

Statement of Activities
For the Year Ended June 30, 2004
(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
Education	\$ 3,485,891	\$ 16,017	\$ 497,284	\$ -	\$ (2,972,590)
Human Resources	4,276,235	139,353	2,690,398	-	(1,446,484)
Public Safety	857,643	138,377	120,494	3,896	(594,876)
Economic and Community Development	296,497	22,560	253,638	-	(20,299)
Natural Resources	488,514	252,952	137,939	604	(97,019)
Transportation	1,410,741	106,598	376,104	1,369	(926,670)
Consumer and Business Services	388,336	152,899	9,740	-	(225,697)
Administration	2,693,591	94,970	291,804	-	(2,306,817)
Legislative	25,480	2,802	6	-	(22,672)
Judicial	239,773	78,870	1,073	-	(159,830)
Interest on Long-term Debt	164,461	-	-	-	(164,461)
Total Governmental Activities	<u>14,327,162</u>	<u>1,005,398</u>	<u>4,378,480</u>	<u>5,869</u>	<u>(8,937,415)</u>
Business-type Activities:					
Housing and Community Services	88,653	70,617	4,819	-	(13,217)
Veterans' Loan	59,106	33,397	13,339	-	(12,370)
Lottery Operations	494,628	892,672	-	-	398,044
Unemployment Compensation	1,106,005	726,680	316,435	-	(62,890)
University System	1,617,687	735,556	570,531	-	(311,600)
Other Business-type Activities	442,676	403,652	3,470	-	(35,554)
Total Business-type Activities	<u>3,808,755</u>	<u>2,862,574</u>	<u>908,594</u>	<u>-</u>	<u>(37,587)</u>
Total Primary Government	<u>\$ 18,135,917</u>	<u>\$ 3,867,972</u>	<u>\$ 5,287,074</u>	<u>\$ 5,869</u>	<u>\$ (8,975,002)</u>
Component Units:					
SAIF Corporation	\$ 463,068	\$ 338,805	\$ 268,064	\$ -	\$ 143,801
Oregon Health and Science University	1,108,561	696,038	491,948	35,174	114,599
Oregon University System Foundations	105,730	8,574	211,419	-	114,263
Total Component Units	<u>\$ 1,677,359</u>	<u>\$ 1,043,417</u>	<u>\$ 971,431</u>	<u>\$ 35,174</u>	<u>\$ 372,663</u>

(continued on next page)

Statement of Activities
For the Year Ended June 30, 2004
(In Thousands)
(continued from previous page)

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in Net Assets:				
Net (Expense) Revenue	\$ (8,937,415)	\$ (37,587)	\$ (8,975,002)	\$ 372,663
General Revenues:				
Taxes:				
Personal Income Taxes	4,294,369	-	4,294,369	-
Corporate Income Taxes	314,510	-	314,510	-
Tobacco Taxes	252,885	-	252,885	-
Other Taxes	412,531	13,666	426,197	-
Restricted for Transportation Purposes:				
Motor Fuels Taxes	406,317	-	406,317	-
Weight Mile Taxes	224,078	-	224,078	-
Vehicle Registration Taxes	165,270	-	165,270	-
Restricted for Workers' Compensation Benefits:				
Employer-employee Taxes	249,822	-	249,822	-
Total Taxes	6,319,782	13,666	6,333,448	-
Unrestricted Investment Earnings	11,134	-	11,134	-
Contributions to Permanent Funds	4,701	-	4,701	-
Capital Contributions	389	660	1,049	-
Special Items	-	21,868	21,868	-
Transfers - Internal Activities	(44,272)	44,272	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	6,291,734	80,466	6,372,200	-
Change in Net Assets	(2,645,681)	42,879	(2,602,802)	372,663
Net Assets - Beginning	10,403,125	3,256,770	13,659,895	1,255,973
Cumulative Effect of Change in Accounting Principles	-	-	-	741,887
Prior Period Adjustments	(26,115)	10,198	(15,917)	50,726
Net Assets - Beginning - As Restated	10,377,010	3,266,968	13,643,978	2,048,586
Net Assets - Ending	\$ 7,731,329	\$ 3,309,847	\$ 11,041,176	\$ 2,421,249

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004
(In Thousands)

	<u>General</u>	<u>Health and Social Services</u>	<u>Public Transportation</u>
Revenues:			
Personal Income Taxes	\$ 4,278,734	\$ -	\$ -
Corporate Income Taxes	314,365	-	-
Tobacco Taxes	49,371	201,786	-
Motor Fuels Taxes	-	-	406,026
Weight-Mile Taxes	-	-	225,491
Employer-Employee Taxes	-	-	-
Vehicle Registration Taxes	-	-	165,270
Other Taxes	130,595	80,170	1,415
Licenses and Fees	22,479	29,710	43,259
Federal	-	2,252,777	469,073
Charges for Services	3,327	83,037	48,961
Fines and Forfeitures	5,681	684	4,264
Rents and Royalties	-	26	3,946
Investment Income	11,134	3,383	9,464
Sales	2,018	3,483	5,682
Donations and Grants	2	2,251	202
Contributions to Permanent Funds	-	-	-
Tobacco Settlement Proceeds	-	72,065	-
Pension Bond Debt Service Assessments	-	-	-
Other	7,873	186,532	5,973
Total Revenues	4,825,579	2,915,904	1,389,026
Expenditures:			
Current:			
Education	2,834,681	-	-
Human Resources	1,104,912	2,708,382	-
Public Safety	553,831	-	-
Economic and Community Development	4,823	-	-
Natural Resources	41,661	-	-
Transportation	3,920	7,784	1,247,874
Consumer and Business Services	5,403	70,767	-
Administration	109,359	125,174	115,212
Legislative	23,097	-	-
Judicial	198,833	469	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	28,651	-	-
Interest	33,383	-	-
Other Debt Service	631	499	-
Total Expenditures	4,943,185	2,913,075	1,363,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,606)	2,829	25,940
Other Financing Sources (Uses):			
Transfers from Other Funds	107,888	61,790	-
Transfers to Other Funds	(471,129)	(107,959)	(56,152)
Long-Term Debt Issued	-	103,115	-
Debt Issuance Premium	-	1,586	-
Debt Issuance Discount	-	-	-
Refunded Debt Issued	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(363,241)	58,532	(56,152)
Net Change in Fund Balances	(480,847)	61,361	(30,212)
Fund Balances - Beginning	102,361	167,447	453,222
Prior Period Adjustments	31,967	1,226	90
Fund Balances - Beginning - As Restated	134,328	168,673	453,312
Change in Reserve for Inventories	1,789	820	(954)
Fund Balances - Ending	\$ (344,730)	\$ 230,854	\$ 422,146

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

	<u>Environmental Management</u>	<u>Other</u>	<u>Total</u>
\$	-	\$ -	\$ 4,278,734
	-	-	314,365
	-	-	251,157
	-	-	406,026
	-	-	225,491
	-	250,866	250,866
	-	-	165,270
	16,914	182,386	411,480
	104,510	112,651	312,609
	119,077	1,392,721	4,233,648
	18,825	60,335	214,485
	550	105,012	116,191
	925	2,347	7,244
	12,764	39,849	76,594
	92,869	7,853	111,905
	1,562	8,392	12,409
	-	4,701	4,701
	-	-	72,065
	-	21,579	21,579
	19,159	69,085	288,622
	<u>387,155</u>	<u>2,257,777</u>	<u>11,775,441</u>
	-	650,236	3,484,917
	-	456,268	4,269,562
	-	288,656	842,487
	-	293,831	298,654
	410,164	32,585	484,410
	-	6,896	1,266,474
	-	262,801	338,971
	1	313,799	663,545
	-	2,084	25,181
	-	39,855	239,157
	-	32,576	32,576
	-	57,085	85,736
	1	131,077	164,461
	178	9,465	10,773
	<u>410,344</u>	<u>2,577,214</u>	<u>12,206,904</u>
	(23,189)	(319,437)	(431,463)
	103,451	1,019,713	1,292,842
	(59,568)	(2,718,669)	(3,413,477)
	3,000	2,118,705	2,224,820
	-	14,763	16,349
	(1)	(125)	(126)
	7,885	119,692	127,577
	(7,736)	(136,470)	(144,206)
	<u>47,031</u>	<u>417,609</u>	<u>103,779</u>
	<u>23,842</u>	<u>98,172</u>	<u>(327,684)</u>
	545,195	1,045,148	2,313,373
	(167)	(5,844)	27,272
	545,028	1,039,304	2,340,645
	1,176	(399)	2,432
\$	\$ 570,046	\$ 1,137,077	\$ 2,015,393

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004
(In Thousands)

Business-type Activities — Enterprise Funds

	Housing and Community Services	Veterans' Loan	Lottery Operations
Operating Revenues:			
Assessments	\$ -	\$ -	\$ -
Licenses and Fees	2,199	440	-
Federal	-	-	-
Charges for Services	2,278	2,898	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	494	-
Sales	-	-	893,130
Loan Interest Income	65,650	28,483	-
Investment Income	4,820	13,339	-
Gifts, Grants and Contracts	-	-	-
Other	153	588	-
Gain (Loss) on Foreclosed Property	337	493	-
Total Operating Revenues	75,437	46,735	893,130
Operating Expenses:			
Salaries and Wages	5,360	5,876	24,700
Services and Supplies	6,827	9,882	240,020
Cost of Goods Sold	-	-	-
Distributions to Other Governments	439	-	-
Special Payments	836	-	226,033
Bond and COP Interest	71,466	44,537	-
Other Debt Service	3,483	293	-
Depreciation and Amortization	123	409	4,420
Bad Debt Expense	137	(1,657)	-
Total Operating Expenses	88,671	59,340	495,173
Operating Income (Loss)	(13,234)	(12,605)	397,957
Nonoperating Revenues (Expenses):			
Investment Income (Loss)	-	-	(34)
Other Taxes	-	-	-
Other Nonoperating Items	-	-	(423)
Gain (Loss) on Disposition of Assets	-	-	-
Loan Interest Expense	(175)	-	-
Total Nonoperating Revenues (Expenses)	(175)	-	(457)
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(13,409)	(12,605)	397,500
Capital Contributions	-	-	-
Special Items	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(457)	-	(386,670)
Change in Net Assets	(13,866)	(12,605)	10,830
Net Assets - Beginning	166,502	139,354	75,000
Prior Period Adjustments	-	-	(830)
Net Assets - Beginning - As Restated	166,502	139,354	74,170
Net Assets - Ending	\$ 152,636	\$ 126,749	\$ 85,000

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

Business-type Activities — Enterprise Funds

<u>Unemployment Compensation</u>	<u>University System</u>	<u>Other</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 721,841	\$ -	\$ -	\$ 721,841	\$ -
-	-	3,344	5,983	-
262,121	479,951	606	742,678	-
-	432,363	63,268	500,807	209,949
2,213	-	500	2,713	-
-	-	2,292	2,786	30,700
-	217,353	306,051	1,416,534	12,421
-	-	24,120	118,253	-
54,314	18,370	2,845	93,688	-
-	72,210	19	72,229	4
2,625	12,943	5,067	21,376	7,653
-	-	-	830	-
<u>1,043,114</u>	<u>1,233,190</u>	<u>408,112</u>	<u>3,699,718</u>	<u>260,727</u>
-	884,113	155,585	1,075,634	85,492
437	635,739	71,012	963,917	136,759
-	-	154,710	154,710	19,038
24,960	-	38,666	64,065	-
1,082,910	-	451	1,310,230	-
-	33,302	18,143	167,448	6,012
-	-	217	3,993	11
-	67,495	3,437	75,884	17,148
-	-	237	(1,283)	-
<u>1,108,307</u>	<u>1,620,649</u>	<u>442,458</u>	<u>3,814,598</u>	<u>264,460</u>
<u>(65,193)</u>	<u>(387,459)</u>	<u>(34,346)</u>	<u>(114,880)</u>	<u>(3,733)</u>
-	-	-	(34)	1,989
-	-	13,666	13,666	-
-	72,897	-	72,474	-
-	1,662	(64)	1,598	872
-	-	(151)	(326)	(47)
-	<u>74,559</u>	<u>13,451</u>	<u>87,378</u>	<u>2,814</u>
(65,193)	(312,900)	(20,895)	(27,502)	(919)
-	651	9	660	-
-	-	21,868	21,868	-
225	357,162	207,388	564,775	3,682
<u>(20,748)</u>	<u>(14,121)</u>	<u>(99,501)</u>	<u>(521,497)</u>	<u>(33,815)</u>
<u>(85,716)</u>	<u>30,792</u>	<u>108,869</u>	<u>38,304</u>	<u>(31,052)</u>
<u>1,519,731</u>	<u>1,013,016</u>	<u>348,022</u>	<u>3,261,625</u>	<u>170,041</u>
-	-	11,028	10,198	(3,154)
<u>1,519,731</u>	<u>1,013,016</u>	<u>359,050</u>	<u>3,271,823</u>	<u>166,887</u>
<u>\$ 1,434,015</u>	<u>\$ 1,043,808</u>	<u>\$ 467,919</u>	<u>\$ 3,310,127</u>	<u>\$ 135,835</u>

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

	4,575
Change in net assets of business-type activities	<u>\$ 42,879</u>

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004
(In Thousands)

	<u>Pension</u> <u>Trust</u>	<u>Private</u> <u>Purpose</u> <u>Trust</u>	<u>Investment</u> <u>Trust</u>
ADDITIONS			
Contributions:			
Employer	\$ 3,209,873	\$ -	\$ -
Employee	516,373	-	-
Other Sources	23,763	-	-
Total Contributions	<u>3,750,009</u>	-	-
Investment Income:			
Net Appreciation in Fair Value of Investments	6,405,892	107,012	-
Interest, Dividends and Other Investment Income	1,099,528	14,052	57,773
Total Investment Income	<u>7,505,420</u>	<u>121,064</u>	<u>57,773</u>
Less Investment Expense	221,338	263	16,314
Net Investment Income	<u>7,284,082</u>	<u>120,801</u>	<u>41,459</u>
Licenses and Fees	-	897	-
Charges for Services	-	90	-
Fines and Forfeitures	-	16	-
Rents and Royalties	-	3,171	-
Sales	-	54	-
Gifts, Grants and Contracts	-	470	-
Other Income	1,458	11,751	-
Share Transactions:			
Participant Contributions	-	-	12,441,523
Participant Withdrawals	-	-	12,422,651
Net Share Transactions	<u>-</u>	<u>-</u>	<u>18,872</u>
Transfers from Other Funds	-	16,285	-
Total Additions	<u>11,035,549</u>	<u>153,535</u>	<u>60,331</u>
DEDUCTIONS			
Pension Benefits	2,550,754	-	-
Death Benefits	8,610	-	-
Contributions Refunded	42,193	-	-
Healthcare Premium Subsidies	107,187	-	-
Distributions to Participants	-	-	50,558
Administrative Expenses	30,855	14,504	-
Payments in Accordance with Trust Agreements	-	15,906	-
Transfers to Other Funds	-	9,290	-
Total Deductions	<u>2,739,599</u>	<u>39,700</u>	<u>50,558</u>
Change in Net Assets Held in Trust For:			
Employees' Pension Benefits	8,172,164	-	-
Employees' Postemployment Healthcare Benefits	28,570	-	-
External Investment Pool Participants	-	-	9,773
Individuals, Organizations and Other Governments	95,216	113,835	-
Net Assets - Beginning	37,735,817	589,551	3,323,231
Prior Period Adjustments	-	(643)	-
Net Assets - Beginning - As Restated	<u>37,735,817</u>	<u>588,908</u>	<u>3,323,231</u>
Net Assets - Ending	<u>\$ 46,031,767</u>	<u>\$ 702,743</u>	<u>\$ 3,333,004</u>

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, 2004
(In Thousands)**

	<u>SAIF Corporation</u>	<u>Oregon Health and Science University</u>	<u>Oregon University System Foundations</u>
Operating Revenues:			
Charges for Services	\$ -	\$ 631,040	\$ 2,913
Rents and Royalties	-	-	125
Sales	-	18,079	109
Premiums Earned (net)	312,051	-	-
Investment Income (net)	268,064	-	87,949
Gifts, Grants and Contracts	-	404,597	123,470
Auxiliary Enterprises (net)	-	10,384	-
Other	26,754	36,535	5,427
Total Operating Revenues	<u>606,869</u>	<u>1,100,635</u>	<u>219,993</u>
Operating Expenses:			
Salaries and Wages	-	622,967	218
Services and Supplies	-	375,973	104,977
Loss and Loss Adjustment Expense	375,725	-	-
Policyholders' Dividends	1,890	-	-
Underwriting Expenses	83,814	-	-
Bond and COP Interest	-	16,779	-
Depreciation and Amortization	-	70,463	532
Bad Debt Expense	-	21,861	-
Other Expenses	1,639	-	-
Total Operating Expenses	<u>463,068</u>	<u>1,108,043</u>	<u>105,727</u>
Operating Income (Loss)	<u>143,801</u>	<u>(7,408)</u>	<u>114,266</u>
Nonoperating Revenues (Expenses):			
Investment Income	-	44,401	-
Gain (Loss) on Disposition of Assets	-	(518)	(3)
State Appropriations	-	42,950	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>86,833</u>	<u>(3)</u>
Income (Loss) Before Capital Contributions	<u>143,801</u>	<u>79,425</u>	<u>114,263</u>
Capital Contributions	<u>-</u>	<u>35,174</u>	<u>-</u>
Change in Net Assets	<u>143,801</u>	<u>114,599</u>	<u>114,263</u>
Net Assets - Beginning	<u>363,188</u>	<u>892,785</u>	<u>-</u>
Cumulative Effect of Change in Accounting Principles	<u>-</u>	<u>-</u>	<u>741,887</u>
Prior Period Adjustments	<u>50,726</u>	<u>-</u>	<u>-</u>
Net Assets - Beginning - As Restated	<u>413,914</u>	<u>892,785</u>	<u>741,887</u>
Net Assets - Ending	<u>\$ 557,715</u>	<u>\$ 1,007,384</u>	<u>\$ 856,150</u>

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

<u>Total</u>	<u>Adjustments to Recast</u>	<u>Statement of Activities</u>
\$ 633,953	\$ 409,464	\$ 1,043,417
125	(125)	-
18,188	(18,188)	-
312,051	(312,051)	-
356,013	(356,013)	-
528,067	443,364	971,431
10,384	(10,384)	-
68,716	(68,716)	-
<u>1,927,497</u>	<u>87,351</u>	<u>2,014,848</u>
623,185	-	623,185
480,950	-	480,950
375,725	-	375,725
1,890	-	1,890
83,814	-	83,814
16,779	-	16,779
70,995	-	70,995
21,861	-	21,861
1,639	521	2,160
<u>1,676,838</u>	<u>521</u>	<u>1,677,359</u>
<u>250,659</u>	<u>86,830</u>	<u>337,489</u>
44,401	(44,401)	-
(521)	521	-
42,950	(42,950)	-
<u>86,830</u>	<u>(86,830)</u>	<u>-</u>
337,489	-	337,489
35,174	-	35,174
372,663	-	372,663
1,255,973	-	1,255,973
741,887	-	741,887
50,726	-	50,726
<u>2,048,586</u>	<u>-</u>	<u>2,048,586</u>
<u>\$ 2,421,249</u>	<u>\$ -</u>	<u>\$ 2,421,249</u>

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

	Beginning Balance 7/1/02	Receipts 7/1/02 - 6/30/04	Total Available	Disbursements 7/1/02 - 6/30/04	Ending Balance 6/30/04
Department of Higher Education Suspense Accounts	\$132,894,503.36	\$2,213,153,219.04	\$2,346,047,722.40	\$2,132,809,166.76	\$213,238,555.64