPA

This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

internet: http://www.sos.state.or.us/audits/index.html
phone: 503-986-2255
mail: Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

The courtesies and cooperation extended by officials and employees of the [Agency] during the course of this audit were commendable and sincerely appreciated.

Auditing to Protect the Public Interest and Improve Oregon Government

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Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Oregon

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Theodore R. Kulongoski
Governor

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2008

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Introductory Section

Oregon
Theodore R. Kulongoski, Governor

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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

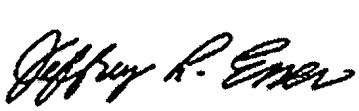
Presented to

State of Oregon

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

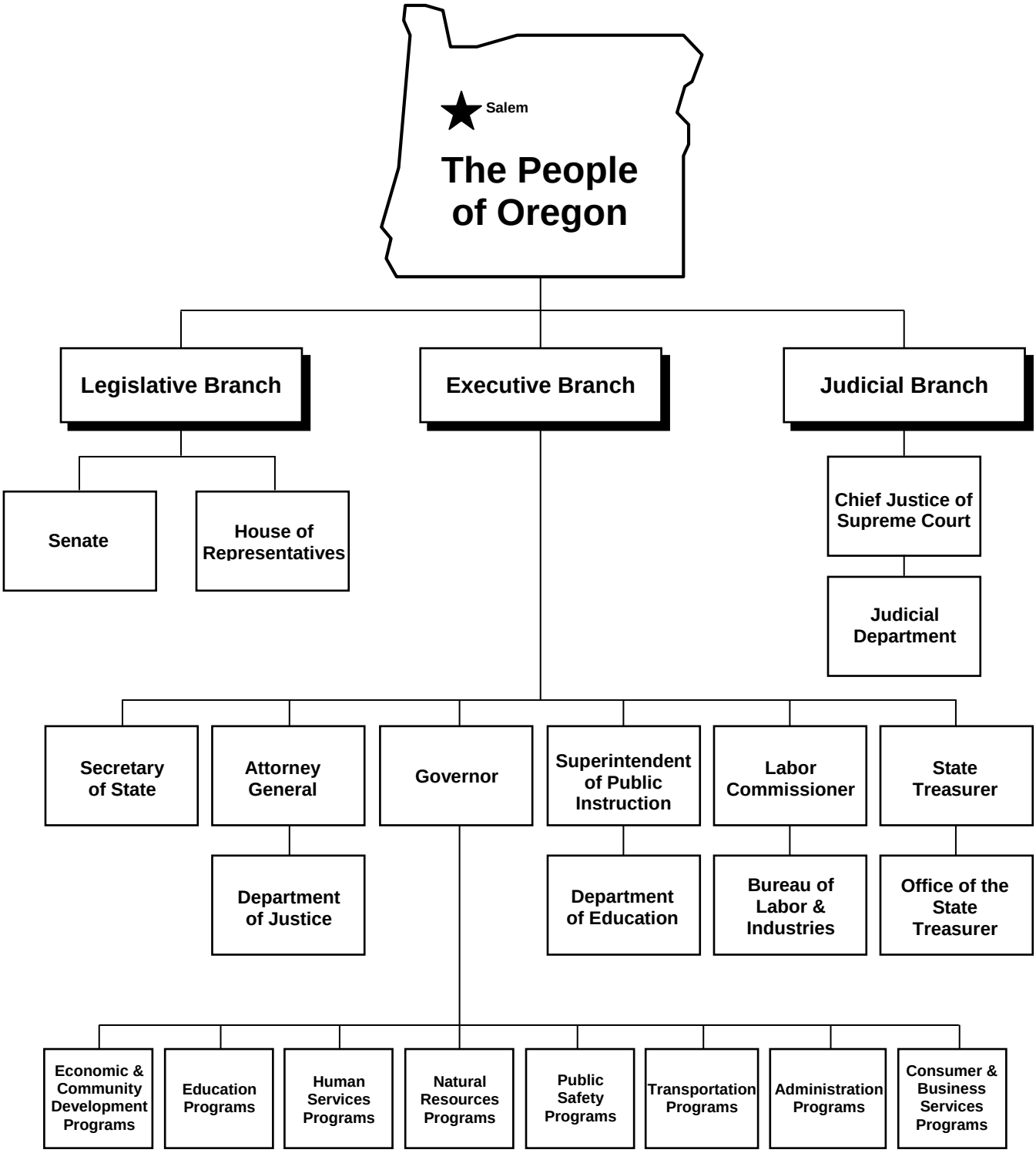
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

Financial Section

Office of the Secretary of State

Kate Brown
Secretary of State

Barry Pack
Deputy Secretary of State

Audits Division

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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

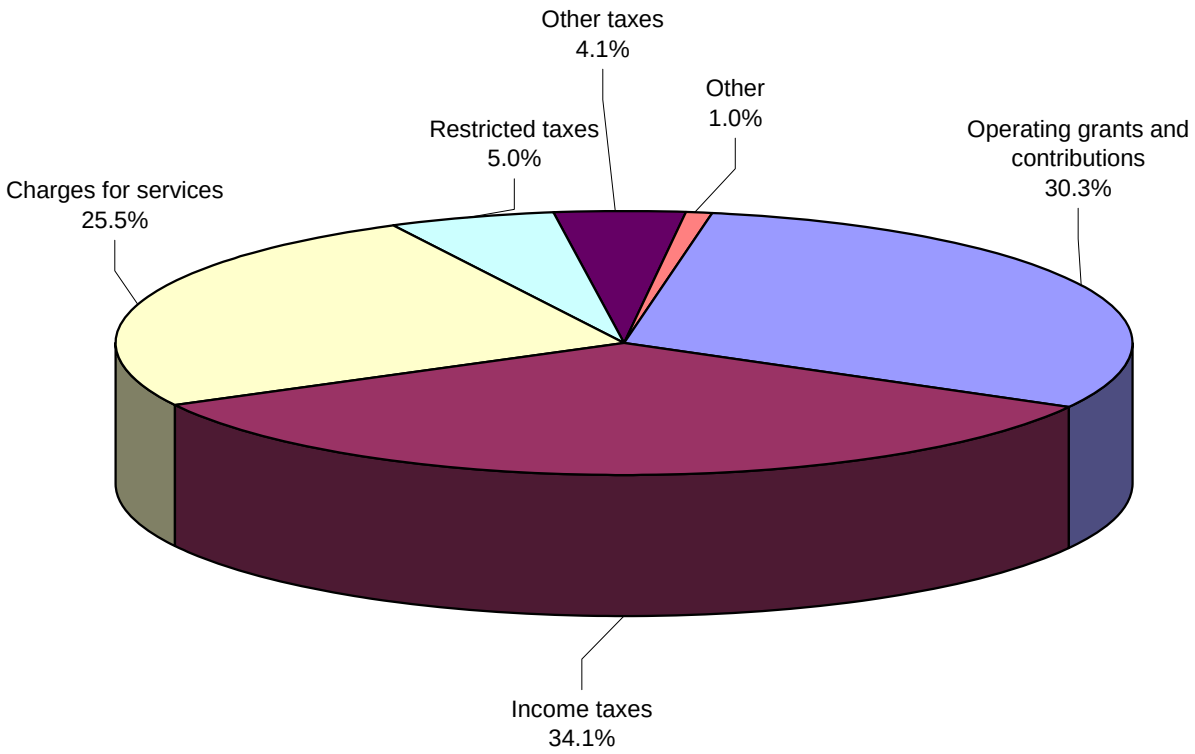
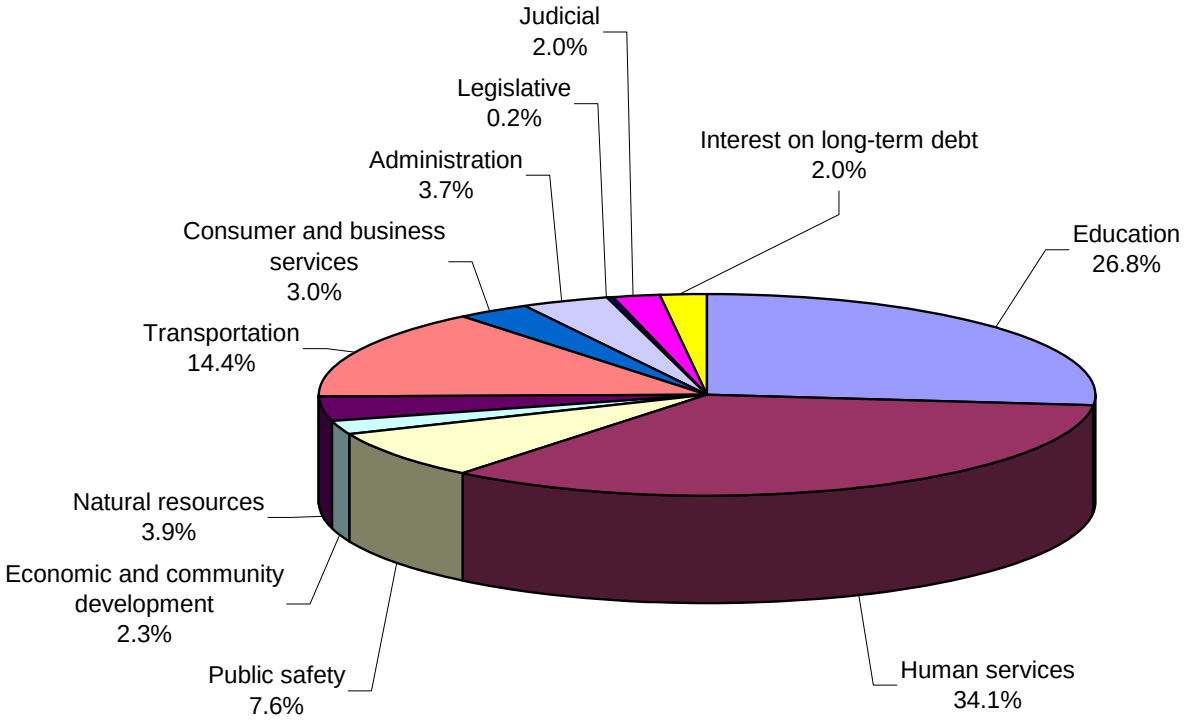


Figure 2 below shows the percentages of total governmental activity expenses for each function of the State. The largest portion of expenses is for human services to provide for Oregon's citizens in need of assistance at 34.1 percent, with elementary and secondary education the second largest at 26.8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

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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	Business-type Activities	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 Internal Service Funds
Unemployment Compensation	University System	Other	Total	
$ 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				Governmental Activities
Unemployment Compensation	University System	Other	Total	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				Governmental Activities
Unemployment Compensation	University System	Other	Total	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				Governmental Activities
Unemployment Compensation	University System	Other	Total	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 30th 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 Maturities (in years)				
Investment Type	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%

Actuarial Methods and Assumptions. The PERS postemployment healthcare benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 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

Plan Description. 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.

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

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

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

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

Schedule 8 Outstanding Debt by Type
Schedule 9 Ratios of General Bonded Debt Outstanding
Schedule 10 Legal Debt Margin Calculation
Schedule 11 Legal Debt Margin Information
Schedule 12 Pledged Revenues

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

Schedule 13 Demographic and Economic Indicators
Schedule 14 Employment by Industry

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

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

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

Schedule 1
NET ASSETS BY COMPONENT
Last 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

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single & Married Filing Separately	Top Income Tax Rate is Applied to Taxable Income in Excess of: 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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State of Oregon

Corrective Action Plan
For the Year Ended June 30, 2008

State of Oregon
Corrective Action Plan
For the Year Ended June 30, 2008

Introduction

The State of Oregon is pleased to present the Corrective Action Plan for findings developed as part of the Single Audit for the year ended June 30, 2008.

This Corrective Action Plan is prepared in compliance with reporting requirements of Office of Management and Budget (OMB) Circular A-133. Information is compiled from several sources. Audit findings presented in the Corrective Action Plan were prepared by the Secretary of State, Division of Audits during their Single Audit of the State of Oregon. The listed corrective actions consist of responses from individual agencies in response to audit findings.

The listing of timelines for the corrective actions as well as the listing of agency contact persons result from information obtained when the audit findings were developed.

The numbering of findings corresponds directly to the method of identification in the Secretary of State's Single Audit Report.

State of Oregon
Corrective Action Plan
For the Year Ended June 30, 2008

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08-1
Office of the State Treasurer
Inaccurate Financial Reporting of Investment Balances
Material Weakness

The Office of the State Treasurer (OST) plays an important role in the state's reporting entity and is responsible for managing the state's investments and for maintaining accurate accounting records in accordance with generally accepted accounting principles (GAAP). OST is responsible for providing investment balances in accordance with GAAP for state agencies that have investments held at OST such as the Public Employees Retirement System (PERS) and the Department of State Lands.

The accuracy of reported investments depends on the accuracy and completeness of the OST's investment accounting activities. OST management is responsible for establishing and maintaining internal controls that provide reasonable assurance of the reliability of the financial reporting of investments. These controls include ensuring that information provided to agencies is sufficient to allow agencies to adhere to accounting and reporting policies and procedures included in the Oregon Accounting Manual and governmental accounting and financial reporting standards issued by the Governmental Accounting Standards Board.

During our review of investment balances for state fiscal year 2008, we noted that OST's controls over its financial reporting of fiscal year 2008 investment balances related to derivatives, short sales, and reverse repurchase agreements were not sufficient to ensure balances were adequately supported and appropriately reported in accordance with GAAP. As a result, OST reported fiscal year 2008 investment related balances that were materially misstated and not in accordance with GAAP to PERS and the Department of State Lands. For PERS, OST reported investment, investment receivable, and investment payable balances that were overstated by $1.2 billion, $14.2 billion, and $15.4 billion, respectively. After adjustment, the account balances were $60.6 billion, $3.4 billion and $3.8 billion, respectively. For the Department of State Lands, OST reported investment, investment receivable, and investment payable balances that were overstated by $34.6 million, $101.8 million and $136.5 million, respectively. After adjustment, the account balances were $1.01 billion, $9.5 million and $8.0 million, respectively. Specifically, we noted misstatements due to the following:

- Forward positions, including To-Be Announced and foreign exchange positions, were reported at notional value instead of fair market value.
- Short sale positions were incorrectly classified as a reduction of investments instead of as liabilities.
- The assets and liabilities of reverse repurchase agreements were netted instead of separately disclosed.

We communicated these errors to OST investment accounting, who took the time to research the issues and ensure their revised fiscal year 2008 investment balances were appropriately reported in accordance with GAAP. Consequently, OST was not able to provide timely investment balance information to state agencies due to the nature of the misstatements and the research involved.

We recommend OST management establish and maintain internal controls over financial reporting of investments to ensure OST provides state agencies investment balances that are fairly stated in

accordance with GAAP. Further, OST management should ensure that sufficient investment accounting resources are allocated to timely provide investment information to state agencies.

CORRECTIVE ACTION:
The Office of the State Treasurer (OST) agrees that additional accounting resources are needed to ensure that investment information can be provided to state agencies in a timely manner. OST has requested two additional investment accounting positions within our 2009-2011 budget that will be tasked with supporting financial reporting, investment monitoring and compliance initiatives.

OST is also in the process of developing formal procedures to address the control structure in place over financial reporting for investments. The goal of these procedures will be to ensure that investment information provided to state agencies and Statewide Accounting & Reporting Services supports the preparation of financial statements in accordance with generally accepted accounting principles. Procedures will include specific direction regarding derivatives, short sales, and repurchase agreements to ensure proper reporting of these investment activities.

OST plans to complete financial reporting procedures by June 30, 2009. If additional resources are obtained, OST expects to completely resolve this audit finding by December 31, 2009. If resources do not become available, OST will develop an alternative plan to resolve this concern and will provide the Oregon Audits Division with a revised corrective action plan and resolution date.

Timeline:
The anticipated completion date is December 31, 2009.

Contact Person:
Andrea Belz, Chief Audit Executive, Office of the State Treasurer, may be contacted regarding corrective action.

08-2
Office of the State Treasurer
Lack of Internal Controls Over Financial Reporting
Material Weakness

The Office of the State Treasurer (OST) management is responsible for establishing and maintaining internal controls that provide reasonable assurance of the reliability of financial reporting for the Oregon Short-Term Fund. Financial reporting relates to the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles.

OST's controls over its financial reporting process for the Oregon Short-Term Fund were not sufficient to prevent or detect a significant error in the compilation of the financial statements. This error resulted in material understatements of Participants' Contributions and Participants' Withdrawals in the Statement of Changes in Net Assets on the 2007 Oregon Short-Term Fund financial statements, but had no effect on the net assets of that statement. The error is a financial reporting error and had no effect upon the individual participants' accounts.

The underlying cause of this error would have materially understated Participants' Contributions and Participants' Withdrawals in the current-year Statement of Changes in Net Assets if it was not corrected. However, once we brought this error to management's attention, OST made adjustments to ensure its current-year financial statements were appropriately prepared.

We recommend that OST management establish and maintain a documented internal control structure over financial reporting for the Oregon Short-Term Fund to prevent errors in the financial statement, and detect and correct errors in a timely manner.

CORRECTIVE ACTION:
The Office of the State Treasurer agrees that there was an equal and offsetting misclassification in the compilation of participants' contributions and withdrawals. OST corrected this for the current year statements as noted in the finding and will review, and revise as necessary, our policies and procedures relating to controls over financial reporting for the OSTF.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Andrea Belz, Chief Audit Executive, Office of the State Treasurer, may be contacted regarding corrective action.

08-3
Oregon Department of Revenue
Taxes Receivable Misstatement During Year End Financial Reporting
Material Weakness

State policy for year-end closing processes indicates that accounting estimates used for accruals should be fundamentally sound, sufficiently documented, able to be audited, and conform with generally accepted accounting principles. The quality of the state's Comprehensive Annual Financial Report depends on the accuracy and completeness of year-end closing activities, including the preparation of accruals. Agency management is responsible for ensuring the accuracy and completeness of the information that supports its year-end adjustments.

Each year, as part of its annual financial reporting process, the Oregon Department of Revenue (department) prepares estimates as of June 30 of the taxes receivable accrual for tax programs under its purview. The estimates involve many separate calculations and are based on several sources of data, including historical trends, uncollectible taxes, estimated refunds payable, and other information contained in the department's subsidiary accounting system.

In reviewing the estimates prepared for state fiscal year 2008, we found multiple errors and methodology issues in the department's calculation, such as double counting and incorrect and omitted amounts. As a result of these errors, the taxes receivable amount for the government wide statements was misstated by approximately $32 million and required an audit adjustment to be fairly stated in accordance with generally accepted accounting principles.

We recommend department management ensure the year-end calculations of the taxes receivable estimate are adequately reviewed to ensure errors are identified and corrected in a timely manner. Furthermore, the methodology used to calculate the estimate should be reviewed annually to ensure all relevant information is included.

CORRECTIVE ACTION:
Management agrees with the recommendation. The department recognizes the importance of accurate receivable data and will continue to look for means and methods of minimizing mathematical and procedural errors. We have also inserted an annual review of the receivable methodology into the year-end timeline.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Sean Barnhart, Finance Section Manager, Oregon Department of Revenue, may be contacted regarding corrective action.

08-4
Oregon Department of Revenue
Cash Reconciliations Not Reviewed Timely

During state fiscal year 2008, the Oregon Department of Revenue (department) received, processed and deposited over $6 billion in revenues from various tax programs. To facilitate more efficient accounting, the department has set up specific cash accounts for these tax programs. Much of the cash received is processed through the Revenue Suspense Account at the Oregon State Treasury before being transferred to the general fund or other funds, as appropriate. State policy recommends agencies reconcile cash accounts on a regular basis and, if an agency uses a subsidiary accounting system, reconcile the subsidiary system to the state accounting system. Cash reconciliations are an important internal control that provides assurance that account balances are accurate and agree to the actual assets in the custody of the state.

The department's typical process is, on a monthly basis, to reconcile cash accounts in its subsidiary system to related accounts at the Oregon State Treasury and then reconcile the department's subsidiary system to the state accounting system. During the audit, however, we found that the department did not routinely reconcile its subsidiary system's cash accounts to the state accounting system. Instead, the department prepared one reconciliation in April 2008 to cover the eight months from July 2007 through February 2008. Furthermore, the department did not prepare the June 2008 reconciliation until October 2008. In bypassing the control of a monthly reconciliation, the department was not in compliance with state policy and had less assurance that errors would be detected and corrected in a timely manner.

We recommend department management comply with state policy and ensure the cash accounts in its subsidiary system are routinely reconciled to the state accounting system.

CORRECTIVE ACTION:
Management agrees with the recommendation. Management has implemented a revised tracking system to monitor the status of reconciliations and determine the reason for missed deadlines. Corrective actions (including additional training) will be implemented to address any issues.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Sean Barnhart, Finance Section Manager, Oregon Department of Revenue, may be contacted regarding corrective action.

08-5
Oregon Department of Administrative Services
Self Insurance Plan Note Disclosures Not Adequately Reported

Starting in fiscal year 2007 the Oregon Department of Administrative Services (department) operated a medical self insurance plan for current and former employees. The department did not make the required financial statement note disclosures for this plan for fiscal years 2007 and 2008. In addition, in each of the two fiscal years, the department incorrectly reported the plan's current activity in an agency fund. Further, 2007 fiscal year transactions were incorrectly reported as fiscal year 2008 transactions.

This condition resulted from misunderstandings between the department's various divisions responsible for performing, recording, and reporting financial activity associated with this plan. There were misunderstandings about the underlying nature of the transactions, and the correct method of reporting and disclosing plan activity in the financial statements.

We recommend the department improve its communications between divisions related to year-end financial reporting. The department should ensure that activities are identified and discussed, prior to fiscal year-end, to ensure proper classification and disclosure of plan activities in the financial statements.

CORRECTIVE ACTION:
The Department agrees with the finding and recommended action. Management plans to schedule several meetings prior to 2009's fiscal year end to ensure personnel from the State Controller's Division, Operations Accounting Services Unit and the Public Employees Benefit Board identify and discuss the accounting and disclosure requirements for reporting the activities of the self-insured medical plan. Specifically, these meetings will be used to identify (1) the proper fund and general ledger accounts for recording the related claim liabilities, (2) whether classification between a current and long-term liability is appropriate, and (3) the data sources and timelines for obtaining the information required for the risk financing note disclosure.

Determination of the proper accounting and identification of the data sources should be completed no later than June 30, 2009. The disclosure information, itself, should be obtained no later than the August 31, 2009.

Timeline:
The anticipated completion date is August 31, 2009.

Contact Person:
Kathryn Ross, Statewide Accounting and Reporting Services Manager, Department of Administrative Services, may be contacted regarding corrective action.

08-6
Oregon Employment Department
Cash Reconciliations Not Performed Timely

The Oregon Accounting Manual states that departments should regularly perform reconciliations of cash recorded in agency records to amounts reported on Treasury statements. Those reconciliations should be performed by persons not otherwise responsible for handling or recording cash and should be independently reviewed by management.

The Oregon Employment Department (department) did not perform timely reconciliations of its cash accounts. We requested the department's cash reconciliations for two accounts and noted that the reconciliations from July 2007 to June 2008 were not performed until August 2008. Based on the year-end reconciliation, the department made an adjustment to reduce cash by $2.5 million in order to agree the accounting system balance to the balance per the year end reconciliation.

Reconciling bank statements to amounts recorded in agency accounting records is an essential internal control. Timely and effective reconciliations can help identify errors or other problems that may have occurred, and provide additional assurance that reported cash balances are accurate. In bypassing the control of performing regular reconciliations, the department was not in compliance with state policy and had less assurance that errors would be detected and corrected in a timely manner.

We recommend department management make cash reconciliations a priority and ensure reconciliations are performed timely.

CORRECTIVE ACTION:
We concur with the auditors that cash reconciliations have not been performed timely. To rectify this situation the Oregon Employment Department has added temporary staffing to bring the cash reconciliations current. We have already made significant progress over fiscal year ended June 30, 2008. As of the date of this response, we have completed the Trust Clearing suspense account reconciliation through December 2008 and the Benefit suspense reconciliation through November 2008. Further, we are changing our Suspense account monthly entries into daily Statewide Financial Management System Suspense account entries for our Trust Clearing Account, Benefit Suspense Account, Federal Trust fund, and the Manpower (Trade Act) Suspense Checking Account. We will have completed four months of daily entries by the end of fiscal year 2009. Finally, we are documenting sources of cash differences to aid us in the future. We anticipate improved and timely suspense cash account reconciliations for review by auditors in July and August 2009.

Timeline:
The anticipated completion date is August 31, 2009.

Contact Person:
John McIntyre, Cash Manager, Oregon Employment Department, may be contacted regarding corrective action.

08-7
Oregon Employment Department
Controls Over Year End Closing Activities Could Be Improved

The accuracy of the state's Comprehensive Annual Financial Report depends on the accuracy and completeness of agency year end closing activities. Department management is responsible for implementing controls that ensure fiscal year end closing procedures result in reporting department financial information in conformity with generally accepted accounting principles. These controls include adherence to accounting and reporting policies and procedures included in the Oregon Accounting Manual.

During our review of year end closing activities, we noted that the Oregon Employment Department (department) did not have sufficient controls in place to ensure adjusting entries were appropriate and adequately supported. Specifically, we noted the following:

- The department made a year end adjustment to reduce employment taxes revenue. The department was not able to explain nor provide supporting documentation for the reduction to employment taxes revenue.
- The department accrued expenditures for benefit payments that had been distributed to individuals but not yet redeemed. These expenditures had previously been recorded as an expenditure when the benefit payment was distributed. As a result, the current year accrual and the reversal of the prior year accrual understated expenditures at June 30, 2008 by $6.7 million and were not in accordance with generally accepted accounting principles.
- The department inappropriately recorded an adjustment to taxes receivable, resulting in a misclassification between current and noncurrent taxes receivable of $1 million.
- The department made an adjustment to transfer expenditures from the employment services fund to the unemployment fund. Upon inquiry, it was determined these expenditures should not have been transferred to the unemployment fund, resulting in a $6.3 million overstatement of expenditures at June 30, 2008.

We recommend department management implement controls to ensure year end adjustments are appropriate and adequately supported.

CORRECTIVE ACTION:
We concur with the auditors that controls over year-end closing activities could be improved. We will review our accrual methodology for benefit payments during this upcoming fiscal year end. We anticipate that the errors and misclassifications identified in this management letter will not be repeated in July and August 2009.

Timeline:
The anticipated completion date is August 31, 2009.

Contact Person:
John McIntyre, Cash Manager, Oregon Employment Department, may be contacted regarding corrective action.

08-8
Oregon Department of Education
Employee Fraud

Audit standards require that we communicate any instances of fraud on the part of senior management to those charged with governance. Between June 2007 and June 2008, the Oregon Department of Education's (department) former accounting director misappropriated approximately $925,000 in federal funds. In perpetrating the fraud, the former accounting director was able to use knowledge of the department's internal controls and accounting structure to override the existing internal controls of the department. Following a guilty plea in April 2008, the former accounting director was sentenced to two years in prison and is required to repay the department for the total amount of funds misappropriated.

Following the identification and investigation of the theft, department management reviewed and made changes to controls as determined appropriate.

We recommend department management minimize the opportunity for fraud to occur by maintaining internal controls that are adequate to ensure all accounting transactions are appropriately authorized, justified, documented and reviewed for accuracy. Additionally, we recommend that management provide training to department staff to identify symptoms of fraud and inform staff of how to respond when a potential fraud is identified.

CORRECTIVE ACTION:
The department agrees that the fraud occurred. As acknowledged in your letter, management has already reviewed and made changes to controls as appropriate. For example, the department hired an additional accountant so that there is proper separation of duties when requesting federal funds. Also, the Director of Financial Services is creating a fraud policy that will include identifying symptoms of fraud and informs staff how to respond when a potential fraud is identified. The policy will be in place by June 30, 2009.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Tomas Flores, Director of Financial Services, Oregon Department of Education, may be contacted regarding corrective action.

08-9
Oregon Department of Education
Weaknesses Identified In Year End Accrual Process

Generally accepted accounting principles require that revenues be recognized when the underlying expenditures have occurred. The Oregon Accounting Manual clarifies that revenues received within 90 days of fiscal year end for expenditures that occurred during the year should be recognized in the year in which the expenditures occurred.

Through our testing we found weaknesses in the Oregon Department of Education's (department) process for accruing expenditures and the related revenue. The department did not accrue all expenditures and revenue known or estimated through the 90 day period after June 30, 2008. As a result, expenditures and revenue for fiscal year 2008 were misstated by approximately $19.2 million in the Educational Support Fund and $1.8 million in the Nutritional Support Fund.
See *Prior Year Finding 07-20.*

We recommend the department review and update their policies and procedures to ensure year end accruals are made in conformity with generally accepted accounting principles. The procedures should include steps to identify all expenditures and revenue known at the time of preparing the year-end closing adjustments and an estimate of the revenue likely to occur after year-end close and prior to the 90 day recognition period.

CORRECTIVE ACTION:
The department agrees with the finding that there are weaknesses in the process for accruing expenditures and the related revenue. The department did not accrue all expenditures and revenue known or estimated through the 90 day period after June 30, 2008. The department is continuously improving the way it records accruals to ensure year-end transactions (Month 13) are made in conformity with generally accepted accounting principles.

During fiscal year 2008, the Director of Financial Services established an accrual procedure and instructed staff to use the Service Date field in the accounting system so that payments are identified to the month goods were received, services performed or when the subrecipient incurred the costs.

Even though improvements were made, there is still one item that needs to be addressed, which is the estimating of expenditures after Month 13 closes. The department isn't able to accurately estimate post-Month 13 expenditures due to a lack of historical data. However, the Director of Financial Services will update the accrual procedure by June 30, 2009, to include a methodology to estimate expenditures and the Service Date will be used as the basis of the estimation. As historical information becomes available over time, we expect these data to contribute to our ability to more accurately estimate amounts to be accrued.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Tomas Flores, Director of Financial Services, Oregon Department of Education, may be contacted regarding corrective action.

08-10
Oregon Department of Forestry
Inconsistency in Accounting for State Forest Lands Revenue Results in Misstatement

To communicate effective information, financial reporting must be consistent, including the use of the same reporting method for all similar transactions. The Oregon Department of Forestry (department) accounted for State Forest Lands revenue inconsistently during fiscal year 2008.

The timber sales contract amounts are based on the net of gross timber sale value less estimated project work costs. Project work is work needed to be done by the contractor to access the timber for harvesting; this work mostly consists of road construction and road improvements. Historically, the department has reported State Forest Lands revenue from these contracts on a net basis. In June 2007, a legislative bill required transfers to counties during the 2007-09 biennium of additional revenue to offset a portion of project work costs on timber sales. In association with the required transfers, the department recognized the revenue on a gross basis by recognizing the associated project work costs. Consequently, department management reported a portion of the State Forest Lands revenue on a gross basis (total forest sales value), but reported the remaining portion on a net basis (total forest sales value less project work costs). This resulted in total revenue being understated by approximately $3.1 million.

We recommend department management ensure State Forest Lands revenue is reported consistently for financial statement purposes.

CORRECTIVE ACTION:
In regards to the finding of inconsistency in accounting for State Forest land revenues, as we discussed with your staff during the audit process, we were aware that in order to meet the legislative mandate from the 2007 Oregon legislative session, we would have to report our revenues and expenditures for project work done on timber sales inconsistently. We were required to share additional revenue with the counties based on a limited number of projects done around the state. That required us to recognize both the revenue and the expenditure related to these projects while netting the expenditures against the revenues for projects not on the list, as was our practice in the past. To accomplish this task we were given budget limitation and legal authority only for the exact amount of the projects that we would be recognizing. This restricted our ability to be consistent and recognize all the project work that was done in a like manner. To this extent, we agree with the finding and recommendation. To correct this in the future and to be transparent in how we account for the revenues and expenditures of the State Forest Land revenues, we have included in our 2009-11 Agency Request Budget the necessary budget limitation to allow us to account for these transactions on a consistent and transparent basis. This was completed on September 1, 2008. This request has now also been included in the Governor's Recommended Budget that was released December 1, 2008. These corrective actions will be completed with the beginning of the 2009-11 biennium.

Timeline:
The anticipated completion date is July 1, 2009.

Contact Person:
Mark Hubbard, Business Services Program Manager, Oregon Department of Forestry, may be contacted regarding corrective action.

08-11
Oregon Parks and Recreation Department
Lack of Segregation of Duties and Logical Access to Accounting Systems

During our audit of the Oregon Parks and Recreation Department (department), we noted a weakness in the segregation of duties related to cash. One employee reconciled the cash accounts, had access to the safe and had entry capability to the department's automated financial accounting system (FMS), which interfaces with the state's centralized accounting system (Statewide Financial Management Application). Additionally, the employee was appointed as the administrator for the FMS. As administrator for this system, the employee had the ability to assign her own system access level. Duties for authorization, recordkeeping, and custody of the related assets should be segregated to reduce the opportunities for any individual to be in the position to both perpetrate and conceal errors or fraud in the normal course of duties. Additionally, appropriate logical access controls for financial accounting systems support and enforce segregation of duties by limiting the ability of any one individual to view, alter and control resources.

We recommend department management ensure responsibilities for cash are segregated. Specifically, management should ensure adequate separation of authorization for the execution of transactions, recording of transactions, custody of assets, and periodic reconciliation of existing assets to recorded amounts. In addition, management should ensure that individuals performing financial system security functions do not have conflicting accounting duties or responsibilities for monitoring and validating logical access, to ensure those functions are independently performed.

CORRECTIVE ACTION:
The Oregon Parks and Recreation Department agrees with the recommendations, and completed all corrective actions in November 2008. We changed the combination of the safe and removed access of the noted employee. We worked with our Information Technology division to remove her capability to change her own system access levels. In the future, as we have changes in staff, we will continue to ensure that their duties are appropriately segregated.

Timeline:
The anticipated completion date is November 30, 2008.

Contact Person:
Rebecca Jasso, Accounting Manager, Oregon Department of Parks and Recreation, may be contacted regarding corrective action.

08-12
Oregon Department of Fish and Wildlife
Lack of Reconciliation of Point of Sale System

The Oregon Department of Fish and Wildlife (department) receives fax/mail orders for licenses and tags at its Salem headquarters. The department accounts for these sales by generating the license or tag with its Point of Sale Licensing System (POS) and records cash received using a cash register system. The department does not reconcile its Point of Sale system and its cash register system for these sales. Regular reconciliations between these two systems is an important internal control that provides assurance that the licenses generated in the POS system agree to the cash register receipts for fax/mail order license sales. Although the department has taken steps to address this issue by reviewing a sample of POS transactions against cash register transactions, without a complete reconciliation between the two systems, there is an increased risk that misappropriation of assets could occur and not be detected in a timely manner. See *Prior Year Finding 07-17*

We recommend department management strengthen its controls over license sales by regularly reconciling the POS system and the cash register system to ensure accountability for all licenses, tags and cash receipts.

CORRECTIVE ACTION:
Initially, during the 2005 financial audit, the department thought this issue would be resolved with the new POS system. However, the new system will not resolve the reconciliation issue.

Even without a system process in place, the transactions input into the register and the POS licensing system can be reconciled. Both transactions are tracked with a corresponding identification number. The department has implemented a sampling review of POS transactions against register transactions. This review will continue in lieu of reconciliation until such time resources are available or system capabilities enable a full and complete reconciliation.

Until a full and complete reconciliation is implemented, risks are decreased as more transactions are moving to the internet channel.

Timeline:
The anticipated completion date is July 31, 2009.

Contact Person:
Cathy Stevens, Interim Fiscal Services Manager, Oregon Department of Fish and Wildlife, may be contacted regarding corrective action.

08-13
Oregon Department of Fish and Wildlife
Procedures for Accruing Federal Revenue Need Improvement

The Oregon Department of Fish and Wildlife (department) created a methodology for accruing federal revenue and classifying receivables as current and non-current to help address a recurring prior year

finding. Generally Accepted Accounting Principles require current receivables and revenue only be reported if payment is expected to be received within 90 days of fiscal year end and that receivables expected to be collected after the 90-day period be reported as non-current. The department's methodology requires the evaluation of transactions that occurred during the fiscal year for the purpose of estimating the balance and collection of receivables at fiscal year end. During our audit, we tested the department's methodology and found that it did not capture all applicable transactions that occurred during the fiscal year. In addition, the methodology did not correctly classify all receivables as current and non-current. As a result, federal revenue and the related accounts receivable were misstated at June 30, 2008. See *Prior Year Finding 07-18*

We recommend department management review and modify its methodology for accruing federal revenue to capture all applicable transactions and to correctly classify receivables as current and non-current at fiscal year end.

CORRECTIVE ACTION:
The department reviews the methodology annually and adjusts the methodology based on current findings. The department will update documentation of the methodology in a policy and/or procedure format by June 30, 2009 to ensure that all applicable transactions are reviewed.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Cathy Stevens, Interim Fiscal Services Manager, Oregon Department of Fish and Wildlife, may be contacted regarding corrective action.

08-14
Oregon Department of Fish and Wildlife
Duplicate Federal Revenue Transactions

The Oregon Department of Fish and Wildlife (department) prepares monthly reconciliations to ensure the accurate recording of federal expenditures and associated federal revenues. Management review is an important internal control that helps to ensure amounts are accurate and properly recorded. Department management did not review the monthly federal revenue reconciliations during fiscal year 2008. We found the department recorded a total of 30 duplicate transactions during the year, resulting in an overstatement of $303,738 in federal revenue and receivable account balances as of and for the year ended June 30, 2008. As a result of our audit, management took action to correct these errors in the financial system and, as of March 6, 2009, only $2,820 remained uncorrected related to these errors.

We recommend department management perform timely and adequate review of monthly reconciliations of federal expenditures and associated federal revenues to ensure all transactions are accurately recorded. In addition, we recommend the department resolve all duplicate transactions and repay any cash received inappropriately due to the errors.

CORRECTIVE ACTION:
The department generally agrees with the recommendation. The department has brought current the review of monthly reconciliations of federal expenditures and associated federal revenue. From this point forward, the Fiscal Services Manager will review these reconciliations within 21 days of preparation. The department will resolve the remaining $2,820 errors by April 30, 2009.

Timeline:
The anticipated completion date is April 30, 2009.

Contact Person:
Cathy Stevens, Interim Fiscal Services Manager, Oregon Department of Fish and Wildlife, may be contacted regarding corrective action.

08-15
Oregon Department of Transportation
Inadequate Controls over Financial Reporting

According to the Oregon Accounting Manual, a department's internal controls must be adequate to provide reasonable assurance that transactions are accurate and properly recorded. The Oregon Department of Transportation (department) did not have sufficient internal controls in place to prevent or detect the following June 30, 2008, financial reporting misstatements:

- A portion of Noncurrent Bonds Payable was not reclassified to Current Bonds Payable, resulting in each account being misstated by $9 million.
- Fiscal year 2007 accruals were not reversed in fiscal year 2008 as required by department policy, causing misstatements to Accounts Payable and Accounts Receivable in the amounts of $2.9 million and $1.1 million, respectively.

  Further, these accruals affected the Increase in the Fair Value of Investments account in fiscal year 2008 and, as a result, it was misstated by $1.7 million.
- A fiscal year 2009 transaction was inappropriately recorded in fiscal year 2008, resulting in a misstatement to Transfers to Counties of $750,000.
- A $1 million investment purchase and the associated $16,260 investment discount were recorded in the opposite accounts, misstating each account by $1,016,260.

During fiscal year 2008, the department had fewer staff available for preparing year-end transactions and conducting independent reviews, which may have contributed to the number of errors we identified.

We recommend department management ensure adequate controls are in place to prevent and/or detect financial reporting errors.

CORRECTIVE ACTION:
The department will ensure adequate staff resources are available to complete midyear and year-end detailed work within required deadlines. The department plans to work with Department of

Administrative Services, Statewide Accounting and Reporting Services staff to clarify and address the broker payable, broker receivable and reversing entries for the investment program. In addition, the department will update its Financial Administration and Standards Manual regarding the review and approval of transactions for year-end reporting to ensure better controls exist for coding and changes after documents have been submitted.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Karen Krill, Senior Financial Analyst, Oregon Department of Transportation, may be contacted regarding corrective action.

08-16
Oregon Department of Transportation
Jurisdictional Transfers Not Adequately Supported

The Oregon Accounting Manual states that all transactions must be supported by appropriate documentation. We noted the Oregon Department of Transportation (department) did not obtain the necessary documentation to ensure jurisdictional transfers were properly recorded.

A jurisdictional transfer occurs when the department transfers the jurisdiction[1] of a segment of the state highway system from the state to a city or county. The transfer requires a formal agreement between the state and all affected local governments. The department is then responsible for calculating the value of the transfer and removing it from the accounting records. While preparing year-end accounting transactions for jurisdictional transfers, the department did not obtain adequate supporting documentation. As a result, the department removed the value for a jurisdictional transfer that was not yet complete. In another instance, a jurisdictional transfer had occurred; however, the department did not record the transfer. As a result of these two errors, the state highway system account was understated by $25 million.

We recommend department management ensure transactions relating to the state highway system are adequately supported.

CORRECTIVE ACTION:
The department's Financial Services staff will work with the Right of Way Section to have a manager review and approve the jurisdictional transfer report prior to year-end transactions being prepared to ensure jurisdictional transfers are accurately and correctly reported.

Timeline:
The anticipated completion date is June 30, 2009.

[1] Jurisdiction refers to the territory over which authority is exercised.

Contact Person:
Karen Krill, Senior Financial Analyst, Oregon Department of Transportation, may be contacted regarding corrective action.

08-17
SAIF Corporation
Reinsurance Recoverable Not Accurately Calculated

We noted that the SAIF Corporation's (SAIF) Actuarial Department maintains a spreadsheet to track reported claims that are covered under SAIF's various reinsurance contracts. This spreadsheet is used to calculate reinsurance recoverable on paid and unpaid losses for purposes of SAIF's in-house actuarial study and to record reinsurance activity to the general ledger via manual journal entries. In performing testwork over reinsurance recoverable, we noted an error in the spreadsheet calculation related to accident year 1995 under the first ($3 million excess $2 million) and second ($5 million excess $5 million) excess of loss reinsurance contracts. Based on the spreadsheet calculation, SAIF had recorded a recoverable in excess of the maximum amount recoverable under the related contracts. This error resulted in SAIF recording an adjustment to reduce reinsurance recoverable on unpaid losses by $1,348,550.

We recommend that SAIF implement a formal review procedure over the spreadsheet in order to ensure that reinsurance recoverable is accurately calculated and recorded in accordance with the terms of the corresponding reinsurance contracts.

CORRECTIVE ACTION:
SAIF agrees with this recommendation. The spreadsheet has been reviewed and a column was added that caps the expected recovery for each reinsurance treaty. This will prevent the described error from being repeated. SAIF's Actuarial Division has a formal review process in which each actuary reviews the data and calculations in the spreadsheet every quarter. By year-end 2008, each SAIF actuary will separately read each reinsurance contract to ensure that the spreadsheet properly reflects the language of each contract.

Timeline:
The anticipated completion date is December 31, 2008.

Contact Person:
Cathy Pollino, Chief Internal Auditor, SAIF Corporation, may be contacted regarding corrective action.

08-18
SAIF Corporation
Information Technology – Administrator and Superuser Access Not Reviewed

The Workers' Compensation Insurance System (WCIS) application maintains the majority of the SAIF Corporation's (SAIF) policy data. In performing testwork, we noted that a Generic Administrator account, Helpdesk, exists in the WCIS application. Per inquiry with SAIF personnel, KPMG

determined that the password to this account is not controlled. Generic and uncontrolled users with the ability to add, modify, and remove user accounts increases the risk of unauthorized or inappropriate access to programs and data. This provides a significant risk to the reliance which can be placed on application data and business processes.

We recommend that SAIF perform detailed reviews of all system accounts including those with access to user administration functionality. The review should address those accounts that are determined to be generic in nature and assign individuals to those accounts or remove them completely from the active user environment.

CORRECTIVE ACTION:
Information systems agree that generic user accounts should not be used. The generic administrator account, Helpdesk, identified in the finding was an unused account that has been deleted. This account was in fact the residue of creating individual accounts for the two individuals who administer security from the Helpdesk team. Information Systems has completed a detailed review of administrator accounts and validated that all are assigned to authorized individual accounts.

Timeline:
The anticipated completion date is January 31, 2009.

Contact Person:
Cathy Pollino, Chief Internal Auditor, SAIF Corporation, may be contacted regarding corrective action.

08-19
SAIF Corporation
Information Technology – Administrator Access and User Provisioning Not Appropriate

As noted above, the Workers' Compensation Insurance System (WCIS) application maintains the majority of the SAIF Corporation's (SAIF) policy data. The Legacy Mainframe application maintains certain policy data and all claims data. In performing testwork, we noted that for both the WCIS application and the Legacy Mainframe environments, administrators with developer rights and abilities have access to modify code and promote their own changes to the production environment. Additionally, changes to the production environment that were tested were found to be lacking proper evidence of testing and approval.

With this level of access, we noted that these individuals have the ability to bypass established change management controls undetected. This could lead to applications and data being inappropriately modified. It also increases the risk of inappropriate code being introduced into the production environment which could cause key system functionality, processes, and calculations to produce erroneous data.

We recommend that SAIF develop a solution that would either limit the level of access these developers have or implement a detective control that would provide assurance to the integrity of the

change management process. In addition, we recommend that SAIF maintain records of testing and approval for all application changes.

CORRECTIVE ACTION:
Information Systems has change management controls in place that prevent developers from promoting their own code. The finding identifies an exception where two individuals, due to staff efficiencies, are responsible for administration duties as well as code development. This does create a situation where these two individuals could promote their own code to production. For those two individuals, an additional detective control will be put in place to allow efficient use of staff, while providing assurance to the change management process.

Timeline:
The anticipated completion date is January 31, 2009.

Contact Person:
Cathy Pollino, Chief Internal Auditor, SAIF Corporation, may be contacted regarding corrective action.

08-20
SAIF Corporation
Information Technology – Lack of User Access Review

We noted that the SAIF Corporation (SAIF) did not conduct a user review for the Workers' Compensation Insurance System (WCIS) application users or Oracle database users in 2007.

Failure to perform an adequate review of users with access to key financial systems and databases increases the risk of unauthorized or inappropriate access. When there is a breakdown in preventative controls, this detective control can be helpful in mitigating the risks associated with unauthorized or inappropriate access.

We recommend that SAIF perform a periodic review of user access to all of the financially relevant applications, databases, and operating systems to ensure:

- Terminated users are identified and removed
- Segregation of duties conflicts do not exist
- Each user's access is appropriate to their job function
- Generic accounts do not exist or are limited to service level accounts
- Each user has been appropriately authorized and approved for their level of access.

CORRECTIVE ACTION:
Although not in place for the time period under review, a manual review of WCIS and Oracle database users was completed in September 2008. In addition, an automated process is under development which will allow more efficient and timely access reviews for all WCIS and Oracle users starting in 2009 and yearly thereafter.

Timeline:
The anticipated completion date is September 30, 2008.

Contact Person:
Cathy Pollino, Chief Internal Auditor, SAIF Corporation, may be contacted regarding corrective action.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

08-21
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Activities Allowed or Unallowed – Federal Benchmarks Not Met
Material Weakness

The Office of Private Health Partnerships (department) operates under a waiver that requires health coverage plans to meet federal benchmarks. The department uses a benchmark worksheet to ensure benchmarks are included in the coverage; however, this worksheet has not been updated to include all the requirements outlined in the waiver such as mental health services. As a result, the department approved health coverage that did not include mental health services and, therefore, did not meet the federal benchmark.

We tested a sample of 60 subsidy payments issued during fiscal year 2008 and found that 24 of the payments were for coverage that did not meet the benchmark requiring mental health services. We also found that seven of the nine health insurance plans represented in the sample did not include mental health services.

We recommend department management implement procedures to ensure the benchmark worksheets include all the required federal benchmarks. We further recommend department management ensure all approved health insurance plans are in compliance with current benchmark requirements.

CORRECTIVE ACTION:
The agency partially agrees with this finding and is taking corrective action. As a result of the Benchmark Specialist marking "no coverage" in error on the benchmark worksheets, the Secretary of State's office determined that 24 of 60 subsidy payments they tested were made for coverage not meeting the benchmark requiring mental health. Program management has confirmed that all but two of these payments were made for plans containing mental health coverage. The associated benefit plan for the other two payments is still being reviewed and we are waiting for additional information from the carrier.

1. *The Secretary of State's office is recommending that agency benchmark worksheets be updated to insure all required federal benchmarks are included.*

FHIAP management has already started corrective action. Full implementation is anticipated by April 15, 2009.

2. *The Secretary of State's office is also recommending the agency ensure that all approved health insurance plans comply with current benchmark requirements.*

FHIAP management will take the following corrective action: a. Review all plans for compliance and determine a corrective course of action by May 30, 2009; and b. Correct any compliance issues by October 31, 2009.

Timeline:
The anticipated completion date is October 31, 2009.

Contact Person:
Craig Kuhn, Family Health Insurance Assistance Program Manager, Office of Private Health Partnerships, may be contacted regarding corrective action.

08-22
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Eligibility – Untimely Eligibility Redeterminations
Questioned Costs $2,990
Material Weakness

The Office of Private Health Partnerships (department) administers a program to subsidize eligible Oregonian's private health insurance premiums. Eligibility is established based on criteria outlined in a federal waiver. One specific requirement is that eligibility redeterminations be performed at least once every 12 months. We tested 60 case files and found that during fiscal year 2008 the department did not perform timely eligibility redeterminations for 29 of those cases. We also noted one income calculation error and two instances where the department did not pursue proof of citizenship as required by federal regulation. The known questioned costs total $2,990.

We have reported eligibility internal control issues in the past two fiscal years. The department has made progress in identifying and correcting errors. For the current year, we identified fewer calculation and input errors than in prior years; however, we identified more cases in which eligibility redeterminations were not made timely. According to the department, the increase is a result of prior fiscal years caseload issues and redirected work assignments as the department focused on meeting its federal requirement related to maintenance of effort. *See Finding 07-40.*

We recommend department management continue to improve their eligibility review process. We also recommend the department determine the amount of State Children's Insurance Program funds that should be refunded to the federal agency.

CORRECTIVE ACTION:
The agency agrees with this finding and has already taken some corrective action. Further corrective action is planned. The Secretary of State's office is reporting that eligibility determinations were not made timely in 29 of the 60 case files reviewed. As reported last year, these errors were made as a direct result of caseload issues and redirected work assignments resulting from Maintenance of Effort (MOE) challenges. Program management staff has since identified and implemented process changes

enabling the agency to mitigate the risk of subsidies being paid beyond the 12-month eligibility period. Files identified in this year's audit were processed prior to implementation of these process changes.

The agency has already implemented a short-term (manual) solution. In the short term, eligibility staff work redetermination applications based on the subsidy eligibility date. FHIAP management assesses upcoming redeterminations weekly. Applications closest to the end of their 12-month eligibility period are worked first.

Last year's audit response indicated that program management would submit a request for a database change. The database enhancement would enable creation of a script identifying accounts approaching the end of the subsidy eligibility period, thus moving to an automated versus manual review process. This database change was put on hold as a result of a decision to restructure the entire database. Once the new database is implemented, it will automatically generate reports identifying accounts nearing the 12-month eligibility maximum. Similar to the manual process, staff will then work the files closest to the end of the eligibility period.

The office will determine the amount of SCHIP funds that should be refunded to the federal agency and will do so by June 30, 2009.

Timeline:
The anticipated completion date is January 4, 2010.

Contact Person:
John McLean, FHIAP Operations and Eligibility Manager, Office of Private Health Partnerships, may be contacted regarding corrective action.

08-23
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Activities Allowed or Unallowed – Potentially Unallowable Health Coverage
Questioned Costs $9.4 Million

The Office of Private Health Partnerships (department) administers a program to subsidize eligible Oregonian's private health insurance premiums. The department uses State Children's Insurance Program (SCHIP) funds to pay the insurance premium subsidies under a waiver approved by the Centers for Medicare and Medicaid Services.

Federal regulations specifically address an exclusion for the use of SCHIP funds; SCHIP funds may not be expended to assist in the purchase, in whole or in part, of health coverage that includes coverage of abortion, except under specific circumstances outlined in CFR Title 42. Based on discussions with the department, as the department subsidizes a person's private health insurance, the department does not have the ability to require this exclusion in the plans. Therefore, the department does not ensure the health insurance plans subsidized with SCHIP funds exclude abortion coverage except as allowable per federal regulations.

We reviewed one of the nine health coverage plans present in our sample. We found that the plan did not specifically exclude coverage for abortion services. Total payments to this health coverage plan during fiscal year 2008 totaled $9.4 million (more than 60 percent of SCHIP funds expended by the department).

We recommend department management work with the federal government to determine whether it is allowable for the program to pay insurance premiums for private health insurance plans that do not specifically exclude abortion coverage.

CORRECTIVE ACTION:
The agency disagrees with this finding. The Secretary of State's office is recommending that the agency work with the federal government to determine whether it is allowable for the program to pay insurance premiums for private health insurance plans that do not specifically exclude abortion coverage.

This issue was discussed during the initial 2002 waiver negotiations with the Department of Human Services (DHS), Office of Private Health Partnerships (OPHP), and Centers for Medicare and Medicaid Services (CMS). At that time, all parties agreed that because the Family Health Insurance Assistance Program (FHIAP) does not subsidize medical services, but provides a subsidy for private insurance premiums, this requirement does not apply. Further, because the program does not pay for claims or receive encounter data, the requirement would be impossible to monitor. This is consistent with some other states' premium assistance programs. Notwithstanding our disagreement with this finding, the agency agrees to consult with the Department of Human Services (DHS) to raise the issue with CMS.

Timeline:
The anticipated completion date is November 1, 2009.

Contact Person:
Howard (Rocky) King, Administrator, Office of Private Health Partnerships, may be contacted regarding corrective action.

08-24
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Maintenance of Effort & Eligibility – Advanced Subsidy Payments
Centers for Medicare and Medicaid Services (CMS) authorized a five-year waiver, expiring
Questioned Costs $4.6 Million

In 2002 the Centers for Medicare and Medicaid Services (CMS) authorized a five-year waiver, expiring October 31, 2007, that allowed eligible uninsured children and adults to receive insurance premium subsidies for the purchase of private health insurance. The waiver also included a maintenance of effort requirement that the amount of state funds expended for the program be maintained or increased above the state fiscal year 2002 level.

To meet the maintenance of effort requirement as of October 31, 2007, the Office of Private Health Partnerships (department) made advanced subsidy payments to three private insurance carriers for the

periods of December 2007 through February 2008. The department had not incurred an obligation to pay the insurance premium subsidies. If the department had not paid the insurance premium subsidy payments in advance, it would not have met the required maintenance of effort by approximately $2 million.

In addition, effective November 1, 2007, adults became ineligible for State Children's Insurance Program (SCHIP) funding as the waiver that allowed it had expired. The department used $4.6 million of SCHIP funding to prepay for insurance premium subsidies for adults from November 2007 through February 2008. If the prepayment had not occurred, the department would have paid the subsidies with either Medicaid funds, if eligible, or state funds.

Noncompliance with the maintenance of effort requirement specified in the waiver could result in disallowed costs. Further, if prepayment for adults using SCHIP funding is determined to be non-compliant, the federal agency could require the department repay the disallowed costs of $4.6 million.

We recommend department management consult with CMS to determine whether subsidy prepayments are allowed to be counted toward maintenance of effort, and whether prepayments made for adults were allowable since the adults were ineligible for SCHIP funding for the time period prepaid. *See Finding 07-41.*

CORRECTIVE ACTION:
The agency disagrees with this finding. The agency believes it operated within its contractual obligation with the Centers for Medicare and Medicaid Services (CMS). Prior to making advance subsidy payments, the agency worked with the Department of Human Services (DHS) and the Department of Administrative Services (DAS) to discuss the appropriateness of the payment. Notwithstanding our disagreement with this finding, the agency agrees to consult with the Department of Human Services (DHS) to raise the issue with CMS.

Timeline:
The anticipated completion date is November 1, 2009.

Contact Person:
Howard (Rocky) King, Administrator, Office of Private Health Partnerships, may be contacted regarding corrective action.

08-25
Oregon Office of Private Health Partnerships
State Children's Insurance Program, CFDA 93.767
Eligibility – Ineligible Clients Funded
Questioned Costs $55,000

During fiscal year 2008, the Office of Private Health Partnerships (department) administered a program that allowed eligible Oregonians to receive insurance premium subsidies for the purchase of private health insurance. Effective November 1, 2007, adults were no longer eligible for State Children's Insurance Program (SCHIP) funding as the federal waiver allowing it expired.

The department made a coding error when recording a subsidy payment in the State's accounting system and the error was not discovered by the department during its transaction review process. As a result, $55,000 of SCHIP funds were used to subsidize insurance premiums for adults when the premiums should have been subsidized with Medicaid or state funds.

We recommend department management correct the accounting transaction and determine the amount of SCHIP funds that should be refunded to the federal agency. We also recommend department management ensure the transaction approval process is adequate to ensure coding is entered accurately.

CORRECTIVE ACTION:
The agency agrees with this finding and has already taken corrective action. Effective March 19, 2009, the program added a third level of review for carrier payments. Accounting staff now audit the transition between the funding report to the accounting input document line by line prior to final approval by the fiscal manager. The new database will automatically create SFMA input documents, eliminating the possibility of manual transposition and coding errors. The new database is scheduled to be fully implemented by January 2010. The office will determine the amount of SCHIP funds that should be refunded to the federal agency and will do so by June 30, 2009.

Timeline:
The anticipated completion date is January 31, 2010.

Contact Person:
Becky Frederick, Fiscal Manager, Office of Private Health Partnerships, may be contacted regarding corrective action.

08-26
Oregon Department of Human Services
Temporary Assistance for Needy Families, CFDA 93.558
Allowable Costs – Expenditures Not Allowable or Unsupported
Questioned Costs $1,564

Federal requirements state that the department may use TANF funds for expenditures that are not in violation of the Office of Management and Budget (OMB) Circular A-87. The OMB Circular A-87 states that allowable costs must meet the following general criteria: (1) be necessary and reasonable for proper and efficient performance and administration of federal awards, and (2) be adequately documented.

We identified one transaction that included payment for repairs to a state-owned vehicle damaged while a department employee was attending allowable TANF training. The department used federal TANF monies to pay $317 of the total repair costs of $634.

For another transaction, we were unable to determine the allowability of the expenditures because the department was unable to provide documentation to support a $1,247 charge to the federal program.

We recommend department management ensure that funding transactions are allowable for federal programs and documented in accordance with OMB Circular A-87.

CORRECTIVE ACTION:
The department agrees with this recommendation. The department will increase training for program staff to ensure that expenditures are coded in accordance with Office and Management and Budget (OMB) Circular A-87. Program staff is reviewing all Fiscal Year 2009 motor-pool transactions to make certain that they are allowable for federal programs.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Shawn Orias, Statewide Financial Reporting and Trust Manager, Department of Human Services, may be contacted regarding corrective action.

08-27
Oregon Department of Human Services
Temporary Assistance for Needy Families, CFDA 93.558
Eligibility – Client Maintenance System Coding Errors
Questioned Costs $254

Upon determination of eligibility, monthly benefits under Temporary Assistance for Needy Families (TANF) are calculated using information such as number in household and earned or unearned income received based on policies and procedures outlined in the Department of Human Services' (department) Self-Sufficiency Family Services Manual.

In testing 36 self-sufficiency payments, we found five instances where caseworker input errors resulted in either underpayments or overpayments to clients. In four cases, the department's documentation of the client's household composition did not agree to the data entered into the Client Maintenance System (CMS). In two cases, changes occurred upon redetermination, but the coding in CMS was not updated. For one case, the client's unemployment benefits were coded incorrectly when the case was opened and the coding was not updated when unemployment benefits ended.

These errors resulted in $376 in underpayments and $254 in overpayments for the fiscal year.

We recommend department management implement procedures to ensure coding and client data are accurately entered and appropriately updated in CMS and correct the identified errors.

CORRECTIVE ACTION:
The department agrees with this recommendation. The Client Maintenance System (CMS) calculates benefits for No-Adult cases based on the number in the household, the number in the need group, and the countable income. Examples of No-Adult cases are: households where the adult is a non-citizen, SSI recipient, or non-needy caretaker relative. Most errors were related to improper coding of the number

in the household. Currently, there are no edits in CMS that require this data field be updated whenever the caseworker makes changes to the case.

The department will evaluate current policy and procedures related to ensuring coding and client data are accurately entered and appropriately updated in the Client Maintenance System (CMS). This assessment will also look at edits in CMS.

In addition to follow-up and correction of the five cases with identified errors, the department will implement the following:

- *Assess the feasibility of computer system edits to reduce the potential of inaccurate benefit issuance.*
- *Send a Policy Transmittal to SSP field staff regarding data entry requirements for No-Adult cases and emphasizing case reviews at re-determination of TANF eligibility to the ensure benefit level is accurate.*
- *Review and update training materials related to TANF eligibility groups, income coding and computer data elements.*

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Xochitl Esparza, Interim TANF Program Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

08-28
Oregon Department of Human Services
Adoption Assistance, CFDA 93.659
Allowable Costs – Payments Do Not Match Adoption Agreement
Material Weakness
Questioned Costs $735,000

Each state having a Federal Title IV-E Adoption Assistance program is required to enter into adoption assistance agreements with the adoptive parents of children with special needs. In addition, an adoption assistance agreement must be in place prior to the payment of monthly benefits and a new agreement must be signed prior to any change in payment amounts.

In 2007, we identified an overpayment resulting from errors that occurred when the department restored adoption assistance payments after a budget reduction in 2003. During the 2008 audit, we identified additional overpayments caused by those errors.

In February 2003, the department reduced adoption assistance payments by 7.5 percent as a result of a budget reduction. The reduction period lasted through October 2003. Payments on adoption cases opened during this nine-month period did not appear to be treated consistently. For example, payments were entered into the department's system at either the signed agreement rate or at the 7.5 percent

reduced rate. For more than 500 cases entered at the signed agreement rate, the department could not support that all of the agreements had been negotiated at the 7.5 percent reduced rate. When the budget reduction was cancelled, the department restored the assistance payments to the signed agreement rate. The department, however, also adjusted assistance payments on new adoption agreements entered at the signed agreement rate as well as agreements impacted by the budget reduction, resulting in overpayments. For new cases entered at the signed agreement rate, the restored rate exceeded the rate in the adoption agreement. We estimated the potential overpayments as of January 2009 to be more than $1.2 million of which more than $735,000 was federal funds.

The department did not detect the overpayments because the department did not have a procedure in place to detect whether the signed agreement rate agreed to the adoption assistance payment. As a result of prior year finding, the department has recently developed a report that will identify these discrepancies. See *Prior Year Finding 07-42*

We recommend department management implement a procedure to detect whether assistance payments agree with the signed adoption agreements. We further recommend that department management work with the designated federal agency to determine the appropriate way to resolve any potential overpayments.

CORRECTIVE ACTION:
The department partially agrees with this finding. Effective February 1, 2003, the department implemented an across-the-board 7.5 percent reduction in foster care payments and a 10 percent across the board reduction in personal care/special rates that was concomitantly applied to all previously negotiated adoption assistance payments. The change became the foundation for a subsequent lawsuit. Payment changes were compounded by a reduction to the hourly cost of supervision and recalculation of the number of hours of supervision available to some children through personal care/special rates.

The reduction period lasted through October 2003. Rates were restored pursuant to a court order and direction from legal counsel in November 2003. The increase was determined through a complex calculation agreed to by all parties to the legal proceeding.

During the nine months (February 2003 to October 2003) that adoption assistance was subject to an across the board reduction, new cases opened during this period of time were negotiated in accordance with lower foster care rates established in February. Children who were receiving personal care/special rates also had that part of their adoption assistance payment calculated using the lower hourly rate for supervision. Pursuant to the legal case involving adoption assistance cases subject to the original across-the-board rate reduction, these cases were treated equally for the purpose of rate restoration since they would also have been established at a higher rate in the absence of the original reduction.

The department believes that it was the clear intent that all new cases opened during the rate reduction period were to be established using the newly reduced, across-the-board foster care rates and to be restored summarily with all other open assistance cases. The department does not believe that the restoration of all adoption assistance rates to pre-reduction numbers resulted in an ensuing overpayment for every new case established during the reduction period since the basis for the rate was restored to a higher amount.

More than 7,000 adoptive parents with open adoption assistance cases were mailed an "Amendment to State of Oregon Adoption Assistance Agreement" dated November 1, 2003, stating that the purpose of the amendment was to revise the current agreement to restore adoption assistance benefit payments that were previously reduced due to budgetary reductions and to clarify the manner in which future adjustments to adoption assistance benefits may occur. The agreements were to be signed and returned to the department. It is clear that the amended agreements spoke to – and raised – all adoption assistance agreements in effect on October 31, 2003, to include new cases open during the reduction period. Parents were advised of the following changes in the amended agreements:

- *Monthly payments were increased by 8.108 percent.*
- *A special payment was increased by 8.108 percent if it was payable under an adoption assistance agreement that was in effect on January 31, 2003, reduced on February 1, 2003, and restored in November, 2003.*
- *Special payments were not increased if it was payable under an adoption assistance agreement in effect after February 1, 2003.*
- *Nonrecurring payments were not impacted.*

Some of the cases established during the reduction period were established at a rate less than the reduced foster care rate through negotiation with the family, some had an added amount for personal care/special rates, and some directly align with the foster care rate by age group. Upon initial review, it does appear that some of the cases established during this period may have been treated inconsistently after the initial rate was established and prior to the rate restoration. These cases appear to warrant a more rigorous re-review to confirm that rates were correctly managed.

As a result of a prior audit finding, the department recently implemented an automated system to detect over – and under – payments. An electronic report is generated by the Integrated Information System (IIS) that identifies discrepancies. A process is in place that includes staff review of the report and correction of any payment discrepancies, as necessary.

The department's Adoption Program will conduct a review of all of the cases identified in the audit to confirm the following:

- *Payments opened during the reduction period of February through October, 2003, were established in line with the reduced foster care rate and pursuant to a properly negotiated adoption assistance agreement;*
- *There was equitable management of payments for new cases opened during the reduction period;*
- *All payments for new cases opened during the reduction period were increased at the same time as longer-standing adoption assistance cases.*

The department may find, as a result of a review of the questioned cases, that there may be specific cases with incorrect payments. The department will work with the Administration for Children and Families Children's Bureau, Region X Child Welfare Program Office, to determine the proper way to handle any identified overpayments of Title IV-E adoption assistance funds.

The Adoption Unit is currently utilizing the electronic payment review report referenced above and payment inaccuracies are being identified and corrected. It has been determined that the additional step involving staff verification that ensures payment corrections have been entered and accepted by the payment system (Integrated Information System) will be added to this review process.

Timeline:
The anticipated completion date is October 31, 2009.

Contact Person:
Beth Englander, Adoption Program Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

08-29
Oregon Department of Human Services
Adoption Assistance, CFDA 93.659
Eligibility – Incorrect Eligibility Determination
Questioned Costs $19,175

For a child to receive Federal Title IV-E Adoption Assistance, the child must meet the eligibility requirements of the Social Security Act. In part, eligibility is based upon whether the child resides with a relative intending to adopt the child and that relative meets the definition of a blood relative or half-blood relative.

We examined 40 transactions and the related adoption case files and identified one instance where a child was incorrectly identified as Title IV-E eligible. The adoption application indicated the child was being adopted by a relative; however, we found evidence in the file that indicated the adoptive parents did not meet the definition of a blood relative or half-blood relative.

The department has received federal reimbursement for this case since November 2001. The total questioned costs from that date through December 2008 are $19,175.

We recommend department management correct this case in its system so that the appropriate funding source is used for assistance payments and return any disallowed costs to the appropriate federal agency.

CORRECTIVE ACTION:
The department agrees with this finding. The department agrees that this case was inappropriately determined to be Title IV-E eligible for the purposes of drawing federal funding for the adoption assistance payment and that the case needs to be recoded on the payment system and in the case record as non-IV-E eligible. Eligibility will be corrected for this case, as discussed. Furthermore, the department will work with the Administration for Children Youth and Families, Children's Bureau, Region X Child Welfare Program Office, to determine the actual disallowance and effect return of those costs.

Timeline:
The anticipated completion date is June 1, 2009.

Contact Person:
Beth Englander, Adoption Program Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

08-30
Oregon Department of Human Services
Medicaid Cluster
Allowable Costs – Private Health Insurance Not Billed
Questioned Costs $11,206

Federal regulations require the department take all reasonable measures to ascertain the legal liability of third parties (private health insurance) for Medicaid claims. To meet this requirement, the department requires its clients to provide information about private health insurance on their Medicaid application. If clients indicate they have other insurance, this information is entered into the department's Medicaid Management Information System (MMIS). If providers are aware a client has private health insurance, they are required to bill the private health insurance first, prior to billing the department.

During our testing, we found controls were not sufficient to ensure that each private health insurer listed on one client's application was entered into MMIS. As a result, claims for the client were not first billed to the private health insurance as required by federal regulations. The client's Medicaid claims totaled $11,206 for the fiscal year, a portion of which may be recoverable from the private health insurer.

We recommend department management implement controls to ensure all private health insurance listed on client applications is entered into MMIS and seek recovery from the private health insurer for the appropriate portion of the client's claims.

CORRECTIVE ACTION:
The department agrees with this recommendation. The department's Health Insurance Group (HIG) is responsible for verifying and coding the client's private health insurance information onto the Medicaid Management Information System (MMIS) from the Medicaid application. When Medicaid pays a claim that could be paid by the private insurer, it is automatically billed by the MMIS system and referred to the Medical Payment Recovery (MPR) unit for follow up and collection. MPR attempts to recover on claims going back up to six years for some coverage plans. Unfortunately, HIG currently has a back-log of applications that have not been entered.

The private insurance information for the client identified during the audit has been entered into Medicaid Management Information System and the Medical Payment Recovery unit will pursue recovery on the claims already paid by Medicaid.

In addition to hiring two (2) new staff, the Health Insurance Group (HIG) will utilize staff from other units to deal with the backlog and workload issues. Members from other units within the Office of

Payment Accuracy and Recovery have been, or will be, cross-trained to help with this effort. HIG has also modified its work processes in order to help streamline referral processing.

Timeline:
The anticipated completion date is October 1, 2009.

Contact Person:
Angela Molthan, Third Party Liability Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

08-31
Oregon Department of Human Services
Medicaid Cluster
Special Tests and Provisions
Required Provider Agreements Missing Required Disclosures

Federal regulations require Medicaid providers enter into an agreement with the department to provide Medicaid eligible services. As part of the agreement, federal regulations require providers to disclose ownership interests and criminal history as well as agree to maintain pertinent records and provide them for audit. We performed tests of 60 provider files and found the department did not comply with this federal requirement as 19 agreements lacked one or more of the required disclosures.

We recommend department management comply with federal regulations and ensure provider agreements contain the required disclosures.

CORRECTIVE ACTION:
The department agrees with this finding. We believe the department currently meets the disclosure requirements addressed in the finding for Home Care Workers enrolled after December 2007, when the enrollment form was last revised. It is the department's position that control and ownership disclosures do not apply to Home Care Workers due to the nature of their relationship with the clients, nor do the requirements related to advanced directives. Home Care Workers are employed by the client, the relationship is one of employee and employer. As employees of the client, they work as directed verbally and from a task list. Home Care Workers are encouraged to talk with their employer about emergency action plans.

Changes to the Seniors and People with Disabilities (SPD) Adult Foster Home Provider Enrollment Agreement form are needed to address the ownership and control disclosure requirements.

The Addictions and Mental Health (AMH) Adult Foster Home Medicaid Provider Agreement does not currently contain the required assurances or require providers to provide residents the opportunity to complete an advance directive. AMH Adult Foster Homes now receive payment through the new Medicaid Management Information System (MMIS). MMIS Provider Enrollment Unit currently requires these Medicaid providers to sign the Medicaid agreement.

Administrative rules related to Assisted Living Facilities and Residential Care Facilities currently require providers to have policies and procedures on medical emergency response, but do not address advance directives specifically, since this is considered a personal client choice.

The department will provide all current Home Care Workers with information regarding record keeping and disclosure requirements. Information regarding these requirements will be included on the remittance advice that each active Home Care Worker receives with payment.

Seniors and People with Disabilities will add ownership and control disclosure requirements to the Adult Foster Home provider enrollment agreement, form #SDS 738.

Addictions and Mental Health (AMH) will coordinate with Division of Medical Assistance Programs Provider Enrollment Unit to review and revise as necessary the Adult Foster Home Medicaid agreement to include the federally required assurances; this includes assuring that current Adult Foster Homes have signed Medicaid agreements that include the required assurances. AMH will amend Adult Foster Home rules to include a requirement that all residents be provided the opportunity to complete an advance directive.

Administrative rules regarding Assisted Living Facilities and Residential Care Facilities will be revised to clarify the provider's role regarding advanced directives.

Timeline:
The anticipated completion date is September 30, 2009.

Contact Person:
Jesse Anderson, Title XIX Coordinator, Oregon Department of Human Services, may be contacted regarding corrective action.

08-32
Oregon Department of Human Services
Medicaid Cluster
Allowable Costs – Lack of Documentation

State policy requires controls be implemented to ensure that all transactions are accurate, authorized and adequately supported. We tested seven payments made for clients in residential treatment facilities. The signed monthly rate for three of these clients did not agree to the rate paid to the provider. After research, the department provided additional information regarding the rate differences. The information, however, did not clearly document whether the payment rates were correct or appropriately authorized. Without a clearly defined process for documenting approved rates and ensuring that the documentation is readily available, the department is less able to identify potential errors.

We recommend department management implement procedures to ensure that adequate supporting documentation is maintained for all payments, specifically provider payment rates and any authorized changes to each rate.

CORRECTIVE ACTION:
The department agrees with this recommendation. While the department feels the reviewed rates were correct, the supporting documentation could be improved. Addictions and Mental Health (AMH) will implement policies and procedures to ensure all requested rates are reviewed prior to entry in the Medicaid Management Information System interface and adequate supporting documentation is maintained for all provider payment rates and authorized rate changes. AMH will develop and implement a procedure regarding notification of any authorized rate changes.

Timeline:
The anticipated completion date is June 30, 2009.

Contact Person:
Edie Woods, Operations and Contracts Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

08-33
Oregon Department of Human Services
Immunization Grants, CFDA 93.268
Subrecipient Monitoring – Lack of Policies and Procedures for Site Visit Protocol

The Oregon Department of Human Services (department) did not have written policies and procedures for site visit protocol during the fiscal year. Subsequent to June 30, 2008, written policies and procedures were adopted. According to the 2007 Vaccines For Children Operations Guide, Immunization Grants Programs must develop written procedures for site visit protocol. The Program should document its guidance for completing site visits and the site visit questionnaire. Lack of written guidance leaves the details of some of the work that is performed when completing the site visit questionnaire unclear and possibly inconsistently followed.

We recommend the department continue to use the site visit protocol adopted August 1, 2008. This protocol should be available for review by program employees so that proper monitoring procedures are performed.

CORRECTIVE ACTION:
The department agrees with the recommendation. To address this finding, the program will take the following steps:

1. *The site visit protocol (VFC010, "ABCs of a VFC Site Visit") was crafted in early 2008, and then piloted through the training of new health education staff. The policy was formalized and signed in August 2008. It remains in effect as one piece of a nationally recognized comprehensive VFC staff training program.*
2. *All staff who conduct VFC site visits will receive training on the policy at hire, and with every publication update.*

Timeline:
The anticipated completion date is August 31, 2008.

Contact Person:
Lorraine Duncan, Immunization Program Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

08-34
Oregon Department of Human Services
Immunization Grants, CFDA 93.268
Subrecipient Monitoring – Subrecipients Allowed to Select Samples for Testing

The Oregon Department of Human Services (department) program staff notify providers of site visits with a template which requests, among other items, that providers provide a "sample of five patient charts where immunizations are documented." Effective monitoring procedures should be that the program staff selects monitoring samples to prevent providers from manipulating monitoring samples. An element of surprise is necessary to appropriately monitor providers.
We recommend the department implement procedures to ensure that samples are selected by the program staff such as selecting from databases of vaccinated children or other records.

CORRECTIVE ACTION:
The department agrees with the recommendation. To address the audit finding, Oregon Vaccines for Children(VFC) will take the following steps:

For providers that report data to the ALERT IIS:

1. *The pre-visit template will no longer ask provider to have a sample of five charts available for review during the site visit. Instead, the template will state that during the site visit, the reviewer will select five to ten charts to review (depending on size of clinic population). The pre-visit fax will also state that clinic staff will need to be available to pull charts at the time of the site visit.*
2. *The reviewer will get a sample of patients from the ALERT IIS, including patient first and last name, chart or medical id number, immunization date, immunizations administered, and eligibility code.*
3. *The reviewer will pull an ALERT participation report and evaluate it for coding errors (for example, doses coming into ALERT as "not specified.")*
4. *At the site visit, the reviewer will select ten patients, both VFC-eligible and privately insured, from the list provided by ALERT to review.*
5. *The reviewer will evaluate the charts for compliance with VFC eligibility screening and documentation requirements.*

For providers that do not submit data to the ALERT IIS:

1. *The pre-visit template will state that the reviewer will pull a random sample of 30 charts at the time of the site visit. The pre-visit fax will also state that clinic staff will need to be available to pull charts at the time of the site visit.*
2. *At the site visit, the reviewer will select 30 charts representing children immunized. The reviewer will do this by selecting patients from the appointment book or by pulling hard copy charts from the shelves.*

3 *When the reviewer has 30 charts, the reviewer will complete the Protocol for Assessing VFC Eligibility Screening spreadsheet to determine eligibility screening.*

These processes will be in place by January 1, 2009. Steps that need to be taken before implementation include developing a workflow process with ALERT staff to request patient lists prior to site visits and updating the VFC Site Visit Policy and Procedure and the VFC Site Visit Workflow.

Timeline:
The anticipated completion date is January 1, 2009.

Contact Person:
Lorraine Duncan, Immunization Program Manager, Oregon Department of Human Services, may be contacted regarding corrective action.

U. S. DEPARTMENT OF DEFENSE

08-35
Oregon Military Department
National Guard Military Operations and Maintenance (O&M), CFDA 12.401
Matching – Lack of Controls Over the Allocation of Funds

National Guard Regulation 5-1, National Guard Grants and Cooperative Agreements, provides regulatory guidance on the execution of Master Cooperative Agreements for Operation and Maintenance Projects. Specifically, Chapter 13 provides guidance for the operation and maintenance of Army National Guard facilities. The Facilities Inventory and Support Plan (FISP) outlines percentages of federal and state support by type of facility and/or function, to include multi-use functions. Expenditures charged to a given facility are to be allocated across federal and state projects/support levels on a transaction by transaction basis. Testing of transactions at Camp Withycombe revealed a lack of control over application of the required percentage allocations among the various federal and state support codes for that installation. Additionally, the review of those allocations at the transaction level at the Oregon Military Department (department) level was general in nature, and not detailed enough to catch allocation errors.

The percentages of federal and state allocations for the various projects and facilities at Camp Withycombe were erroneous on one of our test transactions, resulting in an undercharge to CFDA 12.401. Further inquiry and analysis disclosed 41 instances of misallocation; however the net effect was an undercharge of approximately $550, which is not considered a material instance of noncompliance. However, the number of allocation errors that were identified in the analysis indicates a more than remote likelihood of the potential of material noncompliance over federal and state match accounts occurring, constituting an internal control significant deficiency. Forty one instances of allocation errors related to the CFDA resulted, which demonstrates a lack of internal controls over allocation of funds over federal and state match accounts that could have resulted in an overcharge to the federal program that was a material instance of noncompliance.

The misallocation of funds over federal and state match accounts appears to be due to a lack of training, attention to detail, and/or awareness by site personnel responsible for applying the percentage allocations. Another contributing factor appears to be that the department did not have an effective mechanism in place to thoroughly review federal and state allocations at the departmental level before payments were made.

We recommend the department initiate training for Camp Withycombe personnel in the required procedures for correct allocation of funds per the FISP and other governing documents. We also recommend the department develop and implement a more thorough review process of federal and state match allocations at the departmental level before requests for payment from the United States Property and Fiscal Office are made.

CORRECTIVE ACTION:
The agency agrees with the audit finding. The finding indicates a need for improved oversight over federal/state expenditure allocation requests from Camp Withycombe before submission to the accounting office for payment. The agency will require all Camp Withycombe payment requests be personally validated by the responsible manager as having been computed for proper allocation of federal state splits.

Timeline:
The anticipated completion date is December 8, 2008.

Contact Person:
Bryce Dohrman, Controller, Oregon Military Department, may be contacted regarding corrective action.

U. S. DEPARTMENT OF AGRICULTURE

08-36
Oregon Department of Education
Child and Adult Care Food Program, CFDA 10.558
Subrecipient Monitoring – Failure to Check the National Disqualified List

Federal regulations require that key individuals be checked against the National Disqualified List upon the occurrence of key events such as initial application, and during renewals. Program staff do not have a process in place to check key individuals against the list when mid-year personnel changes occur, or at renewal time. The failure to check key individuals against the list could result in persons working for the Program who are not allowed to do so for a variety of reasons including previous fraud or abuse. Program management developed procedures to check new entities and individuals against the list upon initial application, but did not set up a procedure for key individuals when mid-year personnel changes occur, or at renewal time.

We recommend the Oregon Department of Education check the National Disqualified List both at the time of mid-year personnel changes and at annual renewal for all key individuals in order to ensure that those present on the list are disqualified from Program enrollment.

CORRECTIVE ACTION:
The US Department of Agriculture (USDA) Food and Nutrition Service federal regulations require state agencies to check the National Disqualified List upon initial application, and as responsible individuals and responsible principles change. This requirement was included in the federal regulations in 2002 but USDA did not make regular access and instructions available to state agencies until October 2007.

The Oregon Department of Education Child Nutrition Program responded swiftly to the 2002 regulatory change by implementing the collection of required birthdates and maintaining an Oregon list of disqualified sponsors and individuals. We also incorporated checking the list upon initial application. Since the national list was not yet available we did not check the list for changes in responsible individuals and principals. USDA knew it was impossible for states to be in compliance with this requirement due to unavailability of the lists.

When USDA made the list available to state agencies in late 2007, and provided instructions for access in April 2008, ODE Child Nutrition Staff did not incorporate checking the National Disqualified List for mid-year changes. ODE has developed a procedure to ensure compliance with requirements to check the National Disqualified list.

Timeline:
The anticipated completion date is November 20, 2008.

Contact Person:
Lynne Reynoso, Community Nutrition Program Manager, Oregon Department of Education, may be contacted regarding corrective action.

08-37
Oregon Department of Human Services
Food Stamp Cluster
Allowable Costs/Cost Principles – Reported Expenditures Exceeded Actual
Questioned Costs $20,401

Expenditures reported exceeded actual expenditures by $20,401.33 for CFDA 10.561 for the year ended June 30, 2008. Known questioned costs of $10,000 or more are required to be reported on the Schedule of Findings and Questioned Costs. As a result, these costs are questioned. The Oregon Department of Human Services (department) has a federally-approved cost allocation plan which specifies the methods of cost identification and allocation. The department uses an Excel spreadsheet to calculate a monthly rate for certain costs to be allocated using random moment sampling results of the prior month's personal service expenditures. The amounts are entered into the spreadsheet manually. A variance test is applied to the rate to determine that it is reasonable. We noted that for the September 2007 month, the rate was carried forward from the prior month instead of being calculated on the random moment sampling results. The variance test failed to identify the error since there was no variance from the prior month. Under the allowable costs/cost principles requirements of the Office of Management and Budget Circular A-133 Compliance Supplement dated March 2008 indirect costs are limited to those charged under a cost allocation plan. The department did not follow its federally-approved cost allocation plan methodology.

We recommend that the department consider reducing the chance of errors in manual entries by using a system other than Excel-type spreadsheets for compiling and calculating monthly cost allocation rates. The department is in the process of moving its cost allocation statistics preparation from Excel to Access, to reduce the chance of human error in data entry.

CORRECTIVE ACTION:
The department agrees with the recommendation. Financial Services hired a contractor June 1, 2008 to start the development of an integrated database to manage the cost allocation process. That contract runs through December 31st, 2008. The goal of the project is to create a tool thats data is reconcilable to the Statewide Financial Management Application and reduces or eliminates the use of imported spreadsheets that are not verifiable. In addition the project's goal is to create a consistent process that agrees with the approved cost allocation plan, and creates a log to document when and if changes or deviations should occur in the process so that management, if needed, can take action to rectify. We agree that the questioned cost is not a material instance of noncompliance. As such, the department believes no retroactive adjustment to the allocation is warranted.

Timeline:
The anticipated completion date is December 31, 2008.

Contact Person:
Mike Boyer, Office of Financial Services, Management Reporting and Cost Allocation, Oregon Department of Human Services, may be contacted regarding corrective action.

State of Oregon

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Oregon Department of Human Services

Finding 07-1: Expenditure Accrual (Material Weakness)

Recommendation: Department management should review their accrual methodology, and compare estimated accruals with actual accrual period results. This will allow management to make any necessary adjustment to their methodology to ensure it is fundamentally sound and results in accruals that are reasonably accurate.

Status: Partial corrective action was taken. The agency's response is as follows:

The department pursued changes to Medicaid accruals and revised financial statement procedures for estimated expenditures to account for the differences between financial statement and budgetary accruals and to produce better accruals. The department has tested and made adjustments to our accrual methodology. DHS is implementing new procedures for the 2007-2008 financial statement accruals. Other fund revenue accruals were part of the revisions made to the procedures. In our new accrual methodology, we have included extensive review of the process in part and as a whole. The written procedures are being finalized.

Finding 07-2: Other Revenue – Drug Rebate (Material Weakness)

Recommendation**:** Department management should ensure future contracts with service providers require the service providers to have periodic independent internal control reviews performed. Further, we recommend department management ensure adequate supporting documentation is obtained for all transactions posted to the accounting system. Management should provide training as necessary to help ensure staff and supervisors post all transactions in accordance with the revenue recognitions principles identified by GAAP.

Status: Partial corrective action was taken. The agency's response is as follows:

The department will revise its training plan to further emphasize proper documentation. In addition, the deputy director and controller will put special emphasis on helping managers understand their role in reviewing transactions for proper documentation as part of their approval process. The department has implemented new contract language in light of this recommendation and made appropriate changes to standard contract template language. In addition, the department is developing specific contract language for selected private industry service provider contractors who also act as fiscal agents.

As part of the department's Transformation Initiative, the department has designated initiative #OX7 (program integrity) as its highest priority cross organizational initiative. In addition, individual divisions are conducting events that will focus on improving documentation to support eligibility determination and supporting financial transactions. This will be an on-going process improvement effort.

Finding 07-3: Other Revenue Accrual

Recommendation: Department management should ensure appropriate query limits are used and communicate the importance of management reviews to ensure other revenue is properly accrued at fiscal year end.

Status: Corrective action was taken.

Oregon State Police

Finding 07-4: Financial Reporting Accuracy (Material Weakness)

Recommendation: Department management should ensure that it properly accrues amounts at fiscal year end so that accounts are accurately stated for financial reporting purposes.

Status: Partial corrective action was taken. The agency's response is as follows:

As per the Corrective Action referenced in the Statewide Single Audit Report, I drafted an internal control policy and procedure and provided fiscal year end training to technician and professional level accounting staff. The internal control policy and procedure was drafted, tested and modified as needed throughout the fiscal year end 2008 close process. The internal control policy and procedure is currently in draft form and will be finalized by January 31, 2009.

Oregon Department of Forestry

Finding 07-5**:** Services and Supplies Expenditures Not Recorded in Compliance with Generally Accepted Accounting Principles

Recommendation: The department should ensure all expenditures are accurately recorded when goods or services are received in accordance with Generally Accepted Accounting Principles.

Status: No corrective action was taken. The agency's response is as follows:

The correction for this finding must occur in the biennial budget process. As part of the 2009-11 budget development, the agency proposed, and the Department of Administrative Services, Budget and Management Division approved the necessary change at the Essential Budget Level. However, to be complete, the 2009 Legislative Assembly must still make final approval. This final action by the Assembly will allow us to move these from an expenditure/revenue process to a transfer of revenue process. This will allow us to have one expenditure at the time of the transaction. For the current biennium we must continue to process the transactions as they are budgeted.

Finding 07-6: Incomplete Risk Assessment Process

Recommendation**:** The department should develop and implement a plan to manage risks identified for financial reporting.

Status: No corrective action was taken. The agency's response is as follows:

We began a process of reviewing and documenting our internal controls in the last biennium, but have not gotten back to the process. When we continue with this process, it will give us the basis for making the risk assessment. Due to changes in staffing we did not get this completed during the previous fiscal year. Work will continue on this during the current fiscal year, including hiring of a contractor who will help with the internal control documentation and the framework for the risk assessment.

Oregon Military Department

Finding 07-7: Classification of Building Costs

Recommendation: Department management revise its procedures for reclassifying capitalized construction costs to conform with generally accepted accounting principles and the *Oregon Accounting Manual*.

Status: Corrective action was taken.

Oregon Parks and Recreation Department

Finding 07-8: Incomplete Services and Supplies Expenditure Accrual Process

Recommendation: Department management evaluate its expenditure accrual process and develop a more effective methodology to ensure expenditures are appropriately accrued to the proper period.

Status: Corrective action was taken.

Finding 07-9: Inadequate Segregation of Duties Over Contracting Retainage Account

Recommendation: Department management should ensure appropriate segregation of duties for accounts established at banking institutions outside of Treasury. Management should require a minimum of two authorized signers be present when a withdrawal is made and that payments from the account are authorized by both signers.

Status: Corrective action was taken.

Finding 07-10: Inadequate Support for Service & Supply Expenditures

Recommendation: Department management should ensure adequate supporting documentation is received and reviewed for accuracy and appropriateness before the department releases payment to a vendor.

Status: Corrective action was taken.

Oregon Public Employees Retirement System

Finding 07-11: Reconciling Items Not Cleared Timely

Recommendation: System management should take steps to resolve items in the clearing accounts in a timely manner.

Status: Corrective action was taken.

Finding 07-12: Weakness in Cash Controls

Recommendation: System management should ensure cash reconciliations are completed in a timely manner and reviewed by a member of management in accordance

with policy established in the *Oregon Accounting Manual*. Evidence of management's review should be documented. We also recommend system management take steps to clear the $1.4 million of reconciling items.

Status: Corrective action was taken.

Oregon Employment Department

Finding 07-13: Incorrect Financial Statement Disclosure Amounts

Recommendation: Department management should perform a thorough review of all disclosures and related spreadsheets before they are submitted for inclusion in the notes to the state's financial statements.

Status: Corrective action was taken.

Oregon Department of Revenue

Finding 07-14: Taxes Receivable – Year End Financial Reporting

Recommendation: Department management should reconsider its methodology for accruing taxes receivable at fiscal year end and consider whether modifications are indicated. In addition, management should implement a procedure to compare prior accruals with subsequent collections and use the results to assess the reliability of the accrual and to make further modifications to the methodology as needed.

Status: Partial corrective action was taken. The agency's response is as follows:

We reviewed methodologies and considered modification. We maintain that our current methodology provides reasonable estimates of future revenues. Other methodologies we analyzed did not provide any more reasonable figures. We used the same methodology for the current year-end. We intend to provide a disclosing statement that there could be additional revenue, but due to the unique nature of the receivable, we are unable to reasonably estimate the amount with enough surety to formally present in the financial statement. We have developed a worksheet for comparative purposes to implement as part of our year-end analysis.

Office of the State Treasurer

Finding 07-15: Controls Over Reasonableness of Alternative Equity Valuations in Accordance with GAAP

Recommendation: The Office of the State Treasurer (OST) management should document an understanding of the valuation process used by the partnerships and State Street Bank and establish controls sufficient to evaluate and challenge the valuations on a periodic basis, and provide assurance that the investment information provided by Treasury to state agencies will enable the agencies to report investments in accordance with GAAP.

Status: Partial corrective action was taken. The agency's response is as follows:

OST has developed several new procedures and controls designed to ensure that we comply with generally accepted accounting principles (GAAP) regarding valuation and financial reporting for alternative equity investment. OST's Internal Audit Services section is currently wrapping up an audit addressing controls over valuation and financial reporting for all portfolios overseen by OST. The results of this audit will be used to further strengthen the control structure over alternative equity.

OST will enhance the current control structure over alternative equity based on recommendations and best practices identified within the Internal Audit Services report, and formally document the new structure within OST policies and procedures.

Department of Administrative Services

Finding 07-16: Timeliness of Identifying Construction Projects as Completed

Recommendation: Department management should ensure that the Facilities Division communicates in a timely manner the completion of construction projects with the accounting staff in the Operations Division to assure proper financial reporting for capital assets. To facilitate this communication, the Facilities Division should periodically review the projects identified in SFMA as construction in progress and determine if that classification remains appropriate.

Status: Corrective action was taken.

Oregon Department of Fish and Wildlife

Finding 07-17: Lack of Reconciliation for Hunter and Angler Licenses

Recommendation: Department management should strengthen its controls over license sales by reconciling cash register sales to the Point of Sale (POS) licensing system to ensure that revenues have been received for all sales.

Status: Partial corrective action was taken. The agency's response is as follows:

With an investment of staff resources that are not available, the transactions input into the register and the POS licensing system could be reconciled. Both are tracked with a corresponding transaction identification number. Last year, the department responded that it would document and implement a sampling review of POS transactions against register transactions on a regular basis. This review would continue in lieu of reconciliation until such time resources are available or system capabilities enable a full and complete reconciliation.

Currently, the POS Accountant randomly checks reports showing cash register receipt number and the corresponding documents issued against that cash register number for both POS and non-POS transactions. The department is evaluating the number of items and how often to review. (See current year finding 08-12.)

Finding 07-18: Inadequate Procedures for Estimating Federal Revenue and Accounts Receivable

Recommendation: Department management should develop and implement policies and procedures for its federal receivables to ensure the proper reporting of current and non-current receivables and revenues in accordance with GAAP.

Status: Partial corrective action was taken. The agency's response is as follows:

The department reviewed the methodology used for fiscal year 2008 with the auditors before making the adjusting entries. This methodology will be reviewed based on actuals reported at September month close. Based on the results of that review, the methodology will be documented in a procedure format. (See current year finding 08-13.)

Finding 07-19: Lack of a Risk Assessment

Recommendation: Department management should perform an annual risk assessment to help ensure risks related to financial reporting are identified and evaluated.

Status: Corrective action was taken.

Oregon Department of Education

Finding 07-20: Inaccurate Expenditure Accruals

Recommendation: Department management should establish and implement controls to ensure expenditures are reported to the proper period in conformity with generally accepted accounting principles.

Status: Partial corrective action was taken. The agency's response is as follows:

The Department of Education understands the importance of recording expenditures and accruals properly. The department has made the following three changes:

- Created a written accrual procedure that was implemented by June 30
- Used the Service Date field in the accounting system so that payments are identified to the month goods were received, services performed or when the subrecipient incurred the costs.
- The new procedure was discussed at weekly accounting staff meetings.

Even though improvements were made, there is still one item that needs to be addressed, which is the estimating of expenditures after Month 13 closes. The department isn't able to accurately estimate post-Month 13 expenditures due to a lack of historical data. However, the department will update its accrual procedure to include a methodology to estimate expenditures and the Service Date will be used as the basis of the estimation. As historical information becomes available over time, we expect these data to contribute to our ability to more accurately estimate amounts to be accrued. (See current year finding 08-9.)

Oregon Department of Environmental Quality

Finding 07-21: Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458 Environmental Review (Material Weakness)

Recommendation: Department management should design and implement effective controls to ensure environmental reviews are completed and that public notice of projects is provided. We also recommend department management ensure department procedures established for proper administration of CWSRF monies are followed.

Status: Partial corrective action was taken. The agency's response is as follows:

Controls (Stated Environmental Review Procedures and associated internal checklists) are now in place that require documentation of approved environmental reviews. DEQ will now incorporate into those controls assurances that approved planning documents are maintained in project files.

Finding 07-22**:** Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458 Matching

Recommendation**:** Department management should design and implement effective controls to ensure matching funds of at least 20 percent are consistently provided by the date federal grant payments are received.

Status: Corrective action was taken.

Oregon Department of Education

Finding 07-23**:** Special Education Cluster, IDEA Part B, CFDA 84.027 Period of Availability

Recommendation**:** The department should implement the procedures as outlined in the department's "Grant Closure Procedures during Annual Federal Grant Closure" to ensure that additional activity cannot be charged to closed grants.

Status: Corrective action was taken.

Oregon Department of Human Services

Finding 07-24: Vocational Rehabilitation, CFDA 84.126 Allowable Costs (Material Weakness)

Recommendation: Department management should ensure all costs incurred for vocational rehabilitation services are reasonable, necessary and adequately supported.

Further, department management should ensure client files include adequate documentation of decisions made regarding the allowability of expenditures.

Status: Partial corrective action was taken. The agency's response is as follows:

The Office of Vocational Rehabilitation Services is currently providing staff training as a part of the Oregon Rehabilitation Case Automation 5 (ORCA) system roll out. Every staff person in the state is being trained and provided a new ORCA users manual which includes clarified instructions regarding vehicle modification documentation and purchase documentation. Training began in June and will be completed in September. Subsequent to this training, when District Field Technicians and District Business Managers provide annual branch reviews, they will be reviewing to determine if these standards are being followed.

Finding 07-25: Vocational Rehabilitation, CFDA 84.126 Equipment (Material Weakness)

Recommendation: Department management should ensure the equipment tracking database includes adequate information to comply with OMB Circular A-133 requirements. At a minimum, the department should ensure the database includes all qualifying equipment, purchase and disposal dates, temporary or permanent assignments to clients, and whether equipment is for client or department use. We also recommend department management perform a periodic inventory of vocational rehabilitation equipment.

Status: Partial corrective action was taken. The agency's response is as follows:

The Office of Vocational Rehabilitation Services (OVRS) has completed its analysis of its current tracking system and determined that it will need to be modified to comply with A-133. OVRS is currently examining the ORCA case management application to determine what modifications will be needed to automate tracking to meet the requirements.

Finding 07-26: Vocational Rehabilitation, CFDA 84.126 Allowable Costs

Recommendation**:** Department management should ensure employees are aware of the policy related to transportation provisions and that adequate documentation is maintained, including mileage logs.

Status: Partial corrective action was taken. The agency's response is as follows:

The Office of Vocational Rehabilitation Services is currently providing staff training as a part of the ORCA 5 system roll out. Every staff person in the state is being trained and provided a new ORCA users manual which includes clarified instructions regarding vehicle modification documentation and purchase documentation. Training began in June and will be completed in September 2008. Subsequent to this training, when District Field Technicians and District Business Managers provide annual branch reviews, they will be reviewing to determine if these standards are being followed.

Finding 07-27: Vocational Rehabilitation, CFDA 84.126 Eligibility

Recommendation**:** Department management should ensure eligibility is determined or eligibility extensions are filed within 60 days of a client's application. We also recommend the department retain sufficient documentation to support eligibility determinations.

Status: Corrective action was taken.

Oregon Commission for the Blind

Finding 07-28: Vocational Rehabilitation, CFDA 84.126 Eligibility (Material Weakness)

Recommendation: Commission management should rely on the medical reports and commission's medical consultant in determining whether a client's condition meets the definition of legal blindness or has a condition that will likely lead to legal blindness. Furthermore, we recommend commission management review their current practice and ensure that it is consistent with their state plan, administrative rules and policy manuals.

Status: Corrective action was taken.

Finding 07-29**:** Vocational Rehabilitation, CFDA 84.12 Cash Management (Material Weakness)

Recommendation: Commission management should ensure federal vocational rehabilitation funds are expended within three business days of receipt. If necessary, the commission should consider drawing more frequently then once a month in order to comply with the federal requirement.

Status: Partial corrective action was taken. The agency's response is as follows:

The agency adjusted the days that it draws cash for payroll from the 16th of every month to the 22nd. However, the federal draw system changed during this time and processed payments quicker than the prior one. Therefore, the agency adjusted its method to drawing on the 24th or later of every month. Additionally, the agency has changed its procedures for drawing federal funds to cover other monthly expenditures and now draws funds twice per month rather than once per month to ensure federal compliance.

Finding 07-30: Vocational Rehabilitation, CFDA 84.126 Equipment (Material Weakness)

Recommendation: Commission management should ensure qualifying equipment is adequately tracked to comply with federal requirements. We also recommend the commission perform an annual inventory of vocational rehabilitation equipment.

Status: Partial corrective action was taken. The agency's response is as follows:

New equipment and inventory policies were developed and an updated inventory was developed for Federal Fiscal Year 2009.

Finding 07-31: Vocational Rehabilitation, CFDA 84.126 Allowable Costs – Payroll

Recommendation: Commission management should implement a process for administrative employees to track actual time spent on each grant so time can be properly recorded and allocated between federal programs. We also recommend that commission management develop and implement policies and procedures to ensure that amounts charged to each grant agree with commission methodologies for allocating time.

Status: Partial corrective action was taken. The agency's response is as follows:

A Cost Allocation Plan was developed and sent to the Department of Education, per a request from the Rehabilitation Services Administration. The agency recently heard back from the Department of Education in regards to the submitted Cost Allocation Plan and a revision, primarily consisting of the development of an Indirect Cost Rate, was determined. The agency is now working on establishing and implementing an Indirect Cost Rate along with its Cost Allocation Plan. A revised timeline of December 31, 2008, is being requested in order for the agency to be able to finalize the establishment of its Cost Allocation Plan and Indirect Cost Rate.

Finding 07-32:	Vocational Rehabilitation, CFDA 84.126 Allowable Costs
Recommendation:	Commission management should ensure that controls are designed, implemented and operating effectively to ensure that all payments are allowable, reasonable, and adequately supported to comply with federal and state guidelines.
Status:	Corrective action was taken.

Finding 07-33:	Vocational Rehabilitation, CFDA 84.126 Eligibility Determination
Recommendation:	Commission management should ensure eligibility is determined or eligibility extensions are files within 60 days of the client's application.
Status:	Partial corrective action was taken. The agency's response is as follows: We have a mechanism in place to monitor this issue and a performance management system to evaluate staff performance in meeting the requirement.

Finding 07-34:	Vocational Rehabilitation, CFDA 84.126 Reporting
Recommendation:	Commission management should ensure documentation is sufficient to support the categorization of expenditures on the report. Furthermore, we recommend the commission develop written procedures governing reporting.
Status:	Partial corrective action was taken. The agency's response is as follows: The director of Administrative Services participated in a training of Rehabilitation Services Administration 2 (RSA) at the 2008 RSA Fiscal and Data Management Conference. Trainers went over exactly how the report should be filled out and even stated that it is a troublesome report with much room for discrepancies. They will be changing the form in 2010. Meanwhile, during its submission in 2008, management will ensure sufficient documentation to support the categorization of expenditures on the report. Additionally, written procedures will be developed that govern the reporting. The timeline for this finding remains December 31, 2008.

Oregon Department of Human Services

Finding 07-35: Temporary Assistance for Needy Families, CFDA 93.558 Eligibility (Material Weakness)

Recommendation**:** Department management should work with the designated federal agency to determine, the allowability of providing emergency assistance after the 365 day period, whether adoption assistance subsidy payments are allowable under the state's plan, and if the department can determine eligibility based on when the client was initially removed from the home rather than six months from determining emergency assistance. We also recommend department management implement controls to ensure assistance payments are only made to clients who meet the age requirement and are within the yearly assistance limit of $25,350.

Status: Partial corrective action was taken. The department management will implement the following:

- Develop a report to track children who are over the age of 18 to ensure their Child Welfare Temporary Assistance to Needy Families-Emergency Assistance (TANF-EA) eligibility is closed appropriately. This report will be available October 1, 2008, for use by department staff.
- Research the current report being used to track cases that have exceeded the $25,350 assistance limit within 365 day period to determine why all the cases meeting this definition are not being reported. The report will be corrected by October 1, 2008, to ensure the assistance payments do not exceed the $25,350 limit. Based on the conclusion of our ongoing discussion with our designated federal agency the department management will implement any further changes required to meet our approved State Plan. Effective September 1, 2008, the department will have system modifications implemented to require staff to re-determine Child Welfare TANF-EA eligibility annually. The department will retroactively re-determine Child Welfare TANF-EA eligibility effective February 1, 2008.

Finding 07-36: Temporary Assistance for Needy Families, CFDA 93.558 Eligibility (Material Weakness)

Recommendation: Department management should consult with the designated federal agency to ensure the department's method for allocating these costs to TANF is allowable or whether the department is required to identify the specific client whose services are charged to TANF and maintain adequate eligibility documentation.

Status: Partial corrective action was taken. The agency's response is as follows:

The department has begun consultation with our designated federal agency. Based on the conclusion of this discussion, department management will implement changes to ensure funds are accurately claimed to TANF. The department has also included requirements to eliminate the coding limitations in the new child welfare system (OR-Kids, previously SACWIS). The OR-Kids system has a planned implementation date in 2010. Effective September 1, 2008, system modifications will allow Child Welfare eligibility staff to determine a child is eligible for both IV-E Foster Care and Child Welfare TANF-EA. This will allow the financial system to claim appropriately based on the child's eligibility.

Finding 07-37: Temporary Assistance for Needy Families, CFDA 93.558 Eligibility

Recommendation: Department management should take steps to ensure employees are adequately trained to understand the coding that needs to be entered in the child welfare system.

Status: Partial corrective action was taken. The agency's response is as follows:

The department provided all eligibility specialists training on the new eligibility requirements implemented 9/1/2008 (retroactive to 2/1/2008). The eligibility specialists also received refresher training in September 2008 as a reminder of the new requirements, as well as additional training in October 2008 regarding the revised procedures related to 18 year olds addressed above.

Finding 07-38: Temporary Assistance for Needy Families, CFDA 93.558 Eligibility

Recommendation: Department management should ensure income verification used for eligibility determinations is retained in accordance with department and federal requirements.

Status: Partial corrective action was taken. The agency's response is as follows:

The department provided refresher training to Child Welfare eligibility specialists in September 2008 reminding them of the requirement to document income verification in the narrative section of the eligibility form. The department will implement an internal quality assurance process including a monthly report indicating when a Child Welfare TANF-EA eligibility determination has been completed without the required narrative

effective March 2009. In addition, this eligibility criteria has been added as a required field on the new OR-Kids system

Finding 07-39: State Children's Health Insurance Program, CFDA 93.73 Eligibility (Material Weakness)

Recommendation: Department management should strengthen controls over the eligibility process to ensure that applications are complete and that income determinations are accurate and adequately supported. Further, department management should periodically remind staff of the importance of obtaining independent third party information, or questioning the applicant to verify information reported on client applications.

Status: Partial corrective action was taken. The agency's response is as follows:

The department implemented a significantly shorter version of the OHP 7210 Oregon Health Plan Application for April, 2008. The revision is several pages shorter than the prior version and emphasizes income and resource related questions by removing many other questions to separate forms. The revision further emphasizes self-employment income by specifically asking if an applicant is self-employed rather than relying on completion of a companion form to indicate self-employment. Training for the new OHP 7210 reminded eligibility workers to review for the applicant's signature. It also reminded eligibility workers to compare the information on the form to the prior application (if available) and to compare it against any other available income resources, including the Employment Department and Work Number screens.

Signature requirements were included in the March Skill Maintenance Challenge. Skill Maintenance Challenges are written by Self Sufficiency Program medical policy trainers to address identified training needs. In May a Skill Maintenance Challenge specific to income and resource verification was distributed.

In April, an Application Exercise was distributed that addressed earned income issues. Application Exercise documents are developed by the Self Sufficiency Program Accuracy Team based on issues identified through their medical case reviews. Application Exercises include a scenario pre-printed on a sample page from a DHS 415F Application for Services. Eligibility workers are guided through a review of the application scenario and are reminded how to address missing or incomplete information and narrate their actions.

Eight 2008 Accuracy Summits were conducted across the state this summer. The 2008 Accuracy Summits address program accuracy needs identified from field staff and managers, as well as program and program integrity staff. The sessions include eligibility reminders, including income and resource verification requirements.

The 'Medical Decision' training tool is currently used to assist staff in determining medical program eligibility. The department plans to automate the medical program eligibility decision process using a web-based computer system application version of the training tool.

The new application will act as a medical benefit calculator for eligibility workers. Eligibility workers will enter client information for each applicant, including income, household composition and other eligibility factors. The new application will review the eligibility factors for each medical category, including countable income, and present an eligibility decision. The first phase of the new web-based application is scheduled for implementation in June 2009. Additional application enhancements are planned for late 2009 and early 2010.

Children and Families, Self Sufficiency Program (CAF SSP) program staff are working in partnership with the Office of Information Services to modernize CAF SSP eligibility systems. In addition to updating some legacy computer systems, a more intuitive user interface will be implemented. Applicant information will be entered on a common data interface screen and the data will be used to populate other screens or systems, reducing data entry errors and improving the accuracy of the client data.

Income calculations will be automated. For example, workers will enter basic wage information and the system will perform a variety of calculations and present eligibility decisions for a number of programs. The new income calculation functionality will improve the accuracy of earned income calculations.

New imaging technology will streamline the eligibility determination process and allow workers instant access to documents, including income documentation. Use of imaging technology will reduce the amount of paper documents that can potentially be misplaced or misfiled and increase the accuracy of the information used to determine eligibility.

The modernization efforts will be implemented in phases, beginning in late 2008 and continuing throughout 2009.

Office of Private Health Partnerships

Finding 07-40: State Children's Health Insurance Program, CFDA 93.767
Eligibility and Allowable Costs (Material Weakness)

Recommendation: Department management should evaluate their review process over eligibility determinations and subsidy payment calculations to ensure the process is working as intended and payments are made only for eligible individuals. We also recommend the department strengthen its payment review process to ensure all coding changes have documented support and are appropriately approved. Further, we recommend the department recover overpayments made.

Status: Corrective action was taken.

Auditor Comment: The auditee reported corrective taken was taken. Please refer to finding 08-22 for the status of this finding.

Finding 07-41: State Children's Health Insurance Program, CFDA 93.767
Maintenance of Effort – Advance Subsidy Payments

Recommendation: Department management should consult with the Center for Medicare and Medicaid Services to determine whether it was appropriate to prepay subsidy payments to meet the maintenance of effort requirements and regarding the allowability of advance insurance premium subsidies funded with SCHIP for ineligible adults.

Status: No corrective action will be taken. The agency's explanation is as follows:

The agency operated within its contractual obligation with the Centers for Medicare and Medicaid Services (CMS). Prior to making advance subsidy payments, the Family Health Insurance Assistance Program coordinated with the Department of Human Services and the Department of Administrative Services in making this decision. The agency had multiple discussions with CMS following their receipt of the audit report as part of the November 1, 2007, waiver renewal. Agency staff reviewed the waiver document line by line with CMS staff. This decision was never raised as an issue. With implementation of the waiver renewal on November 1, 2007, Maintenance of Effort is no longer required and is no longer a consideration. (See current year finding 08-24.)

Oregon Department of Human Services

Finding 07-42: Adoption Assistance, CFDA 93.659 Allowable Costs

Recommendation: Department management should create and implement policies and procedures for the timely and adequate review of adoption assistance entries into the child welfare information system. We further recommend that department management consider reviewing adoption assistance cases entered into the child welfare information system, during the budget reduction period, to ensure payment amounts were entered correctly. Finally, we recommend the department ensure all overpayments are collected.

Status: Partial corrective action was taken. The agency's response is as follows:

The department is in the process of verifying the crosscheck database report for accuracy. The department is also in the process of identifying remaining cases with possible overpayments. (See prior year Statewide Single Audit finding 06-16).

Finding 07-43: Child Care Development Fund Cluster Allowable Costs

Recommendation: Department management ensure child care expenditures, submitted to the Oregon Employment Department for reimbursement, are allowable under the interagency agreement and are supported in the accounting records. Furthermore, if indirect costs are allocated to this federal program, department management should ensure the allocation is done in accordance with OMB Circular A-87.

Status: Corrective action was taken.

Finding 07-44: Immunization Grants, CFDA 93.268 Subrecipient Monitoring - Site Visit Protocol

Recommendation: The department should document the approved site visit protocol. This protocol should be available for review by program employees so that proper monitoring procedures are performed.

Status: Partial corrective action was taken. The agency's response is as follows:

A Site Visit Protocol, Site Visit Guide "High Risk Questions" Answer Key, and Vaccines For Children Health Educator Training Manual have all been developed. The Protocol was implemented as a pilot in February

and officially implemented in final form August 1, 2008. The Training Manual is in pilot form.

Finding 07-45: Immunization Grants, CFDA 93.268 Reporting – Cash Transaction Report Not Reviewed

Recommendation: The Department should implement procedures to ensure all reports that are submitted to regulatory agencies are reviewed and approved by applicable supervisors prior to submission.

Status: Corrective action was taken.

Finding 07-46: Medicaid Cluster Special Tests and Provisions – Automated Data Process

Recommendation: Department management should ensure that the ADP risk analysis and system security reviews are conducted at least every two years, as required.

Status: Partial corrective action was taken. The agency's response is as follows:

The implementation date of the Replacement MMIS has been extended until the fourth quarter of 2008. A system certification is required and should include a security assessment. If not, the department will schedule a security assessment immediately, followed by an additional security assessment every two years. The anticipated completion date is June 30, 2009.

Finding 07-47: Medicaid Cluster - Cash Management

Recommendation: Department management should apply the check clearance pattern to all applicable Medicaid expenditures. Additionally, the department should work with the federal government to determine the amount of interest owed for state fiscal year 2007.

Status: Corrective action was taken.

Finding 07-48: Medicaid Cluster - Special Tests and Provisions – Provider Eligibility

Recommendation: Department management should implement procedures to ensure current licenses are maintained for all providers receiving Medicaid payments.

Status: Partial corrective action was taken. The agency's response is as follows:

The situation has been corrected. Beginning in November 2007, the department manually sent letters to new providers whose licenses would expire within 60 days. New providers who did not respond by sending a copy of their renewed license were business terminated as a DHS provider. These providers could be reactivated back to their license renewal effective date once a copy of the renewed license is received.

Beginning December 2008, the department's replacement Medicaid Management Information System (MMIS) tracks current license expiration dates and automatically generates demand letters to providers 90 days (and 30 days if necessary) in advance of the expiration date. Providers who do not maintain a required license and/or provide a copy of their renewed license are business terminated as a DHS provider.

For providers licensed by the Oregon Medical Board, the Oregon Board of Nursing, and the Oregon Board of Pharmacy, the new MMIS also has a direct interface with databases maintained by those boards. The Oregon Board of Pharmacy interface runs monthly, while the Oregon Medical Board and Oregon Board of Nursing interfaces run weekly. These interfaces are run to match the boards' license expiration date information with the provider enrollment files in MMIS. If the board has updated a license, the provider's file will be revised to reflect the new expiration date. If a board interface returns an expired license date, the system will automatically business terminate the provider.

Finding 07-49: Medicaid Cluster Child Care Development Fund Cluster
State Children's Health Insurance Program
Temporary Assistance for Needy Families
Vocational Rehabilitation - Procurement, Suspension, and Debarment

Recommendation: Department management should ensure that contracting procedures are adhered to and the review for suspension and debarment is documented in accordance with department policy.

Status: Partial corrective action was taken. The agency's response is as follows:

The Office of Contracts and Procurement (OCP) manager facilitated a workgroup regarding these issues. The work group recommended updates to Procedure 31 Federal Debarment and Suspension, and recommended a contract check list not be created.

The debarment procedure was updated August 1, 2008 to include printing the debarment check and placing this documentation in the contract file. An email was sent to all OCP staff explaining the change required for debarment checking with the updated procedure attached. It was determined the contract checklist would create additional, unnecessary work.

Finding 07-50: Medicaid Cluster, Child Care Development Fund Cluster, State Children's Health Insurance Program, Temporary Assistance for Needy Families, Adoption Assistance, Vocational Rehabilitation Allowable Costs - Cost Allocation

Recommendation: Department management should design and implement internal control procedures over the cost allocation process to ensure that indirect costs are allocated in accordance with the department's federally approved cost allocation plan. We recommend department management determine the effect of the errors identified above and make appropriate corrections to the cost allocation plan.

Status: Partial corrective action was taken. The agency's response is as follows:

Financial Services has hired a contractor to start the development of an integrated database to manage the cost allocation process. That contract runs through year-end 2008. The goal of the project is to create a tool that has data that is reconcilable to the State Financial Management Application, reduces or eliminates the use of imported spreadsheets, provides a consistent process that agrees with the approved cost allocation plan, and generates a log to document when and if changes or deviations should occur in the process so that management can take action if needed to rectify.

Finding 06-2: Lack of Documentation (Material Weakness)

Recommendation: Department management should ensure adequate supporting documentation is maintained for all recorded transactions.

Status: Partial corrective action was taken. The agency's response is as follows:

The department continues to work with the Department of Administrative Services (DAS) regarding the state policy requirement for Personnel Action Forms to be filed in personnel files even those auto generated by DAS for cost of living increases.

As part of the department's Transformation Initiative, the department has designated initiative #OX7 (program integrity) as its highest priority cross organizational initiative. In addition, individual divisions are conducting events that will focus on improving documentation to support eligibility determination and supporting financial transactions. This will be an on-going process improvement effort.

Finding 06-3: Weakness in Cash Controls (Material Weakness)

Recommendation: Department management should continue taking steps to ensure all cash account reconciliations are performed regularly and timely. We recommend management perform timely reviews of the reconciliations and ensure reconciling items are appropriate. Further, we recommend department management ensure that all suspense account balances are included in the cash balance at June 30.

Status: Partial corrective action was taken. The agency's response is as follows:

The department sees this as an on-going process improvement effort. We continue to improve the training provided to new reconciliation staff and are working with the Office of Information Services to develop improved reports to aid the reconciliation process. The timeliness and accuracy of the reconciliation reports continues to improve as reflected in our performance metrics. Reconciliation timeliness increased from 81percent in May 2007 to 97 percent in May 2008. During that same period there was continued staff turnover and increased reconciliation activity (three additional active treasury accounts).

Finding 06-4: Lack of Knowledge, Skills and Abilities (Material Weakness)

Recommendation: Department management should ensure personnel have the requisite knowledge, skills, and abilities to accurately perform their assigned duties.

Status: Partial corrective action was taken. The agency's response is as follows:

The department considers this an on-going process as new employees are hired and existing employees transition into new positions. With implementation of the Lean Daily Management System we continue to assess staff skills and knowledge base and provide a training development plan to support the employee assessment. The department has also created a baseline assessment and benchmarking of our current financial organization.

Oregon Department of State Lands

Finding 06-6: Unclaimed Property System (UPS) Not Reconciled to SFMA

Recommendation: Department management should research and correct errors within UPS so the underlying detailed data fully support the financial accounting information reported by the department. Once this recommendation is implemented, we recommend the department proceed by performing regular reconciliations between UPS and State Financial Management Application (SFMA) to identify and correct errors in a timely manner.

Status: Partial corrective action was taken. The agency's response is as follows: The agency has completed reconciliations of receipts and disbursements for fiscal year 2007 and fiscal year 2008. Fiscal year 2008 adjustments were made during year-end closing. Fiscal year 2007 adjustments will be made in the current fiscal year.

The reconciliation of receipts and disbursements is now completed regularly and adjusting entries are made as needed to ensure that underlying detail records balance to the department's financial records going forward.

The agency has not reconciled the overall system balances. The two systems have been out of balance for over 15 years and through four UPS program conversions. The Department will make an adjustment to UPS to balance the difference between SFMA and UPS.

Oregon Department of Transportation

Finding 06-7: Infrastructure Accounting

Recommendation: The department should:

1. develop a methodology to remove the cost and associated mileage of the replaced roadway surface and its associated accumulated depreciation for all project types
2. develop a methodology to update the useful life of the highway system as a result of ongoing road construction
3. re-evaluate the appropriateness of the depreciation percentage originally recorded for infrastructure in 2002
4. determine if a prior period adjustment is appropriate, and develop a methodology to monitor the depreciation rate of the highway system to ensure it does not become fully depreciated and more appropriately reflects the value of the asset.

Status: Partial corrective action was taken. The agency's response is as follows:

The department has evaluated some project types and documented the methodology. Some adjustments have been made. The department will be completing a review/analysis for the remaining project types.

The department has reviewed the original entry and subsequent entries associated with depreciation and accumulated depreciation to determine the best way to address the rapid rate of depreciation to ensure the highway system does not become fully depreciated. The department determined previous entries for construction in progress were incorrect. Prior period entries were made in FY08 to correct those previous errors and the methodology has been changed to rectify the situation. We believe this should help to resolve the issue of rapid depreciation.

Oregon Office of Private Health Partnerships

Finding 06-12: State Children's Insurance Program, CFDA 93.767
Eligibility and Allowable Activities (Material Weakness)

Recommendation: Department management should implement a quality control or monitoring process over eligibility processes and subsidy payment calculations. We also recommend the department ensure all changes made are clearly documented. Finally, we recommend the department work with the federal government to resolve and correct the errors identified.

Status: Corrective action was taken.

Oregon Department of Human Services

Finding 06-16: Adoption Assistance, CFDA 93.659
Eligibility (Material Weakness)

Recommendation: Department management should correct the above 24 cases and work with the federal government to resolve the financial ramifications of these errors. In addition, we recommend the department review coding entries in the Integrated Information System to verify the correct code is entered and ensure the department is not inappropriately billing the Federal government for ineligible clients.

Status: Corrective action was taken.

Oregon Department of Community Colleges and Workforce Development

Finding 06-21: Workforce Investment Act Cluster
Cash Management

Recommendation: The department should thoroughly review the requests for federal funds and ensure that requests for federal funds are adequately supported, and the requests agree to expenditures already made.

Status: Corrective action was taken.

Oregon Department of Environmental Quality

Finding 06-23: Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458 Lack of Public Notice Documentation

Recommendation: Department management should ensure required environmental review procedures, including notice to the public of proposed projects, are followed. Additionally, management should ensure that all necessary documentation is retained in project files for the duration of the loan process.

Status: Partial corrective action was taken. The agency's response is as follows:

The documentation of the public notice of the availability of the environmental review is being emphasized within the program and the internal checklist is being revised to highlight this requirement.